

Pope Resources L.P.

(NASDAQ: POPE)

Investor Presentation
November 2014

POPE



Safe Harbor

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

POPE Fast Facts

- Spun out as MLP in 1985, located in Poulsbo, WA
- 4.3M units outstanding
- Market capitalization: \$283M
- 2013 revenue \$70.7M
- 9mo2014 revenue \$70.1M
- 9mo2014 net income per unit: \$3.52
- 52 week unit price range: \$63.24 – \$71.00
- Forward annual dividend rate: \$2.60
- Tax-efficient partnership structure

Pacific Northwest Timber Pure-Play with Real Estate Upside

190,000 acres in western WA, northwestern OR, and northern CA

- **110,000 acres owned by partnership and 80,000 acres owned by funds**
- **Contributed 79% of total revenue over past 3 years**

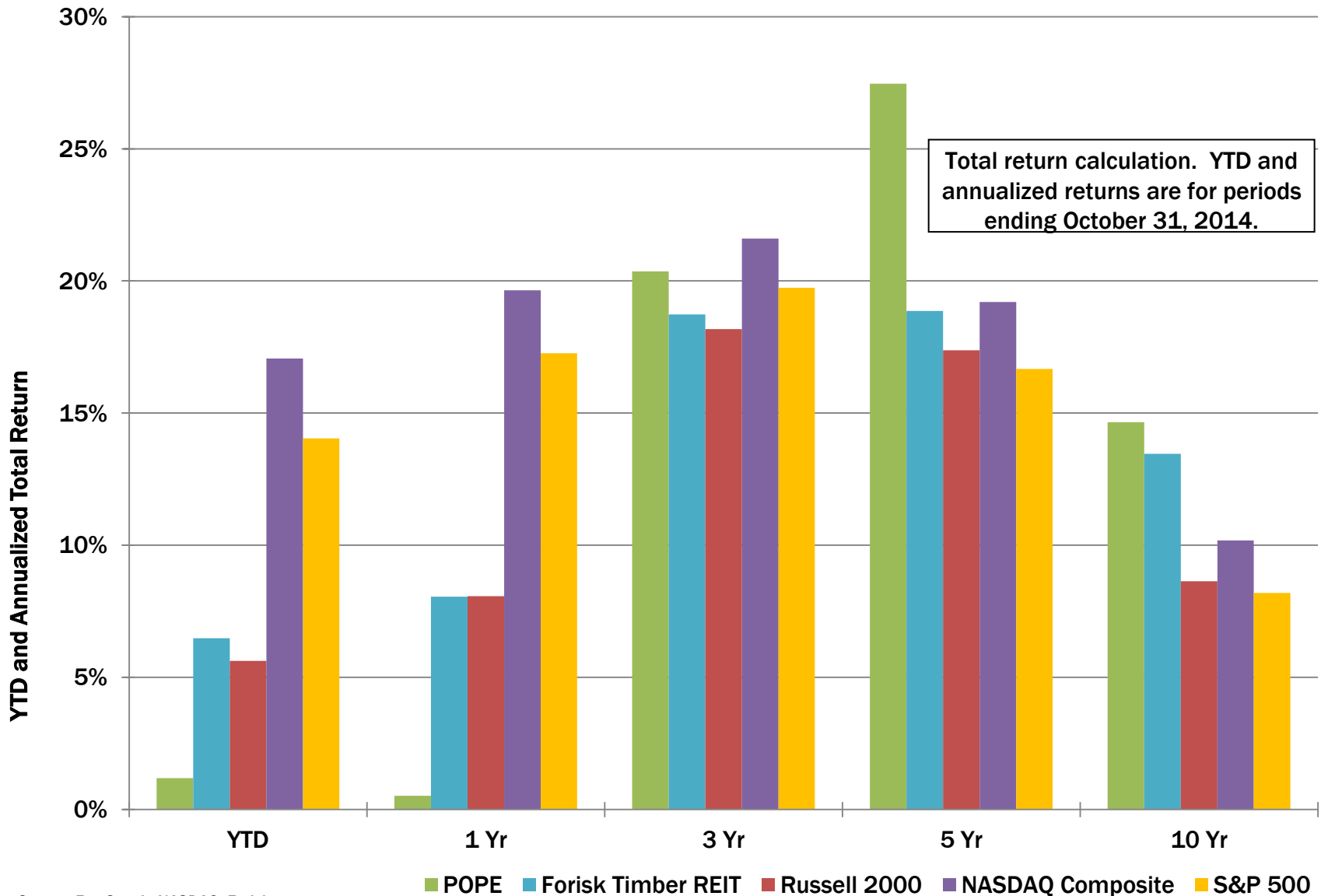
Timber expertise leveraged with private equity timber fund business

- **Assets under management of \$305M generate over \$3M of fees/year**
- **\$51M committed capital for investment in new timberland properties**

Seattle area real estate development

- **2,900-acre portfolio of properties in west Puget Sound**
- **Book value of \$32M including 1,600+ entitled lots**

Solid Long-term Investment Returns



Source: FactSet via NASDAQ, Forisk

Pacific Northwest Timber Pure-Play

Strategies

- Sustainably manage timberlands for long-term value maximization
- Employ value-adding silvicultural practices to maximize net present value at harvest
- Enhance returns by adjusting harvest timing to seasonal log price variations
- Leverage timber expertise through management of timber funds to drive future growth and economies of scale

Differentiating advantages

- 90% of lands tributary to 6 export log ports serving all 3 Asian markets
- Log sort mix heavy to Douglas-fir commands price premium
- Partnership structure enables tax-efficient timberland investment

Compelling Log Market Dynamics

Strong international demand for Pacific Northwest exports

- Surge in demand from China in recent years
- Stable market in Japan for high-quality Douglas-fir
- Exports grew from 15% of POPE's 2009 harvest to 36% in 2013

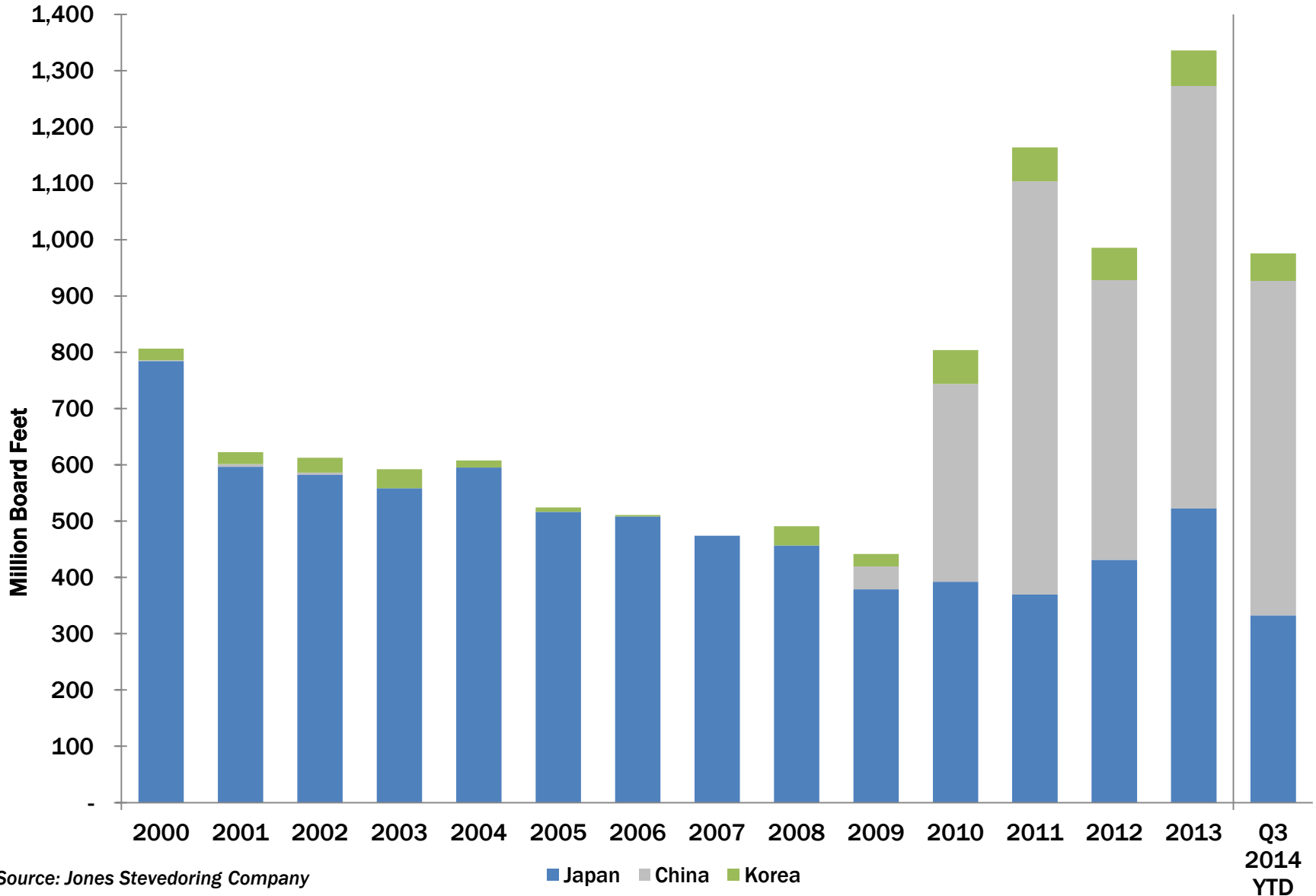
Domestic dynamics improving

- Stronger domestic log demand with U.S. housing starts \approx 1M in 2014

Canadian supply impacted by Mountain Pine Beetle infestation

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

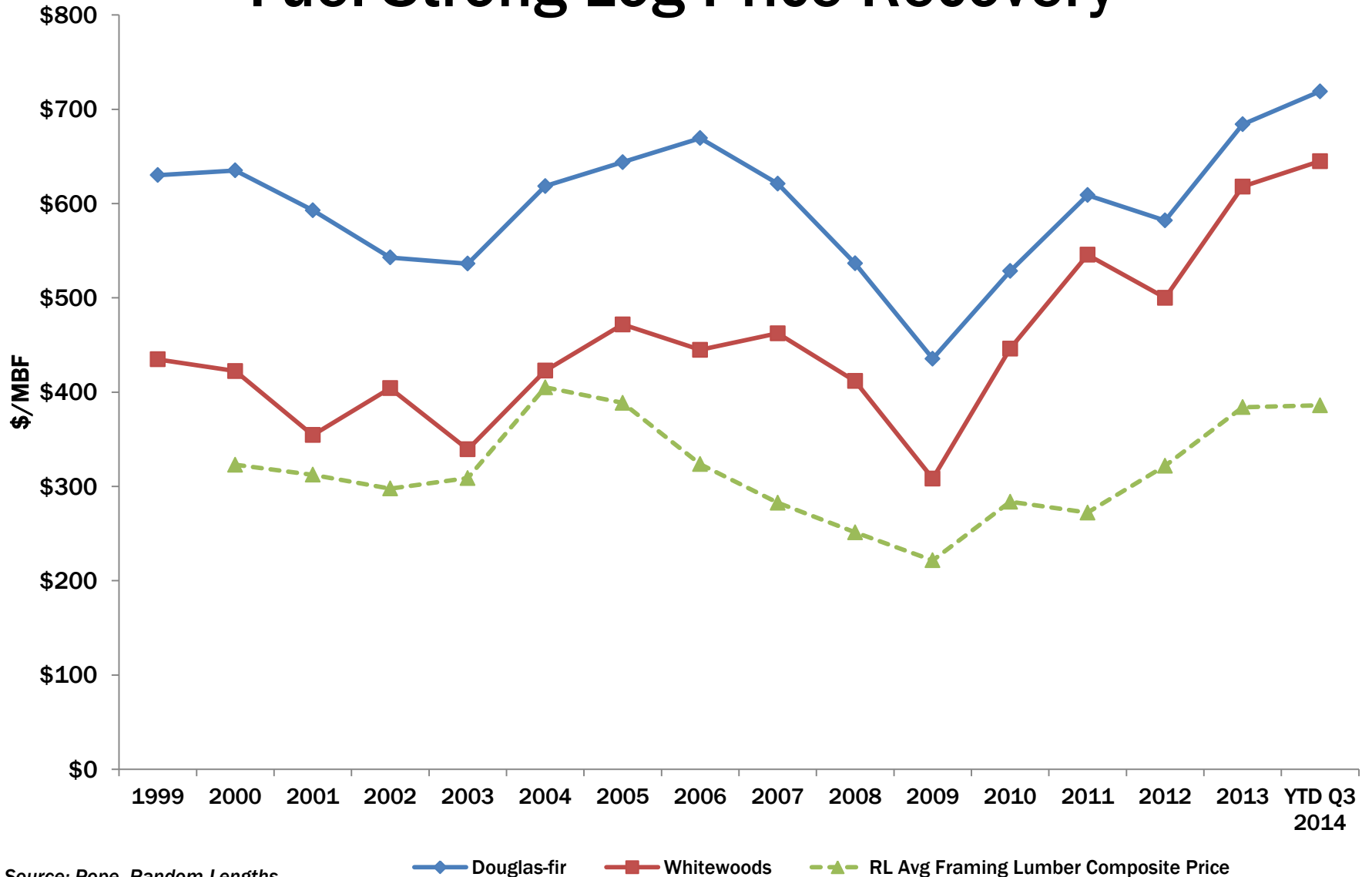
China Driving Export Growth



Source: Jones Stevedoring Company

■ Japan ■ China ■ Korea

Surging Export and Domestic Markets Fuel Strong Log Price Recovery



Source: Pope, Random Lengths

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

Private Equity Timber Fund Business

Three timber funds

- **Fund I**
 - Winding down after selling 24,000-acre portfolio in Q3 and Q4 2014
- **Fund II**
 - Portfolio consists of four tree farms in OR and WA totaling 37,000 acres
 - Pope is 20% co-investor
- **Fund III**
 - Portfolio consists of three tree farms in WA, OR, and CA totaling 42,000 acres
 - \$51 million of remaining committed capital to invest in PNW timberlands
 - Pope is 5% co-investor

Private Equity Timber Fund Business

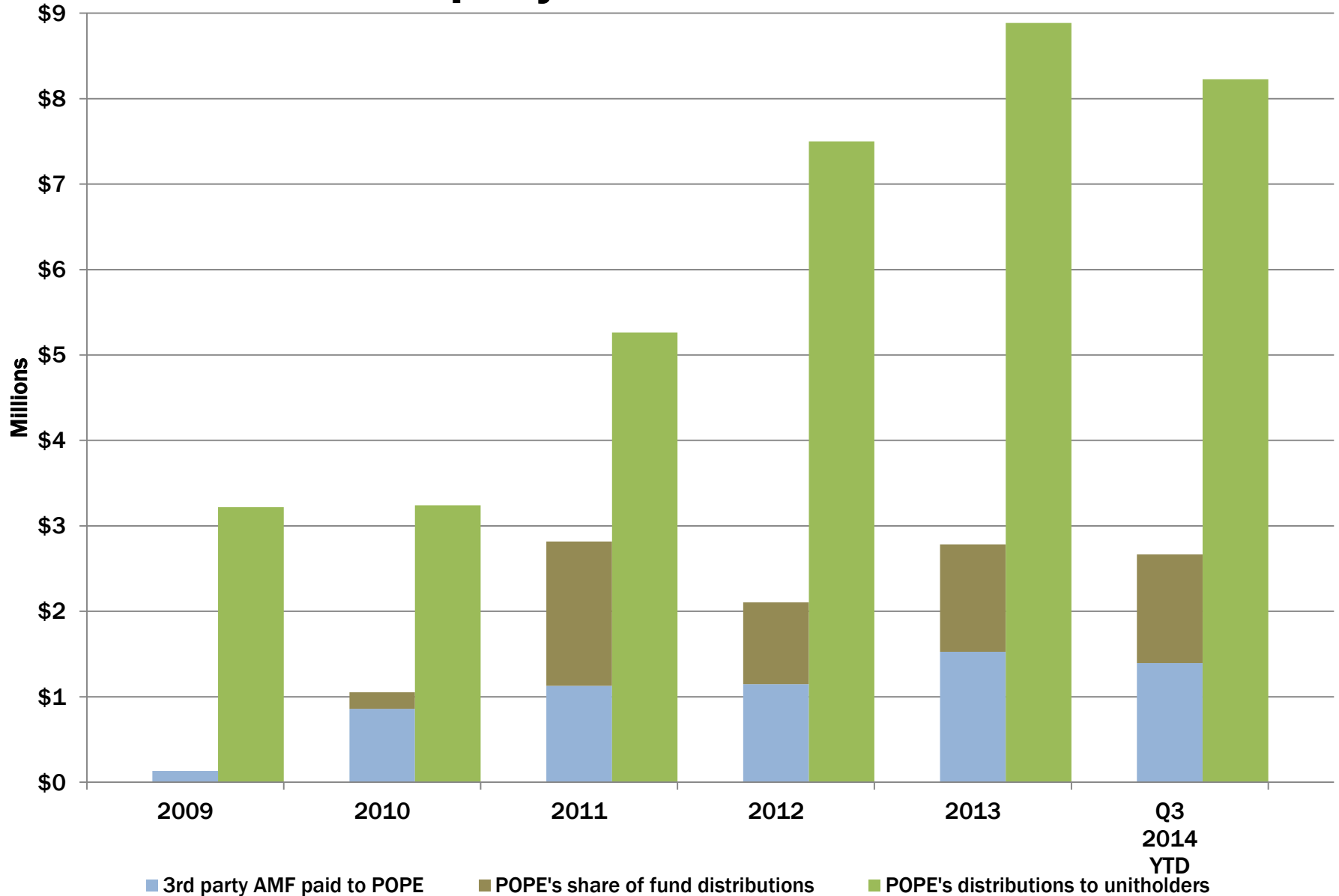
Economies of scale

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

Source of cash flow

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

Private Equity Timber Fund Business



Seattle Area Real Estate Development Expertise

Strategies

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

Differentiating Advantages

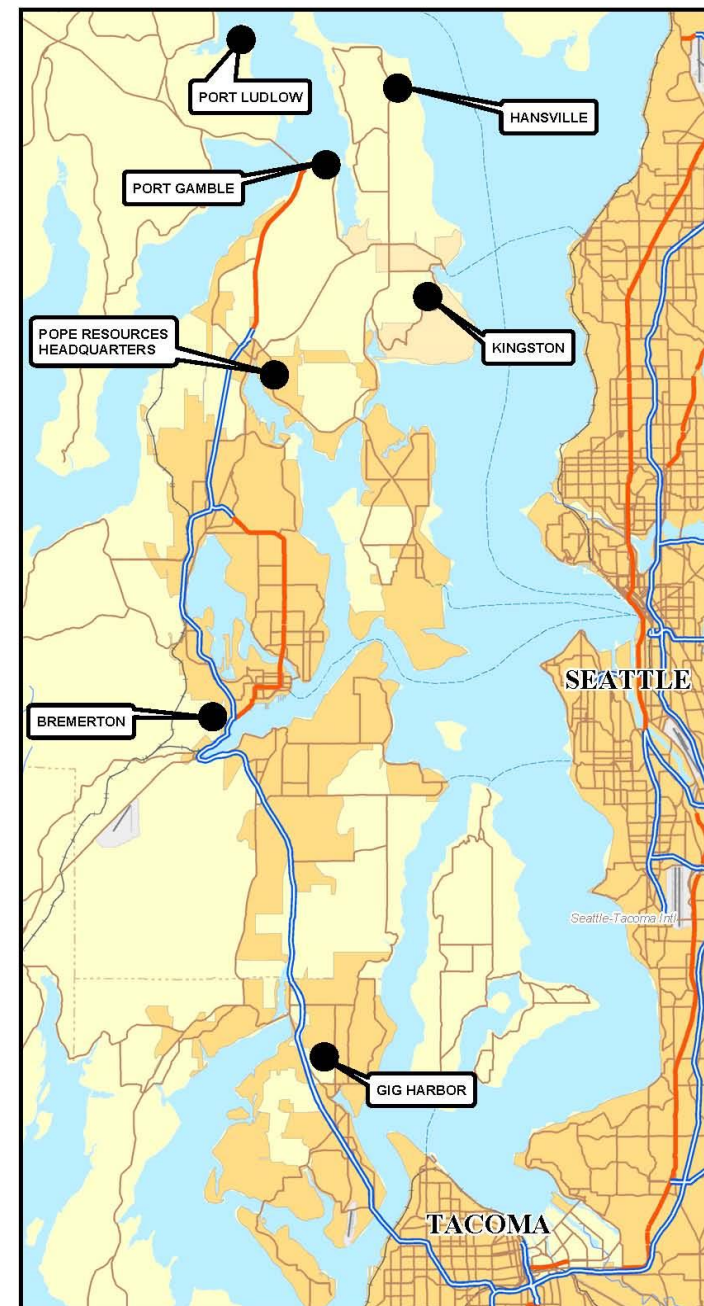
- Seattle Metro consistently near the top for new jobs, wage growth, and real estate investment
- Pope Resources is the largest, best capitalized real estate developer in its submarket (West Puget Sound)
- Political and community organizing skills create unique opportunities to generate value through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

Key West Puget Sound Projects

- Port Gamble – Completing initial environmental review for 200 homes, hotel, and commercial uses
- Kingston – 750 residential units
- Bremerton – Initial planning for approximately 130 residential units
- Gig Harbor – Over 720 single and multi-family residential units, 18-acre retail village, and 11-acre business park

Overall Outlook

- Timing of sales will be “lumpy”
- Expect to realize meaningful “harvest,” primarily from Gig Harbor over balance of 2014 and into 2015-16



Gig Harbor Project

Commercial

- \$15M of sales in 2006 paid for infrastructure
- 18-acre village site including grocery store

Business park

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

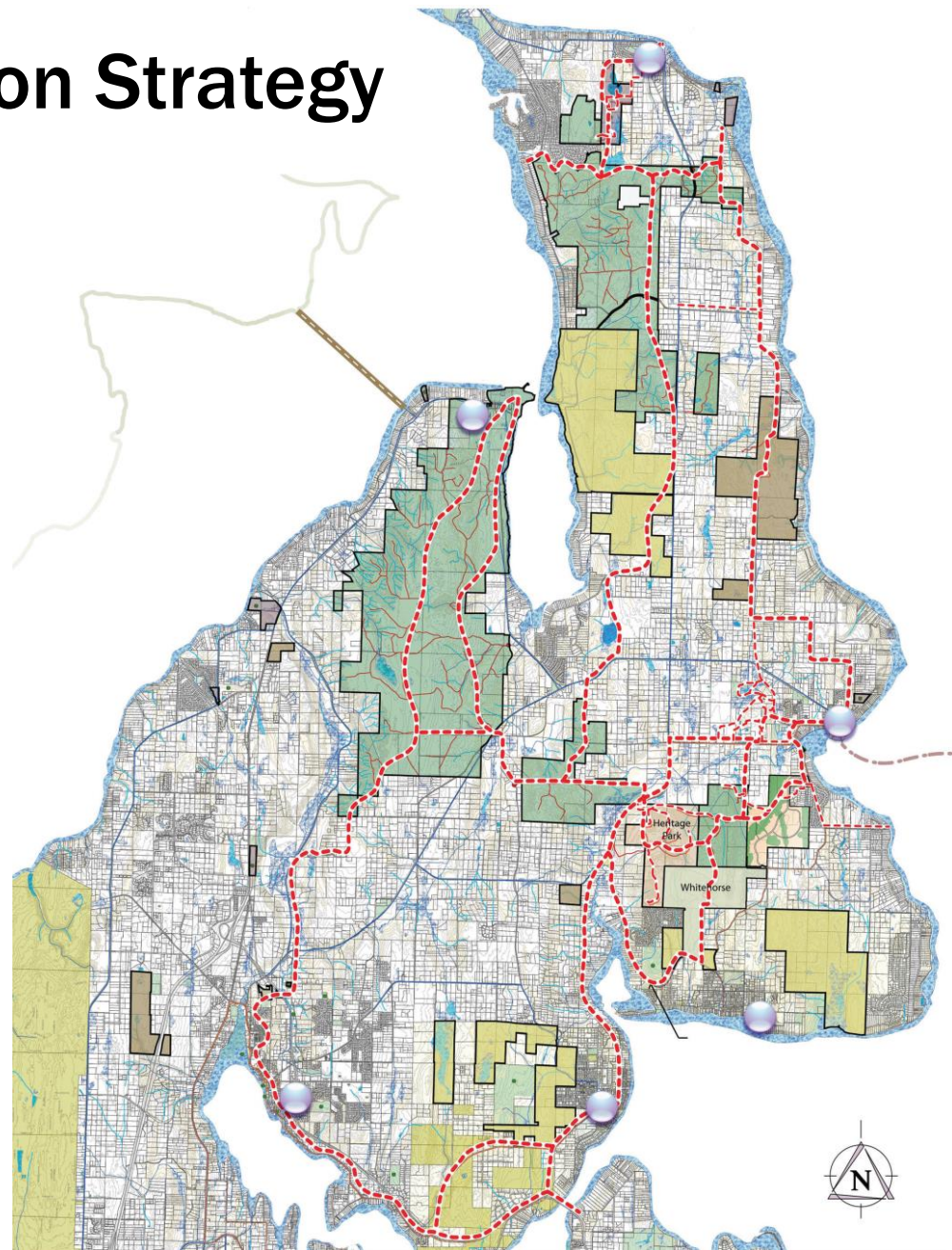
Residential

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



North Kitsap Monetization Strategy

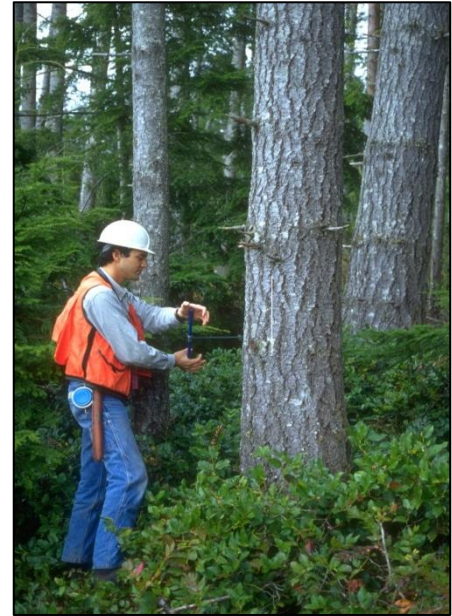
- Plan to sell 6,700 acres of timberland in north Kitsap
- Conservation group Forterra has option to acquire certain lands
- First closing for \$4.6M (535 acres) in Q1 2014
- Project enjoys broad political, tribal, and community support
- Master redevelopment plan for Port Gamble submitted in 2013 with approval anticipated in late 2015



Capital Allocation Priorities and Growth Capital

Capital Allocation Priorities

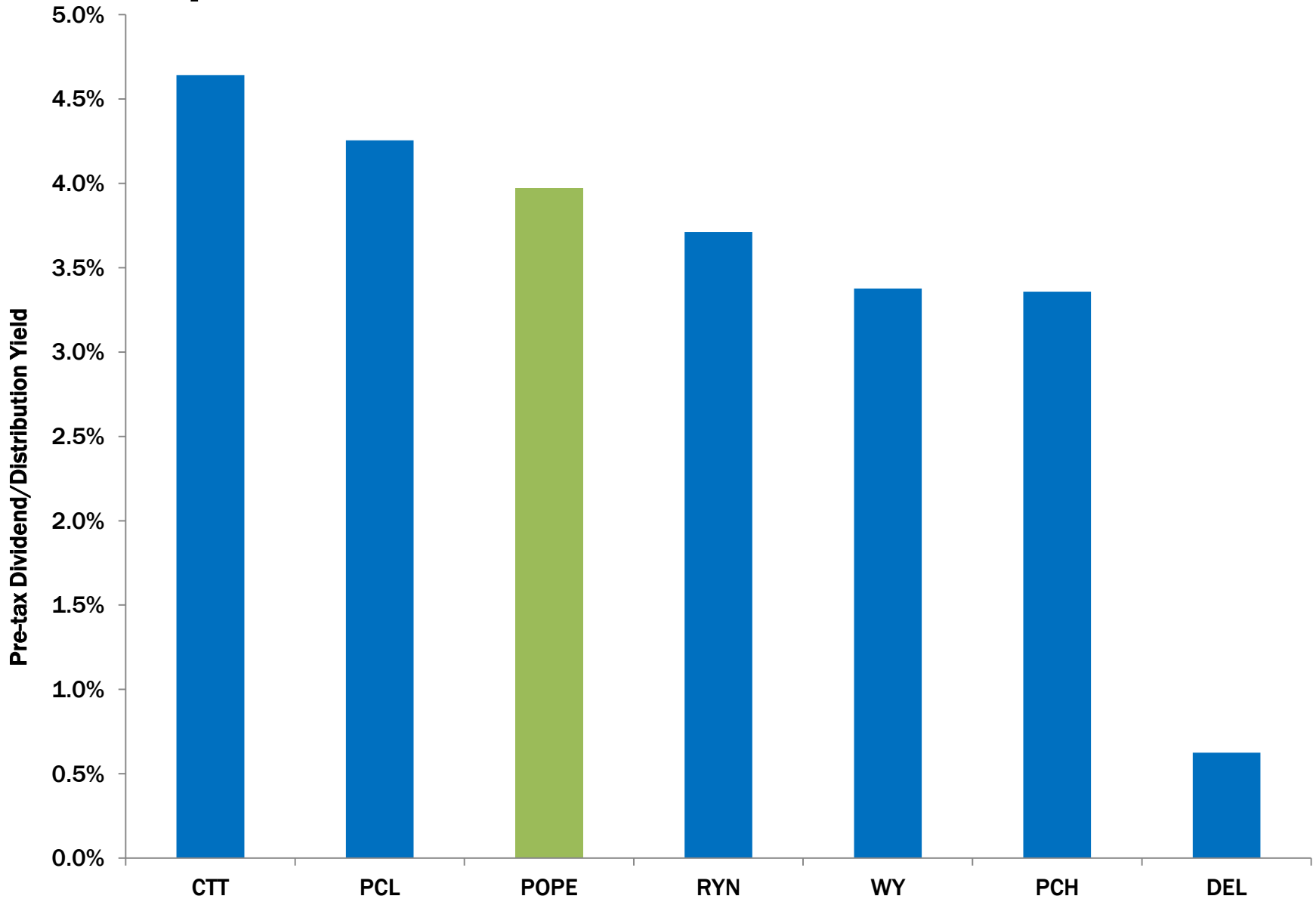
- Q2 2014 18% increase in quarterly distribution to current rate of \$0.65 per quarter
- Co-investment in private equity timber funds
- Opportunistically repurchasing units in open market
- Real Estate project investment, where appropriate
- Small tract acquisitions
- Pay down debt



Sources of Growth Capital

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

Competitive Yield Relative to Timber Peers



Investment Thesis for Pope Resources

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

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Pope Resources Appendix



Pope Resources Balance Sheet (\$ millions)

(In \$millions)

	September 2014	YE 2013
Assets		
POPE - Cash & cash equivalents	3.7	5.7
Funds - Cash & cash equivalents	38.5	1.3
Short-term investments	4.0	-
Other current assets	27.6	13.4
POPE - Properties and equipment, net of depletion/depreciation	78.0	78.3
Funds - Properties and equipment, net of depletion/depreciation	160.1	211.9
Other assets	0.3	0.4
Total assets	<u>312.2</u>	<u>311.0</u>
Liabilities & Equity		
Current liabilities (excl. current portion of long-term debt)	7.9	8.0
POPE - Total debt (current and long-term)	32.6	32.7
Funds - Total debt (current and long-term)	43.0	43.0
Other liabilities	10.7	12.7
Total liabilities	<u>94.2</u>	<u>96.4</u>
Capital	69.9	69.4
Noncontrolling interests	<u>148.1</u>	<u>145.2</u>
Total liabilities & partners' capital	<u>312.2</u>	<u>311.0</u>

Pope Resources Financial Metrics (2004-2014)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	YTD Q3 2014
Revenues:											
Fee Timber	33.5	44.4	35.3	35.5	23.6	14.9	27.7	52.7	45.5	56.0	52.0
Timberland Management	1.6	7.8	3.7	1.4	0.9	0.6	0.0	-	0.0	0.0	-
Real Estate	4.5	4.8	27.3	15.0	3.7	5.0	3.5	4.5	8.5	14.7	18.1
Total Revenues	39.6	57.0	66.3	51.9	28.2	20.5	31.2	57.3	54.0	70.7	70.1
Net Income/(Loss) Attributable to Unitholders	10.2	13.7	24.9	15.5	1.2	(0.3)	2.0	8.8	(4.7)	13.1	15.6
Net Income/(Loss) per Unit	\$2.22	\$2.88	\$5.22	\$3.22	\$0.23	(\$0.07)	\$0.43	\$1.94	(\$1.11)	\$2.96	\$3.52
Adjusted EBITDDA ⁽¹⁾	19.1	29.2	40.6	24.1	7.6	2.8	7.6	23.6	7.8	29.8	44.9
Operating Cash Flow	16.5	24.0	33.1	12.1	4.0	0.7	9.0	21.7	16.2	17.9	28.4
Adjusted Cash Available for Distribution ⁽²⁾	12.6	20.3	29.9	8.1	(0.8)	(0.2)	7.7	12.9	11.6	10.7	18.2
Timber Harvest (MMBF)	60	74	55	55	38	33	53	90	84	89	75.0
Unitholder Distributions per Unit	\$0.44	\$0.80	\$1.06	\$1.36	\$1.60	\$0.70	\$0.70	\$1.20	\$1.70	\$2.00	\$1.85
Unit Trading Prices:											
High	\$25.25	\$56.85	\$36.00	\$50.01	\$43.81	\$28.98	\$38.61	\$50.29	\$60.39	\$74.99	\$71.00
Low	\$15.00	\$19.35	\$30.00	\$34.25	\$15.00	\$15.61	\$23.32	\$35.02	\$41.19	\$56.15	\$63.94

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

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

Reconciliation of Non-GAAP Measures (\$ millions)

(All amounts in \$ millions)

	Adjusted EBITDDA										YTD Q3
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net income (loss)	10.2	14.0	24.8	15.1	0.1	(1.2)	0.8	8.9	(6.8)	11.7	24.2
Adjust for:											
Depreciation, depletion & amortization	5.7	11.3	7.1	5.5	4.8	2.9	5.9	12.7	11.2	11.9	9.9
Net interest expense (income)	3.0	2.5	0.6	(0.3)	0.2	1.0	1.1	1.7	1.5	1.5	1.9
Income tax expense (benefit)	0.0	1.0	0.4	(0.1)	(0.1)	0.0	(0.3)	0.2	0.4	(0.3)	0.5
Non-cash cost of land sold	0.2	0.4	7.7	3.9	2.6	0.1	0.1	0.1	1.5	5.0	8.4
Adjusted EBITDDA	19.1	29.2	40.6	24.1	7.6	2.8	7.6	23.6	7.8	29.8	44.9

(All amounts in \$ millions)

	Adjusted Cash Available for Distribution (ACAD)										YTD Q3
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cash provided (used) by operations	16.5	24.0	33.1	12.1	4.0	0.7	9.0	21.7	16.2	17.9	28.4
Adjust for:											
Noncontrolling Interest In Timber Funds			0.1	(0.5)	(1.9)	0.5	(0.7)	(7.4)	(3.3)	(5.7)	(7.9)
Maintenance capital expenditures	(1.9)	(1.8)	(1.7)	(2.0)	(1.5)	(1.1)	(0.9)	(1.4)	(1.3)	(1.4)	(2.2)
Required principal payments	(2.0)	(1.9)	(1.7)	(1.5)	(1.3)	(1.4)	(1.0)	0.0	0.0	(0.1)	(0.1)
Financed debt extinguishment costs						1.1	1.3				
Adjusted Cash Available for Distribution	12.6	20.3	29.9	8.1	(0.8)	(0.2)	7.7	12.9	11.6	10.7	18.2
Distribution	2.0	3.7	5.0	6.4	7.4	3.2	3.2	5.3	7.5	8.9	8.2
Distribution as a % of positive ACAD	16%	18%	17%	80%	N/A	N/A	42%	41%	65%	83%	45%

Reconciliation of Non-GAAP Measures (\$ millions)

Adjusted EBITDDA by Segment

	2007	2008	2009	2010	2011	2012	2013	YTD Q3 2014
Fee Timber								
Operating income - internal	\$14.5	\$6.0	\$2.9	\$8.4	\$14.9	\$10.1	\$13.9	\$23.5
Depletion	4.8	3.4	2.1	5.1	11.8	10.0	10.8	9.4
Depreciation and amortization	0.3	0.3	0.4	0.2	0.3	0.3	0.3	0.2
Cost of land sold		2.2		0.1				
Adjusted EBITDDA - Fee Timber	\$19.6	\$11.9	\$5.4	\$13.8	\$27.0	\$20.4	\$25.0	\$33.1
Timberland Management								
Operating income (loss) - internal	(\$0.2)	\$0.2	\$0.4	\$0.1	\$0.4	\$0.2	\$0.3	\$0.4
Depreciation and amortization	0.1	0.1	0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Adjusted EBITDDA - TM&C	(\$0.1)	\$0.3	\$0.4	\$0.1	\$0.4	\$0.2	\$0.3	\$0.4
Real Estate								
Operating income (loss) - internal	\$5.2	(\$1.4)	\$1.7	(\$0.7)	(\$0.3)	(\$11.0)	\$3.4	\$5.5
Depletion	0.0	0.5			\$0.1		\$0.5	
Depreciation and amortization	0.2	0.2	0.2	\$0.2	\$0.3	\$0.8	\$0.3	\$0.2
Cost of land sold	3.9	0.4	0.1		\$0.1	\$1.5	\$5.0	\$8.4
Adjusted EBITDDA - Real Estate	\$9.3	(\$0.3)	\$2.0	(\$0.5)	\$0.2	(\$8.7)	\$9.2	\$14.1

Accounting for Timber Fund Business

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

(In \$millions)

	2009	2010	2011	2012	2013	YTD Q3 2014
Timber Fund acres under management at end of period (000's)	36	61	61	80	91	75
Management fees paid by Funds	0.9	1.5	2.4	2.2	2.8	2.5
Less: POPE's share of Fund management fees	(0.2)	(0.3)	(0.5)	(0.4)	(0.5)	(0.4)
Net management fee revenue	<u>0.7</u>	<u>1.2</u>	<u>1.9</u>	<u>1.8</u>	<u>2.3</u>	<u>2.1</u>
Externally reported TIM segment operating income (loss)	(0.4)	(1.2)	(1.5)	(1.6)	(2.0)	(1.7)
Addback of eliminated management fees ⁽¹⁾	0.7	1.3	1.9	1.7	2.3	2.1
TM segment operating income (internal reporting)	<u>0.3</u>	<u>0.1</u>	<u>0.4</u>	<u>0.1</u>	<u>0.3</u>	<u>0.4</u>
Impact of Funds on POPE cash flow						
Fees	0.9	1.5	2.4	2.2	2.8	2.5
Distributions ⁽²⁾	-	0.2	1.7	1.0	1.3	1.3
Total	<u>0.9</u>	<u>1.7</u>	<u>4.1</u>	<u>3.2</u>	<u>4.1</u>	<u>3.8</u>

(1) Eliminated for external reporting in consolidation

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

Look-through Balance Sheet: Breaking out Funds

(in \$millions)

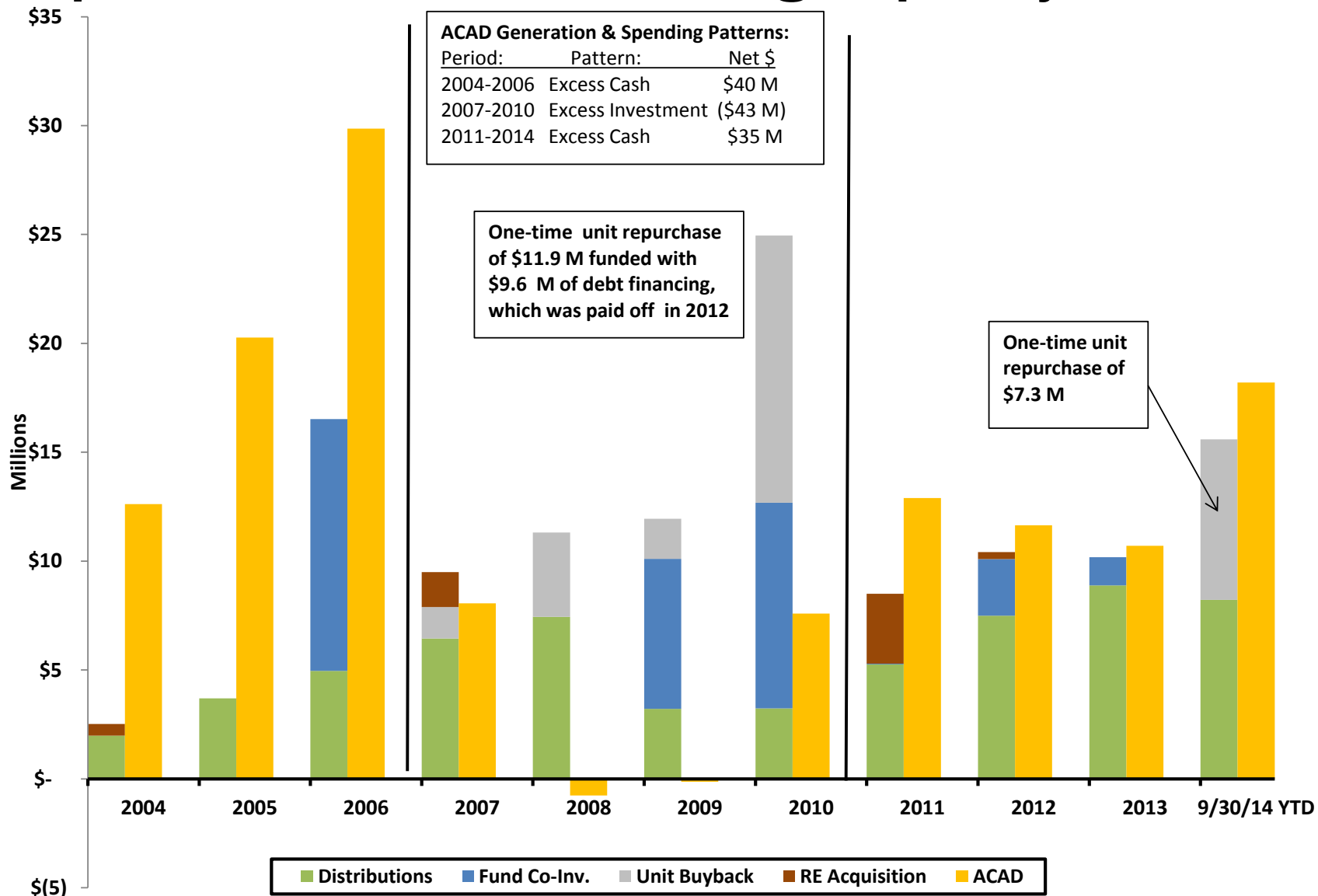
	September 30, 2014			Compare to:	
	Partnership	Look-Thru Funds	Look-Thru Bal Sht	Consol Bal Sht	YE 2013
Assets					
Cash & cash equivalents	3.7	7.6	11.3	42.2	7.0
Other current assets	10.8	4.1	14.9	31.5	13.5
Timber & roads, net	29.3	15.6	44.9	163.8	211.9
Timberlands	14.7	3.4	18.1	40.3	44.9
Land held for development	28.0	-	28.0	28.0	27.0
Buildings & equipment, net	6.0	-	6.0	6.0	6.2
Other assets	0.2	-	0.2	0.3	0.4
Total assets	92.7	30.7	123.4	312.1	310.9
Liabilities & Equity					
Current liabilities (excl. current portion of long-term debt)	4.2	0.6	4.8	8.0	7.9
Total debt (current and long-term)	32.6	5.9	38.5	75.6	75.7
Other liabilities	10.7	-	10.7	10.7	12.7
Total liabilities	47.5	6.5	54.0	94.3	96.3
Partners' capital	45.3	24.2	69.5	69.9	69.4
Noncontrolling interests	-	-	-	148.1	145.2
Total liabilities & partners' capital	92.8	30.7	123.5	312.3	310.9

Look-through EBITDDA: Breaking out Funds

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

	YTD Q3 2014				
	Partnership	Funds	Combined As Reported	Reverse: Funds' Non-Controlling	Look-Thru Inc Stmt
Net income	13.4	10.8	24.2	(8.6)	15.6
Adjustments to calculate EBITDDA:					
Depletion	1.7	7.7	9.4	(6.5)	2.9
Depreciation/amortization	0.5	-	0.5	-	0.5
Net interest expense	0.5	1.4	1.9	(1.2)	0.7
Income tax expense (benefit)	0.5	-	0.5	-	0.5
Cost basis of land and timber sold	8.4	-	8.4	-	8.4
Adjusted EBITDDA	25.0	19.9	44.9	(16.3)	28.6

Capital Allocation: Balancing Liquidity & Growth



Implied Timberland Value Well Below Market Level

