UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

(**X**) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number **1-9035**

POPE RESOURCES, A DELAWARE
LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

Delaware	**91-1313292**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

19950 7th Avenue NE, Suite 200, Poulsbo, WA 98370
Telephone: **(360) 697-6626**
(Address of principal executive offices including zip code)
(Registrant’s telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filero	Accelerated Filerx
Non-accelerated Filero	Smaller Reporting Companyo

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yeso No x

Partnership units outstanding at April 30, 2015: 4,336,323

Pope Resources
Index to Form 10-Q Filing
For the three Months Ended March 31, 2015

Description		Page Number
Part I. Financial Information		
Item 1 Financial Statements (unaudited)		
Condensed Consolidated Balance Sheets		4
Condensed Consolidated Statements of Comprehensive Income		5
Condensed Consolidated Statements of Cash Flows		6
Notes to Condensed Consolidated Financial Statements		7
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations		12
Item 3. Quantitative and Qualitative Disclosures about Market Risk		27
Item 4. Controls and Procedures		27
Part II. Other Information		
Item 1. Legal Proceedings		28
Item 1A. Risk Factors		28
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds		32
Item 3. Defaults Upon Senior Securities		32
Item 4. Submission of Matters to a Vote of Security Holders		32
Item 5. Other Information		32
Item 6. Exhibits		32
Signatures		33

P A R T I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
Pope Resources, a Delaware Limited Partnership
March 31, 2015 and December 31, 2014
(in thousands)

	2015	2014
ASSETS		
Current assets		
Partnership cash and cash equivalents	$ 16,476	$ 14,505
ORM Timber Funds cash	9,629	9,523
Cash and cash equivalents	26,105	24,028
Short-term investments	-	1,000
Accounts receivable, net	1,996	2,419
Land held for sale	4,493	7,160
Prepaid expenses and other	5,578	2,873
Total current assets	38,172	37,480
Properties and equipment, at cost		
Timber and roads, net of accumulated depletion (2015 - 96,570; 2014 - $93,359)	226,721	227,144
Timberland	48,272	47,933
Land held for development	27,389	26,040
Buildings and equipment, net of accumulated depreciation (2015 - $6,990; 2014 - $6,849)	6,034	6,039
Total property and equipment, at cost	308,416	307,156
Other assets	526	441
Total assets	$ 347,114	$ 345,077
LIABILITIES, PARTNERS' CAPITAL AND NONCONTROLLING INTERESTS		
Current liabilities		
Accounts payable	$ 1,005	$ 1,293
Accrued liabilities	2,798	3,196
Current portion of long-term debt	5,110	5,109
Deferred revenue	867	668
Current portion of environmental remediation liability	4,600	3,700
Other current liabilities	280	248
Total current liabilities	14,660	14,214
Long-term debt, net of current portion	84,844	84,872
Environmental remediation and other long-term liabilities	16,907	18,362
Partners' capital and noncontrolling interests		
General partners' capital (units issued and outstanding 2015 - 60; 2014 - 60)	1,081	1,003
Limited partners' capital (units issued and outstanding 2015 - 4,236; 2014 - 4,224)	68,690	63,213
Noncontrolling interests	160,932	163,413
Total partners' capital and noncontrolling interests	230,703	227,629
Total liabilities, partners' capital and noncontrolling interests	$ 347,114	$ 345,077

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
Pope Resources, a Delaware Limited Partnership
For the Three Months Ended March 31, 2015 and 2014
(in thousands, except per unit data)

	2015	2014
Revenue	$ **26,908**	$ 37,779
Cost of sales	**(14,497)**	(18,924)
Operating expenses	**(3,148)**	(3,285)
General and administrative expenses	**(1,190)**	(1,322)
Income from operations	**8,073**	14,248
Other expense		
Interest expense, net	**(745)**	(574)
Income before income taxes	**7,328**	13,674
Income tax expense	**(340)**	(157)
Net income	**6,988**	13,517
Net (income) loss attributable to noncontrolling interests - ORM Timber Funds	**821**	(1,276)
Net and comprehensive income attributable to unitholders	$ **7,809**	$ 12,241
Allocable to general partners	$ **109**	$ 167
Allocable to limited partners	**7,700**	12,074
Net and comprehensive income attributable to unitholders	$ **7,809**	$ 12,241
Basic and diluted earnings per unit attributable to unitholders	$ **1.80**	$ 2.75
Basic and diluted weighted average units outstanding	**4,295**	4,386
Distributions per unit	$ **0.65**	$ 0.55

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
Pope Resources, a Delaware Limited Partnership
Three Months Ended March 31, 2015 and 2014
(in thousands)

	2015	2014
Net income	**$ 6,988**	$ 13,517
Adjustments to reconcile net income to net cash provided by operating activities		
Depletion	**3,211**	3,437
Equity-based compensation	**338**	450
Excess tax benefit of equity-based compensation	**(5)**	-
Depreciation and amortization	**155**	178
Deferred taxes	**179**	-
Cost of land and timber sold	**4,078**	6,921
Cash flows from changes in operating accounts		
Accounts receivable, net	**423**	(1,732)
Prepaid expenses and other assets	**(2,894)**	(20)
Real estate project expenditures	**(2,586)**	(1,530)
Accounts payable and accrued liabilities	**(686)**	(1,056)
Deferred revenue	**199**	76
Environmental remediation	**(286)**	(11)
Other current and long-term liabilities	**8**	(14)
Net cash provided by operating activities	**9,122**	20,216
Cash flows from investing activities		
Maturity of short-term investments	**1,000**	-
Reforestation and roads	**(426)**	(302)
Buildings and equipment	**(136)**	(79)
Acquisition of timberland - Partnership	**(2,876)**	-
Net cash used in investing activities	**(2,438)**	(381)
Cash flows from financing activities		
Repayment of long-term debt	**(27)**	(29)
Proceeds from preferred stock issuance - ORM Timber Funds	-	125
Payroll taxes paid on unit net settlements	**(107)**	(196)
Excess tax benefit of equity-based compensation	**5**	-
Cash distributions to unitholders	**(2,818)**	(2,449)
Cash distributions - ORM Timber Funds, net of distributions to Partnership	**(1,660)**	(3,219)
Net cash used in financing activities	**(4,607)**	(5,768)
Net increase in cash and cash equivalents	**2,077**	14,067
Cash and cash equivalents at beginning of period	**24,028**	6,960
Cash and cash equivalents at end of period	**$ 26,105**	$ 21,027

See accompanying notes to condensed consolidated financial statements.

1. The condensed consolidated balance sheets as of March 31, 2015 and December 31, 2014 and the related condensed consolidated statements of comprehensive income and cash flows for the three-month periods ended March 31, 2015 and 2014 have been prepared by Pope Resources, A Delaware Limited Partnership (the "Partnership"), pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements are unaudited, but, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments and accruals) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The financial information as of December 31, 2014, is derived from the Partnership's audited consolidated financial statements and notes thereto for the year ended December 31, 2014, and should be read in conjunction with such financial statements and notes. The results of operations for the interim periods are not indicative of the results of operations that may be achieved for the entire fiscal year ending December 31, 2015.

2. The financial statements in the Partnership's 2014 annual report on Form 10-K include a summary of significant accounting policies of the Partnership and should be read in conjunction with this Quarterly Report on Form 10-Q.

   On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Partnership is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. In April 2015, the FASB proposed to delay the effective date for public companies to January 1, 2018. The Partnership has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

   On April 7, 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance costs*, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated liability. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, though early adoption is permitted, and the new guidance is to be applied on a retrospective basis. As of March 31, 2015, the Partnership has $238,000 in debt issuance costs that will be reclassified from other assets to long-term debt, net of current portion on the balance sheet when it adopts this standard.

3. The Partnership has two general partners: Pope MGP, Inc. and Pope EGP, Inc. In total, these two entities own 60,000 partnership units. The allocation of distributions, profits and losses between the general and limited partners is pro rata across all units outstanding.

4. ORM Timber Fund I, LP (Fund I), ORM Timber Fund II, Inc. (Fund II), and ORM Timber Fund III (REIT) Inc. (Fund III), collectively “the Funds”, were formed by Olympic Resource Management LLC (ORMLLC), a wholly owned subsidiary of Pope Resources, for the purpose of attracting capital to purchase timberlands. The objective of these Funds is to generate a return on investments through the acquisition, management, value enhancement and sale of timberland properties.

Each Fund has a stated term of ten years from the end of the respective investment period. If the Fund is liquidated and all assets distributed to investors before the Fund’s planned termination date, however, the fund will end earlier than planned, as is expected for Fund I. The Funds’ stated termination dates are August 2017 for Fund I, March 2021 for Fund II and the tenth anniversary of the completion of its investment period for Fund III. Fund I’s assets were sold in 2014 and the Fund is expected to terminate in 2015. Fund III’s investment period will end at the earlier of the investment of all committed capital or July 31, 2015, unless extended by a vote of the Fund investors.

Pope Resources and ORMLLC together own 20% of Fund I and Fund II and 5% of Fund III. The Funds are consolidated into the Partnership’s financial statements based in part on ORMLLC’s controlling role as the general partner or managing member of the Funds. The consolidated financial statements exclude management fees paid by the Funds to ORMLLC as they are eliminated in consolidation. See note 5 for a breakdown of operating results before and after such eliminations. The portion of these fees, among other items of income and expense, attributed to third-party investors is reflected as an adjustment to income in the Partnership’s Condensed Consolidated Statement of Comprehensive Income under the caption “Net (income) loss attributable to noncontrolling interests - ORM Timber Funds.”

The Partnership’s condensed consolidated balance sheet included assets and liabilities of the Funds as of March 31, 2015 and December 31, 2014, which were as follows:

(in thousands)	**March 31, 2015**	December 31, 2014
Assets:		
Cash	$ **9,629**	$ 9,523
Other current assets	**953**	1,108
Total current assets	**10,582**	10,631
Timber, timberland and roads, net of accumulated depletion (2015 - $29,363; 2014 - $26,738)	**227,778**	230,123
Other long-term assets	**168**	156
Total assets	$ **238,528**	$ 240,910
Liabilities and equity:		
Current liabilities excluding long-term debt	$ **2,225**	$ 1,891
Long-term debt	**57,380**	57,380
Total liabilities	**59,605**	59,271
Funds' equity	**178,923**	181,639
Total liabilities and equity	$ **238,528**	$ 240,910

5. In the presentation of the Partnership’s revenue and operating income (loss) by segment, all intersegment revenue and expense is eliminated to determine operating income (loss) reported externally. The following table reconciles internally reported income (loss) from operations to externally reported income (loss) from operations by business segment for the three months ended March 31, 2015 and 2014:

Three Months Ended March 31, (in thousands)	Fee Timber: Pope Resources Timber	Fee Timber: ORM Timber Funds	Fee Timber: Total Fee Timber	Timberland Management	Real Estate	Other	Consolidated
2015							
Revenue internal	**$ 8,872**	**$ 7,156**	**$ 16,028**	**$ 834**	**$ 10,996**	**$ -**	**$ 27,858**
Eliminations	**(82)**	**-**	**(82)**	**(834)**	**(34)**	**-**	**(950)**
Revenue external	**8,790**	**7,156**	**15,946**	**-**	**10,962**	**-**	**26,908**
Cost of sales	**(3,607)**	**(5,995)**	**(9,602)**	**-**	**(4,895)**	**-**	**(14,497)**
Operating, general and administrative expenses internal	**(1,095)**	**(1,223)**	**(2,318)**	**(811)**	**(940)**	**(1,219)**	**(5,288)**
Eliminations	**-**	**834**	**834**	**82**	**5**	**29**	**950**
Operating, general and administrative expenses external	**(1,095)**	**(389)**	**(1,484)**	**(729)**	**(935)**	**(1,190)**	**(4,338)**
Income (loss) from operations internal	**4,170**	**(62)**	**4,108**	**23**	**5,161**	**(1,219)**	**8,073**
Eliminations	**(82)**	**834**	**752**	**(752)**	**(29)**	**29**	**-**
Income (loss) from operations external	**$ 4,088**	**$ 772**	**$ 4,860**	**$ (729)**	**$ 5,132**	**$ (1,190)**	**$ 8,073**
2014							
Revenue internal	$ 11,298	$ 10,965	$ 22,263	$ 875	$ 15,699	$ -	$ 38,837
Eliminations	(154)	-	(154)	(875)	(29)	-	(1,058)
Revenue external	11,144	10,965	22,109	-	15,670	-	37,779
Cost of sales	(3,910)	(7,194)	(11,104)	-	(7,820)	-	(18,924)
Operating, general and administrative expenses internal	(1,100)	(1,559)	(2,659)	(764)	(891)	(1,351)	(5,665)
Eliminations	-	875	875	154	-	29	1,058
Operating, general and administrative expenses external	(1,100)	(684)	(1,784)	(610)	(891)	(1,322)	(4,607)
Income (loss) from operations internal	6,288	2,212	8,500	111	6,988	(1,351)	14,248
Eliminations	(154)	875	721	(721)	(29)	29	-
Income (loss) from operations external	$ 6,134	$ 3,087	$ 9,221	$ (610)	$ 6,959	$ (1,322)	$ 14,248

6. Basic and diluted earnings per unit are calculated by dividing net income attributable to unitholders, adjusted for non-forfeitable distributions paid out to unvested restricted unitholders and preferred shareholders of Fund II and Fund III, by the weighted average units outstanding during the period. There were no dilutive securities outstanding during the periods presented. The following table shows the calculation of basic and diluted income per unit:

(in thousands, except per unit amounts)	Quarter Ended March 31 2015	2014
Net income attributable to Pope Resources' unitholders	**$ 7,809**	$ 12,241
Less:		
Net income attributable to unvested restricted unitholders	**(66)**	(172)
Preferred share dividends - ORM Timber Funds	**(8)**	(8)
Net income for calculation of EPS	**$ 7,735**	$ 12,061
Basic and diluted weighted average units outstanding	**4,295**	4,386
Basic and diluted earnings per unit	**$ 1.80**	$ 2.75

7. In the first quarter of 2015, the Partnership granted 7,550 restricted units pursuant to the management incentive compensation program. These restricted units vest ratably over four years with the grant date fair value equal to the market price on the date of grant. In addition to the restricted unit grant to management, members of our Board of Directors received 4,500 restricted units. Restricted units granted to directors are not part of the management incentive compensation program, but are included in the calculation of total equity compensation expense. These awards to directors vest 50% on the third anniversary and 50% on the fourth anniversary of the date of grant. Total equity compensation expense is recognized over the vesting period. We recognized $338,000 and $450,000 of equity compensation expense in the first quarters of 2015 and 2014, respectively, related to these incentive compensation programs.

8. Supplemental disclosure of cash flow information: interest paid, net of amounts capitalized, totaled $457,000 and $311,000 for the first quarter of 2015 and 2014, respectively.

9. The Partnership’s financial instruments include cash and cash equivalents, short-term investments and accounts receivable, as well as $4.4 million of funds held in escrow included in prepaid expenses and other current assets, for which the carrying amount of each represents fair value based on current market interest rates or their short-term nature. Carrying amounts of contracts receivable, although long-term, also approximate fair value based on current market rates.

   The Partnership’s and the Funds’ fixed-rate debt collectively have a carrying value of $90.0 million as of March 31, 2015 and December 31, 2014. The estimated fair value of this debt, based on current interest rates for similar instruments (Level 2 inputs in the Fair Value Hierarchy), is approximately $97.6 million and $96.0 million, as of March 31, 2015 and December 31, 2014, respectively.

10. The Partnership had an accrual for estimated environmental remediation costs of $21.4 million and $21.7 million as of March 31, 2015 and December 31, 2014, respectively. The environmental remediation liability represents management’s estimate of payments to be made to monitor and remediate certain areas in and around the townsite/millsite of Port Gamble ($21.3 million), and at Port Ludlow ($81,000), Washington.

    The recorded liability of $21.3 million for the Port Gamble project, which consists entirely of third-party costs, represents management’s current estimate of the most likely outcome based on a combination of two estimation methodologies. For a number of years, management has employed a “Monte Carlo” statistical simulation model to determine the liability. This model takes into account the estimated likelihood of a range of potential outcomes, coupled with the estimated cost associated with those outcomes. The model then produces a range of possible outcomes corresponding to a two standard deviation range from the mean. In the case of Port Gamble, the simulation model suggests a potential range of $19.0 to $24.9 million. To validate the results of the Monte Carlo model, management has also assessed the costs based on its estimate of the likely design scenarios for the various elements of the project.

The liability recorded is based on results of the Monte Carlo model, as corroborated by this separate estimate. As the project design becomes more defined, management's evaluation of the liability will be informed increasingly by its best estimate of costs and less by the Monte Carlo model. Once the design is finalized, management anticipates that the Monte Carlo model will no longer be necessary. The recorded liability is an estimate of the Partnership's share of the total liability. As such, it is net of the amount management estimates that the Washington State Department of Natural Resources (DNR), as the other potentially liable party, will contribute as its share of the project cost. The specific allocation of costs between the Partnership and DNR has not yet been finalized.

The environmental remediation accrual also includes estimated costs related to a separate remediation effort within the resort community of Port Ludlow. The liability for this project consists primarily of ongoing monitoring activity.

The environmental liability at March 31, 2015 is comprised of $4.6 million that the Partnership expects to expend in the next 12 months and $16.8 million thereafter.

Activity in the environmental liability is as follows:

(in thousands)	Balance, beginning of Period	Additions to Accrual	Expenditures for Remediation	Balance, end of Period
Year ended December 31, 2013	$ 13,942	$ -	$ 701	$ 13,241
Year ended December 31, 2014	13,241	10,000	1,590	21,651
Quarter ended March 31, 2015	**21,651**	**-**	**286**	**21,365**

ITEM 2.

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

This report contains a number of projections and statements about our expected financial condition, operating results, and business plans and objectives. These statements reflect management's estimates based upon our current goals, in light of management's knowledge of existing circumstances and expectations about future developments. Statements about expectations and future performance are "forward looking statements" within the meaning of applicable securities laws, which describe our goals, objectives and anticipated performance. These statements can be identified by words such as "anticipate," "believe," "expect," "intend" and similar expressions. These statements are inherently uncertain, and some or all of these statements may not come to pass. Accordingly, you should not interpret these statements as promises that we will perform at a given level or that we will take any or all of the actions we currently expect to take. Our future actions, as well as our actual performance, will vary from our current expectations, and under various circumstances these variations may be material and adverse. Some of the factors that may cause our actual operating results and financial condition to fall short of our expectations are set forth in the part of this report entitled "Risk Factors" in Part II, Item 1A below. Some of the issues that may have an adverse and material impact on our business, operating results and financial condition include economic conditions that affect consumer demand for our products and the prices we receive for them both domestically and overseas, particularly in certain parts of Asia; government regulation that affects our ability to access our timberlands and harvest logs from those lands; our ability to estimate accurately the cost of our environmental remediation obligations;factors that affect the timing and amounts realized from the sales, if any, of our real estate holdings; the implications of significant indirect sales to overseas customers, including regulatory and tax matters; the effect of financial market conditions on our investment portfolio and related liquidity; environmental and land use regulations that limit our ability to harvest timber and develop property; access to debt financing by our customers as well as ourselves; the impacts of climate change and natural disasters on our timberlands and on surrounding areas; and the potential impacts of fluctuations in foreign currency rates as they affect both the competition for sales of our products and our customers' demand for them. From time to time we identify other risks and uncertainties in our other filings with the Securities and Exchange Commission. The forward-looking statements in this report reflect our estimates and expectations as of the date of the report, and unless required by law, we do not undertake to update these statements as our business operations and environment change.

This discussion should be read in conjunction with the condensed consolidated financial statements and related notes included with this report.

EXECUTIVE OVERVIEW

Pope Resources, A Delaware Limited Partnership ("we" or the "Partnership"), is engaged in three primary businesses. The first, and by far most significant segment in terms of owned assets and operations, is the Fee Timber segment. This segment includes timberlands owned directly by the Partnership and operations of the three private equity funds ("Fund I", "Fund II", and "Fund III", collectively, the "Funds"). When we refer to the timberland owned by the Partnership, we describe it as the Partnership's tree farms. We refer to timberland owned by the Funds as the Funds' tree farms. When referring collectively to the Partnership's and Funds' timberlands we will refer to them as the Combined tree farms. Operations in this segment consist of growing timber to be harvested as logs for sale to export brokers and domestic manufacturers. The second most significant business in terms of total assets owned is the development and sale of real estate. Real Estate activities primarily take the form of securing permits, entitlements, and, in some cases, installing infrastructure for raw land development and then realizing that land's value by selling larger parcels to buyers who will take the land further up the value chain, either to home buyers or to developers and lessors of commercial property. Since these projects span multiple years, the Real Estate segment may incur losses for multiple years while a project is developed, and will not recognize operating income until that project is sold. In addition, within this segment we sometimes negotiate and sell development rights in the form of conservation easements (CE's) on Fee Timber properties to preclude future development. Our third business, which we refer to as Timberland Management, is engaged in organizing and managing private equity timber funds using capital invested by third parties and the Partnership.

Our current strategy for adding timberland acreage is centered on our private equity timber fund business model. We have closed and invested capital from three timber funds, with assets under management totaling approximately $312 million as of March 31, 2015 based on the most recent appraisals. Our 20% co-investments in Funds I and II, and our 5% co-investment in Fund III, which collectively totaled $35 million at time of acquisition, afford us a share of the Funds' operating cash flows while also allowing us to earn asset management and timberland management fees, as well as potential future incentive fees, based upon the overall success of each fund. We also believe that this strategy allows us to maintain sophisticated expertise in timberland acquisition, valuation, and management more cost-effectively than we could maintain for the Partnership's timberlands alone. We believe our co-investment strategy also enhances our credibility with existing and prospective investors by demonstrating that we have both an operational and a financial commitment to the Funds' success.

The Funds are consolidated into our financial statements, but then income or loss attributable to equity owned by third parties is removed from consolidated results in our Condensed Consolidated Statements of Comprehensive Income under the caption "Net (income) loss attributable to non-controlling interests-ORM Timber Funds" to arrive at comprehensive income attributable to unitholders of the Partnership.

The challenge for our Real Estate segment centers around how and when to "harvest" parcels of our 2,600-acre portfolio in western Washington to optimize value realization by selling the property, balancing the long-term risks and costs of carrying and developing a property against the potential for income and positive cash flows upon sale.

First quarter highlights

- Harvest volume was 25 million board feet (MMBF) in Q1 2015 compared to 30 MMBF in Q1 2014, a 17% decrease. These harvest volume figures do not include timber deed sales of 0.6 MMBF sold by ORM Timber Fund III in Q1 2015. The harvest volume and log price realization metrics cited below also exclude these timber deed sales.

- Average realized log price per thousand board feet (MBF) was $609 in Q1 2015 compared to $701 per MBF in Q1 2014, a 13% decrease.

- Fund properties contributed 49% of Q1 2015 harvest volume, compared to 53% in Q1 2014.

- As a percentage of total harvest, volume sold to export markets in Q1 2015 decreased to 19% from 42% in Q1 2014, with a correspondingly larger increase in the mix of volume sold to domestic markets to 56% in Q1 2015 from 43% in Q1 2014. Pulpwood comprised 18% of the Q1 2015 harvest compared to 12% in Q1 2014.

- The percentage of total harvest comprised of Douglas-fir sawlogs dropped to 46% in Q1 2015 from 60% in Q1 2014, with an increase in the whitewood sawlog component to 24% in Q1 2015 from 22% in Q1 2014. Cedar and hardwood comprised 11% of the Q1 2015 harvest compared to 6% in Q1 2014.

- Timberland acquisitions during Q1 2015: the Partnership closed on a timberland purchase of $2.9 million, adding 578 acres to the Hood Canal tree farm portion of its timberland portfolio.

- Real estate sales closed during Q1, 2015:

    - 42 lots from our Harbor Hill project in Gig Harbor, Washington for $5.6 million.

    - $4.9 million conservation easement and land sale covering 3,607 acres in Jefferson County, Washington, of which 215 acres were sold outright and the balance subject to the easement that precludes development but allows continued timberland operations.

Outlook

We expect log prices to reach their lowest point for 2015 in the second quarter and then begin to recover late in the third quarter or early in the fourth quarter. Due to this weaker pricing environment, we now expect total annual log harvest and stumpage sale volume of between 83 and 88 MMBF for 2015 compared to our previous estimate of approximately 100 MMBF. The majority of this reduction is attributable to tree farms owned by the Funds that are located in areas more strongly influenced by the export market. Good access to logging contractors in these areas provides us confidence that we will be able to increase our harvest when markets improve. We expect that log markets will continue to be volatile over the next several quarters and this will influence our harvest decisions as the year unfolds.

Sierra Pacific Industries (SPI) and Simpson Lumber Company (Simpson) announced recently that SPI will acquire the assets of Simpson's three remaining mills in the Shelton, Washington area. In connection with this transaction, SPI will be closing the Shelton facilities in the next two months. SPI has stated that it plans to construct at least one new sawmill in the Shelton area which it expects to be operational in 2017. This follows on the heels of Swanson Group Manufacturing's acquisition of Olympic Panel Products' facility in Shelton and the purchaser's stated intention to relocate production to Oregon in the coming year. Our sales to these facilities have averaged approximately 6% of our total volume over the last three years. While we will work to redirect substantially all of this volume to other customers, the transition will take some time and introduce additional near-term market volatility, as well as reduce supply and demand tension in local log markets. These changes also will influence our harvest and haul costs to some degree as we may be required to transport logs to more distant production facilities.

In the first quarter of 2015, we closed on the sale of a number of Real Estate properties and although we expect to close on several more during the remainder of the year, the timing of these transactions could be impacted by permitting or other delays.

RESULTS OF OPERATIONS

The following table reconciles and compares key revenue and cost elements that impacted our net income for the respective quarters ended March 31, 2015 and 2014. The explanatory text that follows the table describes in detail certain of these changes by business segment.

(in thousands)	Quarter Ended March 31,
Net income attributable to Pope Resources' unitholders:	
2015 period	$ 7,809
2014 period	12,241
Variance	$ (4,432)
Detail of variance:	
Fee Timber	
Log volumes (A)	(3,730)
Log price realizations (B)	(2,258)
Timber deed sales	211
Production costs	1,245
Depletion	257
Other Fee Timber	(86)
Timberland Management	(119)
Real Estate	
Land sales	(6,021)
Conservation easement sales	4,311
Timber depletion on land sale	(39)
Other Real Estate	(78)
General & administrative costs	132
Net interest expense	(171)
Income taxes	(183)
Noncontrolling interests	2,097
Total variances	$ (4,432)

(A) Volume variance calculated by extending change in sales volume by the average log sales price for the comparison period.
(B) Price variance calculated by extending the change in average realized price by current period sales volume.

Fee Timber

Fee Timber results include operations from 111,000 acres of timberland owned by the Partnership and 80,000 acres of timberland owned by the Funds. Fee Timber revenue is earned primarily from the harvest and sale of logs from these timberlands which are located in western Washington, northwestern Oregon, and northern California. This revenue source is driven primarily by the volume of timber harvested and the average log price realized on the sale of that timber. Our volume harvested is typically based on manufactured log sales to domestic mills or log export brokers. We also occasionally sell rights to harvest timber (timber deed sale) from the Combined tree farms. The metrics used to calculate volumes sold and average price realized during the reporting periods exclude the timber deed sales, except where stated otherwise. Harvest volumes are generally expressed in million board feet (MMBF) increments while harvest revenue and related costs are generally expressed in terms of revenue or cost per thousand board feet (MBF). Fee Timber revenue is also derived from commercial thinning operations, ground leases for cellular communication towers, and royalties from gravel mines and quarries, all of which, along with timber deed sales, are included in Other Revenue below.

Revenue and operating income for the Fee Timber segment for the quarters ended March 31, 2015, December 31, 2014, and March 31, 2014 were as follows:

(in millions) Quarter ended	Log Sale Revenue	Other Revenue	Total Fee Timber Revenue	Gain on Sale of Timberland	Operating Income	Harvest Volume (MMBF)	Timber Deed Sale Volume (MMBF)
Partnership	**$ 8.3**	**$ 0.5**	**$ 8.8**	**$ -**	**$ 4.1**	**12.5**	**-**
Funds	**6.7**	**0.4**	**7.1**	**-**	**0.8**	**12.0**	**0.6**
Total March 2015	**$ 15.0**	**$ 0.9**	**$ 15.9**	**$ -**	**$ 4.9**	**24.5**	**0.6**
Partnership	$ 7.4	$ 0.5	$ 7.9	$ -	$ 3.7	11.0	-
Funds	4.3	1.0	5.3	14.6	15.1	7.4	2.1
Total December 2014	$ 11.7	$ 1.5	$ 13.2	$ 14.6	$ 18.8	18.4	2.1
Partnership	$ 10.2	$ 0.9	$ 11.1	$ -	$ 6.1	14.0	-
Funds	10.7	0.3	11.0	-	3.1	15.9	-
Total March 2014	$ 20.9	$ 1.2	$ 22.1	$ -	$ 9.2	29.9	-

Operating Income

Comparing Q1 2015 to Q4 2014. Operating income decreased $13.9 million, or 74%, from $18.8 million in Q4 2014 to $4.9 million in Q1 2015 primarily as a result of a $14.6 million gain on the sale of Fund I's Mineral tree farm in Q4 2014 that had no counterpart in Q1 2015. In addition, average realized log prices decreased 4%, and cost of sales increased 32%, from $7.3 million in Q4 2014 to $9.6 million in Q1 2015. These factors that drove reductions in operating income were offset partially by a 22% increase in harvest volume, including timber deed sales, and a $238,000 decrease in operating expenses.

Comparing Q1 2015 to Q1 2014. Operating income decreased $4.3 million, or 47%, from $9.2 million in Q1 2014 to $4.9 million in Q1 2015 primarily as a result of a 16% decrease in harvest volume, including timber deed sales, and a 13% decline in average realized log price. These factors were offset partially by a 7% decline in cost of sales and a $299,000 decrease in operating expenses.

Revenue

Comparing Q1 2015 to Q4 2014. Log sale revenue in Q1 2015 increased $3.3 million, or 28%, from $11.7 million in Q 2014 to $15.0 million in Q1 2015. The increase is attributable to a 33% increase in harvest volume, offset partially by a 4% decrease in average realized log price. We typically front load our annual harvest volume into the first quarter of the year to take advantage of log markets that benefit from winter weather that make the region's higher-elevation timberlands inaccessible. However, during Q1 2015, the Pacific Northwest experienced unusually warm weather which resulted in reduced snowfall and increased accessibility broadly to timberland throughout the region. This led to an increase in supply which kept prices in check.

The decrease in Other Revenue generated in Q1 2015 compared to Q4 2014 is attributable to a decrease in timber deed sales by Fund III from $783,000 representing 2.1 MMBF in Q4 2014 to $211,000 representing 0.6 MMBF in Q1 2015.

Comparing Q1 2015 to Q1 2014. Log sale revenue in Q1 2015 decreased $5.9 million, or 28%, from $20.9 million in Q1 2014 to $15.0 million in Q1 2015. This change is attributable to an 18% decrease in harvest volume and a 13% decline in average realized log prices. Tightening credit conditions in China have resulted in a reduction in purchases of logs delivered to Chinese ports, causing a build-up of inventory. In addition, a strengthening US dollar and weakening Russian ruble have made Russian logs more attractive to Chinese importers. Supply in the domestic market has increased as relatively mild weather has allowed operations to continue on timberlands that normally are not accessible this time of year. These supply and demand factors have combined to account for the softer log prices.

The reduction in Other Revenue generated in Q1 2015 compared to Q1 2014 is attributable to a decrease in commercial thinning activity, as well as cell tower and mineral lease revenue.

Log Volume

We harvested the following log volumes by species from the Combined tree farms, exclusive of timber deed sales, for the quarters ended March 31, 2015, December 31, 2014, and March 31, 2014:

Volume (in MMBF)	Quarter Ended				
Sawlogs	**Mar-15**	**% Total**	Dec-14	% Total	Mar-14
Douglas-fir	**11.3**	**46 %**	9.1	48 %	18.0
Whitewood	**6.0**	**25 %**	4.9	27 %	6.7
Pine	**-**	**0 %**	1.4	8 %	-
Cedar	**1.3**	**5 %**	0.5	3 %	0.7
Hardwood	**1.5**	**6 %**	0.5	3 %	1.0
Pulpwood					
All Species	**4.4**	**18 %**	2.0	11 %	3.5
Total	**24.5**	**100 %**	18.4	100 %	29.9

Comparing Q1 2015 to Q4 2014. Harvest volume increased 33%, from 18.4 MMBF in Q4 2014 to 24.5 MMBF in Q1 2015. As discussed above, we typically front load our annual harvest volume into the first quarter of the year, and this comparison reflects that. Douglas-fir and whitewood sawlog harvest volume, as a percentage of overall harvest, declined from 75% in Q4 2014 to 71% in Q1 2015 due to a greater portion of volume sold as pulpwood (18%) in Q1 2015 versus Q4 2014 (11%). The greater proportion of pulpwood resulted from harvesting younger stands in Q1 2015 that contain a higher degree of pulpwood. Pine harvest volume, as a percent of overall harvest, decreased from 8% in Q4 2014 to 0% in Q1 2015, which is entirely attributable to conducting no harvest activity during Q1 2015 on Fund III's northern California tree farm that contains nearly all of our Combined tree farms' pine inventory.

Comparing Q1 2015 to Q1 2014. Harvest volume decreased 18%, from 29.9 MMBF in Q1 2014 to 24.5 MMBF in Q1 2015. As discussed above, supply and demand dynamics in both the export and domestic log markets served to lower prices in Q1 2015 versus Q1 2014, and our response was to delay some harvest volume. Douglas-fir volume, as a percent of overall harvest, decreased from 61% in Q1 2014 to 46% in Q1 2015 due to a greater portion of volume sold as pulpwood (18%) in Q1 2015 versus Q1 2014 (12%). The greater proportion of pulpwood resulted from harvesting younger stands in Q1 2015 that contain a higher degree of pulpwood. In addition, whitewood, cedar, and hardwood each experienced a 3% increase in relative share of overall harvest volume from Q1 2014 to Q1 2015.

Log Prices

Logs from the Combined tree farms serve a number of different domestic and export markets, with domestic mills representing historically our largest market destination. Export customers consist of log brokers who sell the logs primarily to Japan, China and, to a lesser degree, Korea.

We realized the following log prices by species for the quarters ended March 31, 2015, December 31, 2014, and March 31, 2014:

		Quarter Ended		
		Mar-15	Dec-14	Mar-14
Average price realizations (per MBF):				
Sawlogs				
	Douglas-fir	**$ 644**	$ 712	$ 765
	Whitewood	**555**	599	695
	Pine	n/a	526	n/a
	Cedar	**1,509**	1,133	1,406
	Hardwood	**646**	642	599
Pulpwood	All Species	**328**	338	269
Overall		**609**	636	701

The following table compares the dollar and percentage change in log prices from each of Q4 2014 and Q1 2014 to Q1 2015:

		Change to Q1 2015 from Quarter Ended			
		Dec-14		Mar-14	
		$/MBF	%	$/MBF	%
Sawlogs	Douglas-fir	$ (68)	-10 %	$ (121)	-16 %
	Whitewood	(44)	-7 %	(140)	-20 %
	Pine	n/a	n/a	n/a	n/a
	Cedar	376	33 %	103	7 %
	Hardwood	4	1 %	47	8 %
Pulpwood	All Species	(10)	-3 %	59	22 %
Overall		(27)	-4 %	(92)	-13 %

Overall realized log prices in Q1 2015 were 4% lower than Q4 2014 and 13% lower than Q1 2014. Our overall average is influenced heavily by price movements for our two most prevalent species, Douglas-fir and whitewood, and the relative mix of harvest volume between those two species.

From Q4 2014 to Q1 2015, log prices for Douglas-fir and whitewood declined 10% and 7%, respectively, due to lower prices in the export market driven by the swollen port inventories in China and lower prices in the domestic market related to the increase in log supply associated with warmer winter weather in the Pacific Northwest. While these two species generally drive our overall log price trends, the 33% increase in the price of cedar had a higher than usual impact on our average realized log price. Cedar prices increased due to manufacturers building up fencing supply ahead of an expected strong spring sales market.

From Q1 2014 to Q1 2015, the decline in average realized log prices was attributable to significantly lower prices in both the export and domestic markets for Douglas-fir and whitewood as well as a shift in harvest mix away from Douglas-fir sawlogs in Q1 2015 towards pulpwood logs and whitewood. Partially offsetting these price decreases were increases in the minor species of pulpwood, cedar, and hardwood. In particular, pulpwood prices increased in Q1 2015 on the heels of lower lumber production towards the end of 2014. This created a shortage of residual chips, thus increasing the demand for pulpwood logs.

Customers

The ultimate decision of whether to sell our logs into the domestic or export market is based on the net proceeds we receive after taking into account both the delivered log prices and the cost to deliver logs to the customer. As such, our reported log price realizations will reflect our properties’ proximity to customers as well as the broader log market.

The table below categorizes logs sold by customer type for the quarters ended March 31, 2015, December 31, 2014, and March 31, 2014:

	Q1 2015			Q4 2014			Q1 2014		
	Volume			Volume			Volume		
Destination	**MMBF**	**%**	**Price**	MMBF	%	Price	MMBF	%	Price
Export brokers	**4.7**	**19%**	**$ 665**	4.1	22%	$ 687	12.5	42%	$ 793
Domestic mills	**15.4**	**63%**	**673**	12.3	67%	667	13.9	46%	728
Pulpwood	**4.4**	**18%**	**328**	2.0	11%	338	3.5	12%	269
Subtotal	**24.5**	**100%**	**609**	18.4	100%	636	29.9	100%	701
Timber deed sale	**0.6**		**357**	2.1		370	-		
Total	**25.1**			20.5			29.9		

Comparing Q1 2015 to Q4 2014. Volume sold to the export market and domestic markets decreased from 22% and 67%, respectively, in Q4 2014, to 19% and 63%, respectively, in Q1 2015. These declines in relative share of harvest volume were attributable to an increase in logs sold as pulpwood, which saw its share of relative harvest volume increase from 12% in Q4 2014 to 18% in Q1 2015. In addition, during Q1 2015 we sold a timber deed on 0.6 MMBF of volume from Fund III's southwest Washington tree farm, down from 2.1 MMBF sold during Q4 2014 on the same tree farm. This tree farm marked its one-year anniversary of ownership by Fund III during Q4 2014, and as such we are transitioning the operations from timber deed sales to delivered log sales.

Comparing Q1 2015 to Q1 2014. Volume sold to export brokers as a percentage of total harvest decreased from 42% in Q4 2014 to 19% in Q1 2015. A significant portion of this decline was attributable to an increase in relative share of harvest volume sold to the domestic market, from 46% in Q1 2014 to 63% in Q1 2015. This is reflective of the weakness in the export market due in significant part to increased inventories at Chinese ports. In addition, the relative share of harvest volume sold as pulpwood increased from 12% in Q1 2014 to 18% in Q1 2015.

Cost of Sales

Fee Timber cost of sales, which consist predominantly of harvest, haul and depletion costs, vary with harvest volume. Commercial thinning costs are the primary component of Other cost of sales in the tables below.

Fee Timber cost of sales for the quarters ended March 31, 2015, December 31, 2014, and March 31, 2014, was as follows, with the first table expressing these costs in total dollars and the second table expressing those costs that are driven by volume on a per MBF basis:

(in thousands) Quarter ended	Harvest, Haul and Tax	Depletion	Other	Total Fee Timber Cost of Sales	Harvest Volume (MMBF)	Timber Deed Sale Volume (MMBF)
Partnership	**$ 2,908**	**$ 582**	**$ 148**	**$ 3,638**	**12.5**	**-**
Funds	**3,136**	**2,629**	**199**	**5,964**	**12.0**	**0.6**
Total March 2015	**$ 6,044**	**$ 3,211**	**$ 347**	**$ 9,602**	**24.5**	**0.6**
Partnership	$ 2,456	$ 521	$ 154	$ 3,131	11.0	-
Funds	1,741	2,289	142	4,172	7.4	2.1
Total December 2014	$ 4,197	$ 2,810	$ 296	$ 7,303	18.4	2.1
Partnership	$ 2,910	$ 664	$ 335	$ 3,909	14.0	-
Funds	4,266	2,773	156	7,195	15.9	-
Total March 2014	$ 7,176	$ 3,437	$ 491	$ 11,104	29.9	-

(Amounts per MBF) Quarter ended	Harvest, Haul and Tax *	Depletion *
Partnership	**$ 233**	**$ 47**
Funds	**261**	**209**
Total March 2015	**$ 247**	**$ 128**
Partnership	$ 223	$ 48
Funds	235	241
Total December 2014	$ 228	$ 137
Partnership	$ 208	$ 48
Funds	268	174
Total March 2014	$ 240	$ 115

* Timber deed sale volumes are excluded in the per MBF computation for harvest, haul and tax costs but included in the per MBF computation for depletion.

Comparing Q1 2015 to Q4 2014. Cost of sales increased $2.3 million, or 31%, from Q4 2014 to Q1 2015. The increase was attributable primarily to a 22% increase in harvest volume – including the timber deed sales – and an 8% increase in the Harvest, Haul and Tax rate from Q4 2014 to Q1 2015. The increase in the Harvest, Haul, and Tax rate is attributable to more expensive logging units on Fund tree farms during Q1 2015 versus Q4 2014. The increase in Other cost of sales resulted from more commercial thinning activity on Fund II's Riffe Lake tree farm in Q1 2015.

Comparing Q1 2015 to Q1 2014. Cost of sales decreased $1.5 million, or 14%, in Q1 2015 compared to the corresponding period in 2014. The decrease was attributable primarily to a 16% decline in harvest volume, including the timber deed sales. Partially offsetting the lower harvest volume was a 3% increase in the Harvest, Haul, and Tax rate and a 10% increase in the depletion rate from Q4 2014 to Q1 2015 from an increase in volume from Fund tree farms with higher depletion rates. An increase in commercial thinning activity drove the increase in Other cost of sales.

Operating Expenses

Fee Timber operating expenses include the cost of maintaining existing roads and building temporary roads for harvesting, silviculture costs, and other management expenses. For the quarters ended March 31, 2015, December 31, 2014, and March 31, 2014 operating expenses were $1.5 million, $1.7 million, and $1.8 million, respectively. The $238,000 decrease in operating expenses from Q4 2014 to Q1 2015 was attributable to lower silviculture and road expenses associated with the Funds. The $299,000 decrease in operating expenses from Q1 2014 to Q1 2015 was attributable to lower management and road expenses associated with the Funds.

Timberland Management

The Timberland Management segment develops timberland investment portfolios on behalf of the Funds. Our private equity timber funds own a combined 80,000 acres of commercial timberland in western Washington, northwestern Oregon and northern California with total assets under management of $312 million based on the most recent appraisals.

Fund I's assets were sold in 2014 and the Fund is expected to terminate in 2015. Fund III is currently in the investment period for its $180 million of committed capital, of which 5%, or $9 million, represents the Partnership's co-investment share. As of March 31, 2015, Fund III had $50.8 million of committed capital remaining to invest, which included $2.5 million from the Partnership. The investment period for Fund III commenced on July 31, 2012, and unless extended 12 months by a vote of the investors, will close on July 31, 2015 or until all of the committed capital is invested, whichever occurs first.

Fund Distributions and Fees Paid

The Partnership received combined distributions from the Funds of $240,000 and $781,000, in Q1 2015 and Q1 2014, respectively. Fund distributions are paid from available Fund cash, generated primarily from the harvest and sale of timber after paying all Fund expenses, management fees, and recurring capital costs.

The Partnership earned investment and timberland management fees from the Funds which totaled $834,000 and $875,000 during Q1 2015 and Q1 2014, respectively.

Revenue and Operating Loss

The fees earned from managing the Funds include a fixed component related to invested capital and acres owned, and a variable component related to harvest volume from the Funds' tree farms. As all revenue is eliminated in consolidation, operating losses consist of operating expenses incurred by the Timberland Management segment.

Revenue and operating loss for the Timberland Management segment for the quarters ended March 31, 2015 and 2014 were as follows:

(in thousands, except invested capital, volume and acre data)	Quarter Ended	
	Mar-15	Mar-14
Revenue internal	**$ 834**	$ 875
Intersegment eliminations	**(834)**	(875)
Revenue external	**$ -**	$ -
Operating income internal	**$ 23**	$ 111
Intersegment eliminations	**(752)**	(721)
Operating loss external	**$ (729)**	$ (610)
Invested capital (in millions)	**$ 253**	$ 239
Acres owned by Funds	**80,000**	91,000
Harvest volume - Funds (MMBF)	**12.6**	15.9

Comparing Q1 2015 to Q1 2014. Timberland Management generated management fee revenue of $834,000 and $875,000 from managing the Funds for the first quarters of 2015 and 2014, respectively. The decrease is attributable to the decline in harvest volume and reduction in acres owned, offset partially by an increase in invested capital. Harvest volume declined as we reduced operations in response to the decline in log prices, particularly in the export market. The reduction in acres owned is attributable to the selling of Fund I's two tree farms totaling 24,000 acres in Q3 and Q4 2014 offset partially by the addition of Fund III's 13,000-acre Deer Creek tree farm in Q4 2014. These transactions also explain the increase in invested capital, where the Fund I tree farm sales represented $58 million of invested capital whereas the Fund III purchase represents $72 million of invested capital.

Operating expenses incurred for the quarters ended March 31, 2015 and 2014 totaled $729,000 and $610,000, respectively. The increase in operating expenses is attributable to cost incurred to open and staff a new timber field office in Oregon late in Q4 2014 to manage operations on Fund tree farms in Oregon.

Real Estate

The Partnership's Real Estate segment produces its revenue primarily from the sale of land within its 2,600-acre portfolio. Additional sources of revenue include sales of development rights and tracts of land from the Partnership's timberland portfolio, together with residential and commercial property rents earned from our Port Gamble and Poulsbo properties. Real Estate holdings are located in the Washington counties of Pierce, Kitsap, and Jefferson with sales of land for this segment typically falling into one of three general types:

- Commercial, business park, and residential plat land sales represent land sold after development rights have been obtained and are generally sold with prescribed infrastructure improvements.

- Rural residential lot sales that generally require some capital improvements such as zoning, road building, or utility access improvements prior to completing the sale.

- The sale of unimproved land, which generally consists of larger acreage sales rather than single lot sales, is normally completed with very little capital investment prior to sale.

In addition to outright sales of fee simple interests in land, we also enter into conservation easement (CE) sales that allow us to retain harvesting rights and other timberland management rights, but bar any future subdivision of or real estate development on the property.

"Land Held for Development" on our Condensed Consolidated Balance Sheets represents the Partnership's cost basis in land that has been identified as having greater value as development property than timberland. Our Real Estate segment personnel work with local officials to acquire entitlements for further development of these parcels.

Those properties that are for sale, under contract, and for which the Partnership has an expectation they will sell within the next 12 months, are classified on our balance sheet as a current asset under "Land Held for Sale", comprising 33 single-family residential lots and a multi-family residential parcel from the Harbor Hill project in Gig Harbor, Washington, and a conservation land sale.

Project costs that are associated directly with the development and construction of a real estate project are capitalized and then included in cost of sales when the property is sold, along with our original basis in the underlying land and the closing costs associated with the sale transaction.

Results from Real Estate operations vary significantly from period-to-period as we make multi-year investments in entitlements and infrastructure prior to selling entitled or developed land.

In the first quarter of 2015, we closed on the sale of 42 lots from our Harbor Hill development for $5.6 million and a $4.9 million conservation easement and land sale on 3,607 acres in Jefferson County, Washington. Q1 2014 included sales of 107 lots from our Harbor Hill project for $10.8 million plus a $4.6 million conservation land sale. Real Estate operating expenses were $940,000 for the first quarter of 2015 compared to $891,000 for the first quarter of 2014. The increase is attributable primarily to costs in Q1 2015 associated with the project planning for our Harbor Hill development as well as for Port Gamble's town and mill site. These factors resulted in operating income of $5.1 million for the first quarter of 2015 compared to $7.0 million in the first quarter of 2014.

Real Estate revenue and gross margin are summarized in the table below for the quarters ended March 31, 2015 and 2014:

(in thousands, except acre, lot and per acre/lot amounts)

For the three months ended:							
Description	**Revenue**	**Gross margin**	**Sold**		**Per acre/lot * Revenue**		
Conservation land sale	**$ 724**	**$ 184**	**Acres:**	**294**	**$ 2,463**	**$**
Development rights (CE)	**4,311**	**4,311**	**Acres:**	**3,392**	**102,643**	
Residential	**5,645**	**1,534**	**Lots:**	**42**	**134,405**	
Total land	**10,680**	**6,029**				
Rentals and other	**282**	**38**				
March 31, 2015 Total	**$ 10,962**	**$ 6,067**				
Conservation land sale	$ 4,600	$ 3,838	Acres:	535	$ 8,598	$
Residential	10,797	4,045	Lots:	107	100,907	
Total land	15,397	7,883				
Rentals and other	273	(33)				
March 31, 2014 Total	$ 15,670	$ 7,850				

* Lots represent residential single-family lots

Environmental Remediation

Over a year after entering into a stipulated order and consent decree, we expect the project design for our Port Gamble, Washington environmental remediation project to be substantially complete by mid-2015. A handful of design issues remain to be resolved, however, and we continue to work with the regulatory agencies and other stakeholders on these issues. We anticipate resolving the project design substantially in either the second or third quarter of this year, though final approval may occur later, which could result in a change to our estimated liability.

General and Administrative (G&A)

G&A expenses decreased to $1.2 million in the first quarter of 2015 from $1.3 million in the first quarter of 201. The decrease between 2014 and 2015 in G&A expenses was due primarily to vacant positions that have since been filled.

Interest Expense, Net

Interest expense, net includes interest income, interest expense and capitalized interest components. Excluding capitalized interest, net interest expense for the first quarter of 2015 was $974,000 compared to $843,000 for the first quarter of 2015. The increase is due primarily to an incremental $14.4 million borrowing by Timber Fund III in October 2014.

For the first quarter of 2015, $229,000 of interest expense was capitalized compared to $269,000 for the first quarter of 2014. The decrease is attributable to a lower cumulative basis for those projects under active development in our Harbor Hill project resulting from sales over the last year.

Our debt arrangements with Northwest Farm Credit Services (NWFCS) include an annual rebate of a portion of interest expense paid in the prior year (patronage). This NWFCS patronage program is a feature common to all of this lender's customer loan agreements. Throughout the year, we accrue an estimate of the patronage rebate that we expect to receive early in the following year. Interest expense was reduced for the patronage accrual by $118,000 and $95,000 in the first quarters of 2015 and 2014, respectively. The increase in the patronage accrual resulted from the additional borrowings by Fund III described above.

Income Tax

The Partnership recorded tax expense of $340,000 and $157,000 for the quarters ended March 31, 2015 and 2014, respectively.

Pope Resources is a limited partnership and is therefore not subject to federal income tax. Taxable income/loss is instead reported to unitholders each year on a Form K-1 for inclusion in each unitholder's income tax return. However, Pope Resources does have corporate subsidiaries that are subject to income tax, giving rise to the line item for such tax in the Condensed Consolidated Statement of Comprehensive Income.

Noncontrolling interests-ORM Timber Funds

The line item "Net (income) loss attributable to noncontrolling interests-ORM Timber Funds" represents the combination of the 80% portion of the net income or loss for Funds I and II which is attributable to third-party owners plus 95% of the net income or loss of Fund III that is similarly attributable to third-party owners of that Fund.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Liquidity and Capital Resources

We ordinarily finance our business activities using operating cash flows and, where appropriate in management's assessment, commercial credit arrangements with banks or other financial institutions. Funds generated internally from operations and externally through financing are expected to provide the required resources for the Partnership's future operations and capital expenditures for at least the next twelve months.

Included in prepaid expenses and other current assets is $4.4 million held in escrow from the conservation sale discussed above. We elected to treat the gain on this transaction, for income tax purposes, as eligible for deferral under the provisions of IRC Section 1031 (like-kind exchange). Under this arrangement, the net sale proceeds are held in escrow and used to acquire similar property. At our option, we may elect to forego the like-kind exchange income tax treatment and receive the funds from escrow.

The Partnership's debt consists of mortgage debt with fixed interest rates and an operating line of credit with Northwest Farm Credit Services (NWFCS). The mortgage debt includes $29.8 million in term loans with NWFCS structured in four tranches maturing from 2015 through 2025. In addition, our commercial office building in Poulsbo, Washington is collateral for a $2.8 million loan from NWFCS that matures in 2023. Our $20.0 million operating line of credit matures April 1, 2020 and we had no balance drawn as of March 31, 2015 or December 31, 2014. The line of credit carries a variable interest rate that is based on the one-month LIBOR rate plus applicable margins determined by certain financial covenants.

These debt agreements contain covenants that are measured quarterly. Among the covenants measured is a requirement that the Partnership not exceed a maximum debt-to-total-capitalization ratio of 30%, with total capitalization calculated using fair market (vs. carrying) value of timberland, roads and timber. We are in compliance with these covenants as of March 31, 2015 and expect to remain in compliance for at least the next year.

Mortgage debt within our private equity funds are collateralized by Fund properties only. Fund II has a timberland mortgage comprised of two fixed rate tranches totaling $25 million with MetLife Insurance Company. The tranches are non-amortizing and both mature in September 2020. The loans allow for, but do not require, annual principal payments of up to 10% of outstanding principal without incurring a make-whole premium. This mortgage is collateralized by a portion of Fund II's timberland portfolio. Fund III has a timberland mortgage comprised of two fixed rate tranches totaling $32.4 million with NWFCS. The mortgage is collateralized by all of Fund III's timberland, is non-amortizing with the $18 million tranche maturing in December 2023 and a $14.4 million tranche maturing in October 2024.

The $12.0 million decrease in cash generated for the quarter ended March 31, 2015 compared to March 31, 2014 is explained in the following table:

(in thousands)	**Three months ended Mar-15**	Change	Three months ended Mar-14
Cash provided by operations	**$ 9,122**	$ (11,094)	$ 20,216
Maturity of short-term investments	**1,000**	1,000	-
Reforestation and roads	**(426)**	(124)	(302)
Buildings and equipment	**(136)**	(57)	(79)
Timberland acquisition - Partnership	**(2,876)**	(2,876)	-
Cash used in investing activities	**(2,438)**	(2,057)	(381)
Financing activities			
Repayment of long-term debt	**(27)**	2	(29)
Cash distributions to unitholders	**(2,818)**	(369)	(2,449)
Proceeds from preferred stock issuance - ORM Timber Funds	**-**	(125)	125
Payroll taxes paid upon unit net settlements	**(107)**	89	(196)
Excess tax benefit of equity-based compensation	**5**	5	-
Cash distributions to fund investors, net of distributions to Partnership	**(1,660)**	1,559	(3,219)
Cash used in financing activities	**(4,607)**	1,161	(5,768)
Net increase in cash and cash equivalents	**$ 2,077**	$ (11,990)	$ 14,067

The decrease in cash provided by operating activities resulted primarily from the 18% decrease in harvest volume and 13% decline in log prices as well as fewer real estate sales compared to the prior year.

Cash used in investing activities during 2015 decreased by $2.1 million compared to 2014 due primarily to the acquisition of 578 acres of timberland by the Partnership and greater investments in reforestation and roads, offset partially by the maturity of short-term investments.

Cash used in financing activities decreased in the current quarter by $1.1 million due primarily to a decrease in distributions to investors of the Funds, offset partially by an increase in distributions to Pope Resources unitholders.

Following its October 2014 acquisition of timberland, Fund III has a remaining capital commitment of $50.8 million, which includes a remaining commitment by the Partnership of $2.5 million. The drawdown period for Fund III ends on the earlier of July 31, 2015 or when all of the committed capital is placed, unless extended by a vote of the fund's investors.

Seasonality

Fee Timber. The elevation and terrain characteristics of our timberlands are such that we can conduct harvest operations virtually year-round on a significant portion of our tree farms. Generally, we concentrate our harvests from these areas in those months when weather limits operations on other properties, thus taking advantage of reduced competition for log supply to our customers and improving prices realized. As such, on a combined basis the pattern of quarterly volumes harvested is flatter than would be the case if looking at one tree farm in isolation.

Timberland Management. Management revenue generated by this segment consists of asset and timberland management fees. These fees, which relate primarily to our activities on behalf of the Funds and are eliminated in consolidation, vary based upon the amount of capital managed, the number of acres managed, and the volume of timber harvested from properties owned by the Funds and are not expected to be significantly seasonal.

Real Estate. While Real Estate results are not expected to be seasonal, the nature of the activities in this segment will likely result in periodic large transactions that will have significant positive impacts on both revenue and operating income of the Partnership in periods in which these transactions close, and relatively limited revenue and income in other periods. While the variability of these results is not primarily a function of seasonal weather patterns, we do expect to see some seasonal fluctuations in this segment because of the general effects of weather on Pacific Northwest development activities.

Capital Expenditures and Commitments

Capital expenditures for the full year 2015 are projected to be approximately $15.7 million. Land development projects in Harbor Hill and Port Gamble account for $12.4 million of this total, including capitalized interest of $933,000. Projected capital expenditures are subject to permitting timetables, suitable weather for construction of such improvements, and progress towards closing on specific land transactions.

ACCOUNTING MATTERS

Critical Accounting Policies and Estimates

An accounting policy is deemed to be “critical” if it is important to a company’s results of operations and financial condition, and requires significant judgment and estimates on the part of management in its application. The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and related disclosures. Actual results could differ from these estimates and assumptions. Management believes its most critical accounting policies and estimates relate to the calculation of timber depletion as well as modeling performed to determine liabilities for matters such as environmental remediation, and potential asset impairments.

For a further discussion of our critical accounting policies and estimates see Accounting Matters in the Management Discussion and Analysis section of our Annual Report on Form 10-K for the year ended December 31, 2013. See also note 2 to the condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The consolidated fixed-rate debt outstanding had a fair value of approximately $97.6 and $96.0 million at March 31, 2015 and December 31, 2014, respectively, based on the prevailing interest rates for similar financial instruments. A change in interest rate on fixed-rate debt will affect the fair value of debt, whereas a change in the interest rate on variable-rate debt will affect interest expense and cash flows payable by the Partnership. A hypothetical 1% change in prevailing interest rates would change the fair value of fixed-rate long-term debt obligations by $3.2 million. We are not subject to material foreign currency risk, derivative risk, or similar uncertainties.

ITEM 4. CONTROLS AND PROCEDURES

The Partnership’s management maintains a system of internal controls, which management views as adequate to promote the timely identification and reporting of material, relevant information. Those controls include (1) requiring executive management and all managers in accounting roles to sign and adhere to a Code of Conduct and (2) implementation of a confidential hotline for employees to contact the Audit Committee directly with financial reporting concerns. Additionally, the Partnership’s senior management team meets regularly to discuss significant transactions and events affecting the Partnership’s operations. The Partnership’s executive officers lead these meetings and consider whether topics discussed represent information that should be disclosed under generally accepted accounting principles and the rules of the SEC. The Board of Directors of the Partnership’s general partner includes an Audit Committee. The Audit Committee reviews the earnings release and all reports on Form 10-Q and 10-K prior to their filing. The Audit Committee is responsible for hiring the Partnership’s external auditors and meets with those auditors at least eight times each year, including regularly scheduled executive sessions outside the presence of management.

Our executive officers are responsible for establishing and maintaining disclosure controls and procedures. They have designed such controls to ensure that others make all material information known to them within the organization. Management regularly evaluates ways to improve internal controls.

As of the end of the period covered by this quarterly report on Form 10-Q our executive officers completed an evaluation of the disclosure controls and procedures and have determined them to be effective. There have been no changes to internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Partnership may be subject to legal proceedings and claims that may have a material adverse impact on its business. Management is not aware of any current legal proceedings or claims that are expected to have, individually or in the aggregate, a material adverse impact on its business, prospects, financial condition or results of operations.

ITEM 1A. RISK FACTORS

We are sensitive to demand and price issues relating to our sales of logs in both domestic and foreign markets. We generate Fee Timber revenue primarily by selling softwood logs to domestic mills and to third-party intermediaries who resell them to the export market. The domestic market for logs in our operating area depends heavily on U.S. housing starts. Recently, the U.S. housing market has started to improve but, to the extent the recovery in the housing market should stall, our log price realizations and, in turn, our operating results would be impacted negatively. The export markets for Pacific Northwest logs are significantly affected by fluctuations in economic conditions in the United States, Japan and, increasingly, China and Korea, as well as by the foreign currency exchange rate between these Asian currencies and the U.S. dollar, as well as ocean transportation costs. In particular, slowing economic growth and tightening credit markets in China have caused an increase in unsold forest products inventory, which can be expected to further affect our sales to this market.

Our real estate holdings are illiquid, and changes in economic and regulatory factors may affect the value of our properties or the timing of the proceeds, if any, that we expect to receive on the sale of such properties. The value of our real estate investments, and our income from Real Estate operations, is sensitive to changes in the economic and regulatory environment, as well as various land-use regulations and development risks, including the ability to obtain the necessary permits and land entitlements that would allow us to maximize the revenue from our real estate investments. Our real estate investments are long-term in nature, which raises the risk that unforeseen changes in the economy or laws surrounding development activities may have an adverse effect on our investments. These investments often are highly illiquid and thus may not generate cash flow if and when needed to support our other operations. Further, we occasionally announce contracts relating to the sale of our real estate holdings, but those agreements may contain contingencies and conditions that may delay or prevent the consummation of transactions even after we have agreed to sale terms.

We rely on contract loggers and truckers who are in short supply and seeking consistent work at increasing rates. We rely on contract loggers and truckers for the production and transportation, respectively, of our products to customers. During the economic downturn of 2008 and 2009 most industrial forestry firms deferred harvest, which resulted in a shortfall in demand for the contract logging and trucking work force. Many private logging and trucking companies did not survive the protracted economic downturn. As the economy has improved and companies return to harvesting, a shortage of logging contractors and truckers has developed. The remaining contractors who survived did so by reducing their workforce or, in the case of log truckers, converting their trucks to configurations suitable for highway freight hauling. This decline in the pool of available contractors has resulted in a steady increase in harvest and haul costs and market forces that are stressing continuity of work when soliciting contractor bids for a job. The commitment to more continuous work could preclude our ability to time markets, affecting total returns.

Consolidation of sawmills in our geographic operating area may reduce competition among our customers, which could adversely affect our log prices. In the past we have experienced, and may continue to experience, consolidation of sawmills and other wood products manufacturing facilities in the Pacific Northwest. For example, two sawmill operations in the Pacific Northwest have recently announced closures or restructurings that will affect our delivery patterns. Because a portion of our cost of sales in our Fee Timber segment, which encompasses the Combined tree farms, consists of transportation costs for delivery of logs to domestic sawmills, it becomes increasingly expensive to transport logs over longer distances for sales in domestic markets. As a result, a reduction in the number of sawmills, or in the number of sawmill operators, may reduce competition for our logs, increase transportation costs, or both. These consolidations thus may have a material adverse impact upon our Fee Timber revenue or income and, as that segment has traditionally represented our largest business unit, upon our results of operation and financial condition as a whole. Any such material adverse impact on timber revenue and income as a result of regional mill consolidations will also indirectly affect our Timberland Management segment in the context of raising capital for investment in Pacific Northwest-based timber funds.

We have certain environmental remediation liabilities associated with our Port Gamble and former Port Ludlow resort properties, and those liabilities may increase. We currently own certain real estate at Port Gamble on the Kitsap Peninsula and, until mid-2001, owned real estate within the resort community of Port Ludlow in Jefferson County in western Washington. Sediments adjacent to these properties were alleged to have been impacted by operations occurring prior to our acquisition of the properties, which occurred at the time of our spinoff from Pope & Talbot, Inc. in 1985. The Partnership itself has never operated any of the contaminated sites. However, as current owner of Port Gamble and based on conditions of our sale of the Port Ludlow assets, we have environmental liability for these properties under Washington State's Model Toxics Control Act (MTCA). Under the MTCA, we are one of two "potentially liable parties," or PLPs, for the conditions at the Port Gamble site, substantially all of which are in the tidal and submerged portions of Port Gamble Bay. The MTCA provides that each PLP is jointly and severally liable with all other PLPs for the entire cost of remediating contaminated properties. The Partnership had previously designed and had begun to implement a remediation program that management believed was sufficient to comply with applicable laws and regulations. However, recent actions by the Washington Department of Ecology (DOE) have imposed substantially higher cleanup standards than had previously been expected, thus increasing the level of activity and cost that will be required to achieve the required cleanup levels. In December 2013 the Partnership entered into a consent decree with DOE, which included a cleanup action plan, or CAP, that established general obligations for remediating the remaining conditions at Port Gamble. The final CAP, however, affords discretion to DOE to assess the site and to order additional actions.

Management continues to monitor the Port Gamble and Port Ludlow cleanup processes closely and increased the recorded liability by $10.0 million in the fourth quarter of 2014. The $21.4 million remediation accrual as of March 31, 2015 represents our current estimate of the remaining cleanup cost and most likely outcome to various contingencies within both locations. These estimates are predicated upon a variety of factors, including the proportion of costs that would be allocated to us in comparison to those allocable to the Washington Department of Natural Resources (DNR), which is the other known PLP for the Port Gamble site. However, the actual amount of the ultimate cleanup costs, the cost of any litigation if we cannot reach a settlement with DNR, and the outcome of any such litigation, is uncertain. These liabilities are based upon a number of estimates and judgments that are subject to change as the project progresses. Any litigation ensuing from this matter may result in adverse financial impacts and may distract management and other key personnel from day to day operations. Changes in circumstances may result in the need for additional adjustments to the existing liability, any of which would result in a charge to earnings in the period those changes occur. These factors, alone or in combination with other challenges, may have a material adverse effect upon our assets, income and operations.

We are subject to statutory and regulatory restrictions that currently limit, and may increasingly limit, our ability to generate income. Our ability to grow and harvest timber can be significantly impacted by legislation, regulations or court rulings that restrict or stop forest practices. For example, events that focus media attention upon natural disasters and damage to timberlands have at various times brought increasing public attention to forestry practices, often resulting in increasingly stringent laws and regulations that increase the size of wetlands buffers, limit silviculture activities, restrict harvests because of animal habitats, or requiring various actions to stabilize slopes. Additional regulations, whether or not adopted in response to such events, may make it more difficult or expensive for us to harvest timber and may reduce the amount of harvestable timber on our properties. These and other restrictions on logging, planting, road building, fertilizing, managing competing vegetation, and other activities can significantly increase the cost or reduce available inventory thereby reducing income. Further, while we manage our timberlands in accordance with the Sustainable Forestry Initiative and we follow forest management and risk mitigation procedures that we believe to be sound, and although all of our forestry operations comply with applicable forestry practices regulations, we cannot be certain we will not be the subject of claims based on allegations that we acted improperly in managing our property. These claims may take the form of individual or class action litigation, regulatory or enforcement proceedings, or both. Any such claims could result in substantial defense costs and divert management's attention from the ongoing operation of our business, and if any such claims were successful, may result in substantial damage awards, fines or civil penalties. Any such additional restrictions likely would have a similar effect on our Timberland Management operations, particularly in the case of the Funds.

Our operation of our timberland private equity funds exposes us to management risk and may carry other risks. Our Timberland Management segment is involved in managing our timber private equity funds. Further, substantially all of our recent acquisitions of timberlands for our Fee Timber segment have been on behalf of these funds, and our results of operations from our Fee Timber segment are increasingly dependent upon the success of our Fund Tree Farms. If we cannot continue to raise investment capital to permit the Funds to acquire additional timberlands, then the growth of our Fee Timber operations will be limited by our own ability to reinvest our capital and to raise additional capital through debt or equity financing. A reduction in our ability to expand our timberland holdings would likely reduce our Fee Timber income and may also reduce our flexibility as to harvest timing. Additionally, we may face claims from one or more investors in the Funds that we have failed to properly manage the Funds or that we have misled investors about the merits, risks, or other aspects of an investment in the Funds. While we are aware of no basis for any such claims, any resulting claim would be a distraction to our management and may damage the Partnership's reputation. Further, such outcomes could make it more difficult to raise additional capital for existing or future private equity funds, which would limit our ability to grow our Fee Timber or our Timberland Management revenues.

We benefit from certain tax treatment accorded to master limited partnerships, and if that status changes the holders of our units may realize less advantageous tax consequences. The Partnership is a Master Limited Partnership and is therefore not generally subject to U.S. federal income taxes. If a change in tax law (or interpretation of current tax law) caused the Partnership to become subject to income taxes, operating results would be adversely affected. We also have a handful of taxable subsidiaries. The estimation of income tax expense and preparation of income tax returns requires complex calculations and judgments. We believe the estimates and calculations used in this process are proper and reasonable and more likely than not would be sustained under examination by federal or state tax authorities, however if a federal or state taxing authority disagreed with the positions we have taken, a material change in provision for income taxes, net income, or cash flows could result.

We and our customers are dependent upon active credit markets to fund operations. We sell logs from our Fee Timber segment to mills and log brokers that in most circumstances rely upon an active credit market to fund their operations. Our Real Estate sales are also often dependent upon credit markets in order to fund acquisitions. To the extent borrowing restrictions impinge on customers' access to debt, we expect those customers to respond by reducing their expenditures, and those reductions may have the effect of directly reducing our revenues and of indirectly reducing the demand for our products. Any such outcomes could materially and adversely impact our results of operations, cash flows, and financial condition.

We are controlled by our managing general partner. As a master limited partnership, substantially all of our day-to-day affairs are controlled by our managing general partner, Pope MGP, Inc. The board of directors of Pope MGP, Inc. serves as our board of directors, and by virtue of a stockholder agreement, each of the two individual shareholders of Pope MGP, Inc. have the ability to designate one of our directors and jointly appoint two others, with the fifth board position filled by our chief executive officer, who serves as a director by virtue of his executive position. Unitholders may remove the managing general partner only in limited circumstances, including, among other things, a vote by the holders of a two-thirds majority of the "qualified units," which means the units that have been owned by their respective holders for at least five years prior to such vote. By virtue of the terms of our agreement of limited partnership, as amended, or "partnership agreement", our managing general partner directly, and the general partner shareholders indirectly, have the ability to do the following: prevent or impede transactions that would result in a change of control of the Partnership; to prevent or, upon the approval of limited partners holding a majority of the units, to cause, the sale of the assets of the Partnership; and to cause the Partnership to take or refrain from taking certain other actions that one might otherwise perceive to be in the Partnership's best interest. Under our partnership agreement, we are required to pay to Pope MGP, Inc. an annual management fee of $150,000, and to reimburse Pope MGP, Inc. for certain expenses incurred in managing our business.

We may incur losses as a result of natural disasters that may occur, or that may be alleged to have occurred, on our properties. Forests are subject to a number of natural hazards, including damage by fire, storms, insects and disease, volcanic activity, flooding and landslides. Changes in climate conditions may intensify these hazards. Severe weather conditions and other natural disasters can also reduce the productivity of timberlands and disrupt the harvesting and delivery of forest products. While damage from most natural causes is typically localized and would normally affect only a small portion of our timberlands at any one time, these hazards are unpredictable and losses might not be so limited. Consistent with the practices of other large timber companies, we do not maintain insurance against loss of standing timber on our timberlands due to natural disasters.

We compete with a number of larger competitors that may be better able than we to absorb price fluctuations, may be able to expend greater resources on production, may have greater access to capital, and may operate more efficiently than we can. We compete against much larger companies in each of our business segments. We compete with these companies for management and line personnel, as well as for purchases of relatively scarce capital assets such as land and standing timber and for sales of our products. These larger competitors may have access to larger amounts of capital and significantly greater economies of scale, and they may be better able to absorb the risks of our line of business. Moreover, the timber industry has experienced significant consolidation in recent years and, as that consolidation occurs, our relative market share decreases and the relative financial capacity of our competitors increases. While management believes the Partnership is at a competitive advantage over some of these companies because of our lack of vertical integration into forest products manufacturing, our advantageous tax structure, and management's attempts to diversify our asset base, we cannot assure readers that competition will not have a material and adverse effect on our results of operations or our financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

(a) There have been no material changes in the procedures for shareholders of the Partnership's general partner to nominate directors to the board.

ITEM 6. Exhibits

Exhibits.

10.1	Amendment No. 3 to First Amended And Restated Master Loan Agreement between Pope Resources and Northwest Farm Credit Services, FLCA dated April 1, 2015, filed herewith.
10.2	Amendment No. 3 to First Amended And Restated Master Loan Agreement between Pope Resources and Northwest Farm Credit Services, PCA dated April 1, 2015, filed herewith.
10.3	Revolving Operating Note from Pope Resources to Northwest Farm Credit Services, PCA dated April 1, 2015, filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350 (furnished with this report in accordance with SEC Rel. No. 33-8238).
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350 (furnished with this report in accordance with SEC Rel. No. 33-8238).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirement 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, on May 8, 2015.

POPE RESOURCES,
A Delaware Limited Partnership

By: POPE MGP, Inc.
Managing General Partner

By: /s/ Thomas M. Ringo
Thomas M. Ringo
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ John D. Lamb
John Lamb
Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Sean M. Tallarico
Sean M. Tallarico
Controller
(Principal Accounting Officer)

Exhibit 10.1

**AMENDMENT NO. 3 TO FIRST AMENDED AND RESTATED
MASTER LOAN AGREEMENT**

THIS AMENDMENT NO. 3 TO FIRST AMENDED AND RESTATED MASTER LOAN AGREEMENT (this "Amendment") is made and entered into effective April 1, 2015, by and between **NORTHWEST FARM CREDIT SERVICES, FLCA** ("Lender") and **POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP** ("Borrower").

RECITALS

WHEREAS, Borrower and Lender entered into a First Amended and Restated Master Loan Agreement dated June 10, 2010 (herein, as at any time amended, extended, restated, renewed, supplemented or modified, the "Loan Agreement") and other Loan Documents, as that term is defined therein;

WHEREAS, Borrower and Lender desire to modify the Loan Agreement for the purposes stated herein.

NOW, THEREFORE, for good and valuable consideration, Borrower and Lender agree as follows:

1. Except as expressly modified or changed herein, all terms and conditions of the Loan Agreement and the other Loan Documents shall remain in full force and effect and shall not be changed hereunder.

2. The following definition contained in Article 1 of the Loan Agreement is hereby amended to provide as follows:

"Timber Funds" means, ORM Timber Fund I, LP, ORM Timber Fund II, Inc., ORM Timber Fund III (REIT) Inc. and any future similar timberland investment entity.

3. There shall be added a new sub-paragraph 7.01.b.ix, to the Loan Agreement, as follows:

ix. Borrower shall provide sufficient detail for each financial report required under Paragraphs 7.01b.i and ii, to reflect only the non-controlling interest held by Borrower in the Timber Funds. Such detail shall be in a form and with such substance as required by Lender.

4. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. This Amendment shall not constitute a novation and shall in no way adversely affect or impair the lien priority of the Loan Documents. Each of the Loan Documents shall remain in effect and is valid, binding and enforceable according to its terms, except as modified by this Amendment. Time is of the essence in the performance of the Loan Agreement and the other Loan Documents. This Amendment shall be binding upon and inure to the benefit of the respective successors and assigns of Borrower and Lender.

In Witness Whereof, the parties hereto have duly executed this Amendment to be effective as of the date first above written.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

LENDER:
NORTHWEST FARM CREDIT SERVICES, FLCA

By: ______________________________
Authorized Agent

BORROWER:
POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP
By: Pope MGP Inc., a Delaware corporation, its Managing General Partner

By: ______________________________
Thomas M. Ringo, President and CEO

Exhibit 10.2

**AMENDMENT NO. 3 TO FIRST AMENDED AND RESTATED
MASTER LOAN AGREEMENT**

THIS AMENDMENT NO. 3 TO FIRST AMENDED AND RESTATED MASTER LOAN AGREEMENT (this "Amendment") is made and entered into effective April 1, 2015, by and between **NORTHWEST FARM CREDIT SERVICES, PCA** ("Lender") and **POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP** ("Borrower").

RECITALS

WHEREAS, Borrower and Lender entered into a First Amended and Restated Master Loan Agreement dated June 10, 2010 (herein, as at any time amended, extended, restated, renewed, supplemented or modified, the "Loan Agreement") and other Loan Documents, as that term is defined therein;

WHEREAS, Borrower and Lender desire to modify the Loan Agreement for the purposes stated herein.

NOW, THEREFORE, for good and valuable consideration, Borrower and Lender agree as follows:

1. Except as expressly modified or changed herein, all terms and conditions of the Loan Agreement and the other Loan Documents shall remain in full force and effect and shall not be changed hereunder.

2. The following definition contained in Article 1 of the Loan Agreement is hereby amended to provide as follows:

"Timber Funds" means, ORM Timber Fund I, LP, ORM Timber Fund II, Inc., ORM Timber Fund III (REIT) Inc. and any future similar timberland investment entity.

3. There shall be added a new sub-paragraph 7.01.b.ix, to the Loan Agreement, as follows:

ix. Borrower shall provide sufficient detail for each financial report required under Paragraphs 7.01b.i and ii, to reflect only the non-controlling interest held by Borrower in the Timber Funds. Such detail shall be in a form and with such substance as required by Lender.

4. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. This Amendment shall not constitute a novation and shall in no way adversely affect or impair the lien priority of the Loan Documents. Each of the Loan Documents shall remain in effect and is valid, binding and enforceable according to its terms, except as modified by this Amendment. Time is of the essence in the performance of the Loan Agreement and the other Loan Documents. This Amendment shall be binding upon and inure to the benefit of the respective successors and assigns of Borrower and Lender.

In Witness Whereof, the parties hereto have duly executed this Amendment to be effective as of the date first above written.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

LENDER:
NORTHWEST FARM CREDIT SERVICES, PCA

By: ____________________________________
Authorized Agent

BORROWER:
POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP
By: Pope MGP Inc., a Delaware corporation, its Managing General Partner

By: ____________________________________
Thomas M. Ringo, President and CEO

Date: April 1, 2015

NOTE

(Revolving with Multiple Pricing Options)

For Value Received, on April 1, 2020 (the "Loan Maturity Date"), Borrower, as defined below, as principal, jointly and severally, promises to pay to NORTHWEST FARM CREDIT SERVICES, PCA ("Lender"), or order, at its office in Spokane, Washington, or such other place as the holder of this Note (this "Note") may designate in writing, the principal balance of **Twenty Million and no/100's Dollars ($20,000,000.00)** (the "Total Commitment Amount"), or so much thereof as may be outstanding, plus interest thereon from and after any Disbursement Date, at interest rates as provided for hereafter. For all intents and purposes, all Loan Segments are treated as one obligation under this Note and the other Loan Documents.

1. Definitions. For purposes of this Note, the following definitions apply. Capitalized terms not otherwise defined herein shall have the meanings given in the Master Loan Agreement.

"Applicable Margin" means the per annum percentage set forth below, which corresponds to the Borrower's Pricing Level as of the most recent Calculation Date.

Pricing Level	**Consolidated Interest Coverage Ratio**	**Applicable Margin for Base Rate and Letter of Credit Fee**	**Applicable Margin for Fixed Rate Options**	**Unused Commitment Fee**
I	$\geq$ 3.00:1.00	1.50%	1.50%	0.10%
II	$\geq$ 2.00:1.00	1.75%	1.75%	0.15%
III	< 2.00:1.00	2.00%	2.00%	0.20%

The Pricing Level shall be determined and adjusted on the date ten (10) Business Days after the date Borrower provides Lender the Compliance Certificate, as required herein, for Borrower's most recent Calculation Date (each, an "Adjustment Date"); provided however, that (i) the initial Pricing Level shall be Pricing Level I and shall remain at Pricing Level I until the first Adjustment Date occurring after the first Calculation Date following the Closing Date and, on such Adjustment Date and thereafter, the Pricing Level shall be determined by the Consolidated Interest Coverage Ratio as of the most recent Calculation Date, and (ii) if Borrower fails to timely provide Lender the Compliance Certificate for such most recent Calculation Date, the Applicable Margin commencing the day after the due date thereof shall be based on the highest Pricing Level which shall remain in effect until subsequently adjusted ten (10) Business Days after the delivery of the required Compliance Certificate. Any adjustment in the Pricing Level shall be applicable to all existing Loan Segments. Provided, however, in the Event of Default, Lender shall have the right at any time to change the Applicable Margin to the highest Pricing Level. In calculating the Pricing Level, Lender will use Borrower's Consolidated Interest Coverage Ratio, notwithstanding any grace period provided for in the Loan Documents in which Borrower may cure an Event of Default.

“Base Rate Loan Segment” means the principal portion of the Loan plus accrued interest priced using the Base Rate.

“Beneficiary” means the party designated as the recipient of a Letter of Credit issued by Lender under this Loan.

“Borrower” means Pope Resources, A Delaware Limited Partnership, a Delaware limited partnership.

“Calculation Date” means the first three Fiscal Quarter-Ends and the Fiscal Year-End of Borrower.

“Closing Date” means the date the Loan Documents are fully executed and the conditions precedent to Loan closing have been met to Lender’s satisfaction or waived by Lender in writing.

“Commitment Period” means the period from the date of this Note through the Loan Maturity Date.

“Consolidated Interest Coverage Ratio” means, as of any date of determination for the prior four (4) Fiscal Quarters ending on such date, the ratio of (a) Consolidated EBITDDA minus Consolidated Capital Expenditures to (b) Consolidated Interest Expense.

“Disbursement Date” means any Business Day when Loan principal is advanced under this Note to or on the account of Borrower.

“Fixed Rate Loan Segment” means each principal portion of the Loan, plus interest accrued thereon, with all the following attributes that distinguish such Fixed Rate Loan Segment from other Fixed Rate Loan Segments: a different Fixed Rate Maturity Date and or a different date to which a given Fixed Rate Option was assigned to the Fixed Rate Loan Segment, except as otherwise provided herein.

“Fixed Rate Maturity Date” shall have the meaning given in Paragraph 3.02 hereof; provided however, if a Fixed Rate Maturity Date falls on a date that is not a Business Day, then the Fixed Rate Maturity Date shall be deemed to be the preceding Business Day, unless such business day falls in a another calendar month, in which case the Fixed Rate Maturity Date shall be deemed to be the succeeding Business Day.

“Fixed Rate Option” means any of the Fixed Rate Options defined in Paragraph 3.02 hereof.

“Letter of Credit” means a letter of credit issued by Lender to a Beneficiary at the request of Borrower.

“LIBOR” means the rate per annum as of 11:00 a.m. (London time) on the day that is two (2) Business Days prior to the first day of such interest period (the “Index”), as determined by Lender, at which deposits in Dollars for the relevant interest period are offered as determined by the ICE Benchmark Administration (or any successor thereto or any other readily available service selected by Lender that has been approved by the ICE Benchmark Administration as an authorized information vendor for purposes of displaying rates) (the “LIBOR Index Source”) provided, that in the event the ICE Benchmark Administration ceases to provide such quotations (as determined by Lender), the foregoing rate of interest shall mean any similar successor rate designated by Lender in its reasonable discretion.

“Loan” means all principal amounts advanced by Lender to Borrower or on the account of Borrower or otherwise under this Note and the other Loan Documents, and all fees or charges incurred as provided for in this Note and the other Loan Documents, plus all interest accrued thereon.

“Loan Documents” means, in addition to the definition provided in the Master Loan Agreement, collectively, as applicable, (a) this Note, (b) the Membership Agreement, (c) the Mortgage(s)/Deed(s) of Trust, (d) the Security Agreement(s), (e) Uniform Commercial Code Financing Statements, (f) all other documents executed by Borrower or any other person, prior to, concurrently herewith or at any time hereafter, in connection with or to evidence or secure the payment of the Note, including without limitation mortgage(s)/deed(s) of trust, security agreement(s), guaranty agreement(s), indemnities, assignments, financing statement(s), commitment letter(s), fee letter(s), intercreditor agreement(s), funds management agreement(s), post-closing agreement(s), and other documents and instruments as required by Lender or any governmental agency, and (g) all renewals, extensions, amendments, restatements, modifications, substitutions and replacements of any of the foregoing items.

“Loan Purpose” means (a) to provide financing for Borrower’s operating and capital needs (including distributions to Borrower’s unitholders in the ordinary course of business and repurchases of partnership units from Borrower’s unitholders as may be approved by Borrower’s Board of Directors), and (b) to pay Loan fees and all Lender’s reasonable transaction costs.

“Loan Segment” means the Base Rate Loan Segment, an LOC Loan Segment or a Fixed Rate Loan Segment.

“LOC Loan Segment” means the total principal commitment of all Letters of Credit issued by Lender under this Note.

“Master Loan Agreement” means that certain First Amended and Restated Master Loan Agreement, dated June 10, 2010, by and between the Borrower and Lender hereto that contains the terms and conditions that further govern the relationship of the parties, as further amended, modified, extended, restated or supplemented from time to time.

“Notice” shall have the meaning given in Paragraph 2.05 hereof.

“Pricing Date” means the date a given Loan Segment begins to accrue interest under a given Rate Option or a day when there is a change in the Base Rate.

“Rate Option” means the Base Rate or one of the Fixed Rate Options.

“Unused Commitment Fee” shall have the meaning given in Section 2.06 hereof.

2. Advances, Fees, Expenses and Notice.

2.01 Advances. So long as there is no Event of Default or Incipient Default, Lender will advance Loan proceeds to or on account of Borrower during the Commitment Period on a Disbursement Date for an approved Loan purpose, provided that, after giving effect to any requested advance, the aggregate principal amount of such loans made hereunder will not exceed the Total Commitment Amount. The advances constitute a revolving line of credit. During the Commitment Period, Borrower may borrow, repay and re-borrow Loan principal on the terms and conditions contained herein.

2.02 Letters of Credit. Lender will made Letters of Credit available to Borrower as one means of advancing Loan proceeds. Borrower may only request Letters of Credit prior to the Loan Maturity Date within the Total Commitment Amount for an approved Loan purpose and so long as there is no Event of Default or Incipient Default under the Loan Documents. Letters of Credit are subject to the terms and conditions of this Note and the other Loan Documents, including, but not limited to, the following terms and conditions:

a. Purpose. Lender and Borrower agree that the sole purpose for the advance of any Loan proceeds under a Letter of Credit shall be by Lender to pay directly to the Beneficiary designated therein, upon its written demand, pursuant to the terms of that certain Letter of Credit, issued by Lender for the account of Borrower.

b. Termination. Lender's duty to advance loan proceeds to the Beneficiary shall terminate on March 31, 2020, or the earlier termination of the Letter of Credit. The aggregate amount that Lender shall be required to advance shall be limited to the commitment amount of such Letter of Credit.

c. Payment. In the event any amount is advanced under a Letter of Credit, Borrower shall repay interest and principal associated with such advance pursuant to the terms of this Note.

d. Letter of Credit Fee. Borrower shall pay Lender a fee of one and one half percent (1.5%) of the Letter of Credit commitment amount, at inception and annually during the term of such Letter of Credit, for each Letter of Credit issued.

e. Indemnification. Borrower shall defend, indemnify and hold Lender harmless for any and all claims, damages, liabilities, costs or expenses whatsoever by Borrower, or any other party (“liabilities”) which Lender may incur or suffer by reason of or in conjunction with Lender's performance under a Letter of Credit except only if and to the extent that any such liability shall be caused by the willful misconduct or gross negligence of Lender in performing its obligations under such Letter of Credit. Provided however, Lender may rely on the documents presented to Lender by the Beneficiary in accordance with the Letter of Credit as to any and all matters set forth therein, whether or not any statement or any document presented pursuant thereto proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein proves to be untrue or inaccurate in any respect. Borrower shall reimburse Lender for any legal or other expenses incurred in connection with investigating or defending against any of the foregoing except if the same is due to Lender's gross negligence or willful misconduct. The indemnities contained herein shall survive the expiration of any Letter of Credit.

f. LOC Loan Segment. Any LOC Loan Segment shall be treated as fully disbursed for purposes of determining the amount that Borrower may borrow under the Loan.

2.03 **Loan Fee**. Borrower shall pay Loan fees as set forth in a separate Loan Fee Letter.

2.04 **Fees and Expenses**. Borrower shall pay Lender on demand, all fees and expenses, including attorney fees, related to closing the Note and incurred in any loan servicing action or to protect or enforce any of Lender's rights in bankruptcy, appellate proceedings or otherwise, under this Note or the other Loan Documents. All sums advanced by Lender to protect its interests hereunder or under the other Loan Documents and all Prepayment and Breakage Fees shall be payable on demand and shall accrue interest under the interest rate in effect for the Base Rate Loan Segment on such date and shall be treated as an advance under the Base Rate Loan Segment.

2.05 **Notice of Prepayment and Pricing**.

a. Prepayment of Principal. Borrower shall provide Lender with Notice of the amount of any prepayment of a Fixed Rate Loan Segment no later than 10:00 a.m. Spokane time three Business Days prior to the Business Day the prepayment will be made.

b. Pricing. Borrower shall provide Lender irrevocable Notice of pricing of a Loan Segment by 10:00 a.m. Spokane time three Business Days prior to the Pricing Date.

c. Form of Notice. Borrower may provide Lender any Notice required under this Note by use of the Notice in form substantially as set forth in Exhibit A hereto or other documentation as may be prescribed by Lender. Alternatively, Borrower may telephone Lender at the numbers designated on Exhibit A or as may be provided by Lender from time to time. If Notice is by telephone, Lender will confirm to Borrower the elected prepayment or pricing in writing. All such Notices are deemed irrevocable when given and are subject to Breakage Fees.

2.06 **Unused Commitment Fee**. Borrower shall pay Lender an Unused Commitment Fee to be calculated as follows: the annual percentage indicated in the pricing grid in the definition of Applicable Margin multiplied by the difference between the daily Loan balance and the Total Commitment Amount calculated quarterly in arrears on the basis of the actual number of days elapsed for a 360 day year until the Loan Maturity Date. The Unused Commitment Fee shall be due on the first day following each Fiscal Quarter-End and shall be payable by the tenth day following each Fiscal Quarter-End.

3. Interest Rate and Pricing Elections.

3.01 LIBOR Variable Base. The "Base Rate" is the LIBOR Variable Base. The "LIBOR Variable Base" for any day during a given month means the one-month LIBOR rate, as made available by the LIBOR Index Source, rounded up to the nearest .05 percent, plus the Applicable Margin. The LIBOR Variable Base shall be effective on the first day of the month and remain constant for such month.

3.02 1-, 3-, or 6- Month LIBOR Fixed Rate Options. A Fixed Rate Loan Segment may be priced at a fixed rate equal to the 1-, 3-, or 6- Month LIBOR as made available by the LIBOR Index Source plus the Applicable Margin. With the LIBOR Fixed Rate Option: (i) rates may be fixed for an "Interest Period" as defined herein of 1-, 3-, or 6- months; and (ii) rates take effect on the Pricing Date. For purposes hereof, the "Interest Period" shall mean a period commencing on the Pricing Date and ending on the numerically corresponding day of the month that is 1, 3, or 6 months thereafter (the "Fixed Rate Maturity Date").

3.03 Pricing Elections. Upon irrevocable Notice to Lender in accordance with Paragraph 2.05 above, as to principal (i) in the amount of an advance, (ii) in the Base Rate Loan Segment, or (iii) in a Fixed Rate Loan Segment on a Fixed Rate Maturity Date, Borrower may elect to designate all or any part of an advance or the unpaid principal balance of such Loan Segment on such Pricing Date to bear interest at any Rate Option described herein; provided however, that (1) there is no Event of Default or Incipient Default, (2) Borrower shall price Loan principal in Fixed Rate Loan Segments in initial minimum principal amounts of $1,000,000.00, (3) no Fixed Rate Option may be selected which would have for its Fixed Rate Maturity Date a date later than the Loan Maturity Date, and (4) there are no more than five Loan Segments at any one time. If Borrower does not provide Lender irrevocable Notice of election of a Rate Option on a Fixed Rate Maturity Date for a Fixed Rate Loan Segment, the unpaid principal balance of such Loan Segment will be priced at the Base Rate effective on such Pricing Date.

3.04 Single Base Rate Loan Segment. If on a Pricing Date, any Loan Segment is priced under the Base Rate resulting in more than one Loan Segment priced under the Base Rate, all Loan principal priced under the Base Rate will be treated as a single Base Rate Loan Segment by combining the principal balances of such Loan Segments on such Pricing Date.

3.05 Interest Rates. The interest rate used herein does not necessarily represent the lowest rates charged by Lender on its loans. The interest rates described herein are per annum rates. Interest rates using the LIBOR Index Source are calculated on the basis of the actual number of days elapsed for a 360 day year. Interest rates using any other Index are calculated on the basis of the actual number of days elapsed during the year for the actual number of days in the year.

3.06 Index and Index Source. If any Index or Index Source provided for herein cannot be ascertained during the Note term, Lender will choose a new Index or Index Source which it determines, in its sole discretion, is comparable to be effective upon notification thereof to Borrower.

3.07 Additional Pricing Options. In the event Borrower should desire to price a Loan Segment using an Index, Pricing Date and margin other than as provided for herein, Borrower may request Lender to quote a rate and lock-in fee for an identified principal amount and desired pricing option. Lender will provide Borrower such a quote if available under Lender's then existing policies and procedures, and shall provide Borrower the option to elect such a rate upon payment of the lock-in fee, which rate shall be effective on the Pricing Date for the Loan Segment, upon terms and conditions and within timeframes as Lender may prescribe at the time of the quote.

4. Payment.

4.01 Interest Payments. Borrower shall make monthly interest only payments, which payments shall consist of interest that accrued during such period on the unpaid principal balance of each Loan Segment. Interest only payments shall be due on the first day of the following month.

4.02 Payment in Full on Loan Maturity Date. The unpaid principal balance, unpaid interest thereon, and other amounts due under this Note and the other Loan Documents shall be paid in full on the Loan Maturity Date.

4.03 Manner of Payments. Upon Lender's written request, payments shall be electronically submitted no later than 10:00 a.m. Spokane time on the date specified for payment. If any payment date is not a Business Day, then payment shall be due on the next succeeding Business Day. All sums payable to Lender hereunder shall be paid directly to Lender in immediately available funds in U.S. dollars. Lender shall send to Borrower periodic statements of all amounts due hereunder at applicable interest rates, which statements shall be considered correct and conclusively binding on Borrower in all respects and for all purposes unless Borrower notifies Lender in writing of any objections within 15 days of receipt of any such statement.

4.04 Application of Payments. Lender may apply any payment received from or on behalf of Borrower to principal, interest, or any part of the indebtedness, including any fees and expenses due under this Note or any other Loan Document, as Lender, in its sole discretion, may choose. Subject to the preceding sentence, Borrower may at any time pay any amount of principal in advance of its maturity subject to the Prepayment Fee described herein.

4.05 Timber Cutting Payments. Lender will calculate a Timber Cutting Payment annually, at the Fiscal Year-End. The Timber Cutting Payment will be due and payable 15 days after it is billed. After the pro-rata allocation of the Timber Cutting Payment between Loans is made pursuant to the Master Loan Agreement and so long as there is no Event of Default or Incipient Default, Borrower may elect the Loan Segment(s) against which the Timber Cutting Payment will be applied. A Timber Cutting Payment shall not excuse Borrower from making any other required payments. Timber Cutting Payments will be subject to the Prepayment Fee provisions hereof.

5. Prepayment and Breakage Fees. The Note is subject to the Prepayment and Breakage Fees as set forth in Section 9 of the Master Loan Agreement.

6. Default.

6.01 Events of Default. Time is of the essence in the performance of this Note. The occurrence of any one or more of the Events of Default in Section 8.01 of the Master Loan Agreement shall constitute an "Event of Default" under this Note.

6.02 Acceleration. In the event of any uncured Event of Default beyond any applicable cure periods provided for in the Loan Documents, at Lender's option, without notice or demand, the unpaid principal balance of the Loan, plus all accrued and unpaid interest thereon and all other amounts due shall immediately become due and payable and bear interest thereafter at the per annum rate in effect at the time of acceleration.

6.03 Notice and Opportunity to Cure. Any notice and opportunity to cure shall be administered in accordance with Section 8.02 of the Master Loan Agreement.

7. Security. This Note is secured by the property described in the Membership Agreement and any other Loan Document that grants Lender a lien, security interest, or other rights or entitlements in, to or against such described property (collectively, the "Collateral"), including but not limited to the following specific Loan Documents:

Mortgage, Financing Statement and Fixture Filing dated June 10, 2010 (Kitsap County);
Mortgage, Financing Statement and Fixture Filing dated June 10, 2010 (Jefferson County);
Mortgage, Financing Statement and Fixture Filing dated June 10, 2010 (Lewis County);
Mortgage, Financing Statement and Fixture Filing dated June 10, 2010 (Mason County);
Mortgage, Financing Statement and Fixture Filing dated June 10, 2010 (Skamania County);

8. Loan Terms, Provisions and Covenants. This Note is subject to the terms, provisions and covenants of the Master Loan Agreement and the other Loan Documents.

9. Miscellaneous.

9.01 Funds Management Services. Lender may provide funds management services to Borrower. Upon request, Lender shall provide Borrower a quote for identified funds management services. Borrower shall comply with all funds management service agreements during the term of this Note. All fees incurred shall be considered a request for an advance under the Loan. The funds management services and fees may be adjusted upon reasonable notice by Lender.

9.02 Governing Law. The substantive laws of the State of Washington shall apply to govern the construction of the Loan Documents and the rights and remedies of the parties, except where the location of the Collateral for the Loan may require the application of the laws of another state or where federal laws, including the Farm Credit Act of 1971, as amended, may be applicable.

9.03 General Provisions. Borrower agrees to this Note as of the date above written. Borrower waives presentment for payment, demand, notice of nonpayment, protest, notice of protest and diligence in enforcing payment of this Note. This Note and the other Loan Documents constitute the entire agreement between Borrower and Lender and supersede all prior oral negotiations and promises which are merged into such writings. Upon written agreement of the parties, the interest rate, payment terms or balances due under this Note may be indexed, adjusted, renewed or renegotiated. Lender may at any time, without notice, release all or any part of the security for this Note, including any real estate and or personal property covered by the Loan Documents; grant extensions, deferments, renewals or reamortizations of any part of the indebtedness evidenced by this Note over any period of time; and release from personal liability any one or more of the parties who are or may become liable for the indebtedness evidenced by this Note without affecting the personal liability of any other party. Lender may exercise any and all rights and remedies available at law, in equity and provided herein and in the other Loan Documents. Any delay or omission by Lender in exercising a right or remedy shall not waive that or any other right or remedy. No waiver of default by Lender shall operate as a waiver of the same or any other default on a future occasion. Lender shall not be obligated to renew the Note or any part thereof or to make additional or future loans to Borrower. Borrower agrees to take any action requested by Lender to perfect or continue the lien and priority of the Loan Documents, including but not limited to, any action requested by any governmental agency. All Exhibits hereto are incorporated herein and made a part of this Note. This Note may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together, shall constitute but one and the same instrument. Borrower shall comply with the capitalization requirements of ACA, as stated in the Membership Agreement.

9.04 No Personal Liability of General Partners. In any action brought to enforce the obligation of Borrower to pay Borrower's Obligations, any judgment or decree shall not be subject to execution on, nor be a lien on, the assets of the General Partners of Borrower, other than their interests in the Collateral. The foregoing shall in no way otherwise affect the personal liability of Borrower.

9.05 <u>WAIVER OF JURY TRIAL</u>. BORROWER AND LENDER HEREBY IRREVOCABLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LOAN DOCUMENT AND ANY FUTURE MODIFICATIONS, AMENDMENTS, EXTENSIONS, RESTATEMENTS AND SERVICING ACTIONS RELATING TO THIS LOAN DOCUMENT. THE PARTIES INTEND THAT THIS JURY WAIVER WILL BE ENFORCED TO THE MAXIMUM EXTENT ALLOWED BY LAW.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

BORROWER:
POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP
By: Pope MGP Inc., a Delaware corporation, its Managing General Partner

By: ______________________________
Thomas M. Ringo, President and CEO

EXHIBIT A
NOTICE/CONFIRMATION

To:
Technical Accounting Services
Northwest Farm Credit Services, PCA
1700 South Assembly Street
Spokane, WA 99224-2121

P. O. Box 2515
Spokane, WA 99220-2515

Fax: 509-340-5508
Tel.: 1-800-216-4535

NOTICE

This Notice is provided pursuant to the Note dated April 1, 2015, as extended, renewed, amended or restated.

o **PRICING**. If checked, Borrower elects to price or reprice principal in a Loan Segment as follows:

o New Advance
o Base Rate Loan Segment
o Fixed Rate Loan Segment Currently Priced Under Fixed Rate Option __________

Principal Amount ____
To New Fixed Rate Option ____
To be Effective (Date) ____

o **PREPAYMENT OF PRINCIPAL.** If checked, Borrower elects to prepay principal as follows:

o Base Rate Loan Segment
o Fixed Rate Loan Segment Priced

Under Option ____
Principal Amount ____
To be Effective (Date) ____

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

Date: ____ By: ____
Authorized Agent

CONFIRMATION

Lender confirms that the above actions were taken or modified as provided for below:

NORTHWEST FARM CREDIT SERVICES, PCA

Date: ____ By: ____
Authorized Agent

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Thomas M. Ringo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pope Resources;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/Thomas M. Ringo
Thomas M. Ringo
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John D. Lamb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pope Resources;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/ John D. Lamb
John D. Lamb
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pope Resources (the “Company”) on Form 10-Q for the period ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas M. Ringo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of, and for, the periods presented in the Report.

This certification is being furnished solely to comply with the requirements of 18 U.S.C. Section 1350, and shall not be incorporated by reference into any of the Company’s filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, or otherwise be deemed to be filed as part of the Report or under such Acts.

/s/ Thomas M. Ringo
Thomas M. Ringo
Chief Executive Officer

May 8, 2015

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pope Resources (the “Company”) on Form 10-Q for the period ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John D. Lamb, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of, and for, the periods presented in the Report.

This certification is being furnished solely to comply with the requirements of 18 U.S.C. Section 1350, and shall not be incorporated by reference into any of the Company’s filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, or otherwise be deemed to be filed as part of the Report or under such Acts.

/s/ John D. Lamb
John D. Lamb
Chief Financial Officer

May 8, 2015