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, 2020

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 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 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 Filer o	Accelerated Filer x	Emerging growth company o
Non-accelerated Filer o	Smaller Reporting Company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.o

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Depositary Receipts (Units)	POPE	NASDAQ Capital Market

Partnership units outstanding at April 30, 2020: 4,367,215

Pope Resources
Index to Form 10-Q Filing
For the Three Months Ended March 31, 2020

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited, in thousands)
Pope Resources, A Delaware Limited Partnership
March 31, 2020 and December 31, 2019

	2020	2019
ASSETS		
Current assets		
Partnership cash	$ 2,740	$ 2,030
ORM Timber Funds cash	9,575	6,197
Cash	12,315	8,227
Restricted cash	770	810
Total cash and restricted cash	13,085	9,037
Accounts receivable, net	4,618	3,824
Contract assets	2,361	2,765
Prepaid expenses and other current assets	1,405	1,385
Total current assets	21,469	17,011
Properties and equipment, at cost		
Timber and roads	359,354	367,305
Timberland	77,064	77,035
Land held for development	20,264	20,223
Buildings and equipment, net of accumulated depreciation (2020 - $8,366; 2019 - $8,214)	5,208	5,340
Total properties and equipment, at cost	461,890	469,903
Other assets	6,503	6,635
Total assets	$ 489,862	$ 493,549
LIABILITIES, PARTNERS' CAPITAL AND NONCONTROLLING INTERESTS		
Current liabilities		
Accounts payable	$ 2,939	$ 1,700
Accrued liabilities	5,675	7,165
Current portion of long-term debt - Partnership	134	133
Current portion of long-term debt - Funds	24,994	24,990
Deferred revenue	445	223
Current portion of environmental remediation liability	993	1,104
Other current liabilities	1,125	1,399
Total current liabilities	36,305	36,714
Long-term debt, net of unamortized debt issuance costs and current portion - Partnership	104,389	96,406
Long-term debt, net of unamortized debt issuance costs and current portion - Funds	32,347	32,345
Environmental remediation and other long-term liabilities	9,068	9,091
Partners' capital and noncontrolling interests		
General partners' capital (units issued and outstanding 2020 - 60; 2019 - 60)	645	751
Limited partners' capital (units issued and outstanding 2020 - 4,273; 2019 - 4,258)	34,565	42,010
Noncontrolling interests	272,543	276,232
Total partners' capital and noncontrolling interests	307,753	318,993
Total liabilities, partners' capital and noncontrolling interests	$ 489,862	$ 493,549

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
Pope Resources, A Delaware Limited Partnership
Three Months Ended March 31, 2020 and 2019
(in thousands, except per unit data)

	Three Months Ended March 31,	
	2020	2019
Revenue	**$ 24,385**	$ 25,042
Cost of sales	**(18,515)**	(16,608)
Operating expenses	**(4,826)**	(4,294)
General and administrative expenses	**(7,496)**	(1,764)
Income (loss) from operations	**(6,452)**	2,376
Interest expense, net	**(1,443)**	(1,515)
Income (loss) before income taxes	**(7,895)**	861
Income tax benefit (expense)	**265**	(94)
Net and comprehensive income (loss)	**(7,630)**	767
Net and comprehensive loss attributable to noncontrolling interests - ORM Timber Funds	**3,460**	2,528
Net and comprehensive loss attributable to noncontrolling interests - Real Estate	**229**	16
Net and comprehensive income (loss) attributable to unitholders	**$ (3,941)**	$ 3,311
Allocable to general partners	**$ (55)**	$ 46
Allocable to limited partners	**(3,886)**	3,265
Net and comprehensive income (loss) attributable to unitholders	**$ (3,941)**	$ 3,311
Basic and diluted earnings (loss) per unit attributable to unitholders	**$ (0.92)**	$ 0.75
Basic and diluted weighted average units outstanding	**4,330**	4,325
Distributions per unit	**$ 1.00**	$ 1.00

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL AND NONCONTROLLING INTERESTS (Unaudited, in thousands)
Pope Resources, A Delaware Limited Partnership
Three Months Ended March 31, 2020 and 2019

		Attributable to Pope Resources			
	Units	General Partners	Limited Partners	Noncontrolling Interests	Total
December 31, 2019	4,318	$ 751	$ 42,010	$ 276,232	$ 318,993
Net loss	—	(55)	(3,886)	(3,689)	(7,630)
Cash distributions	—	(61)	(4,306)	—	(4,367)
Equity-based compensation	15	10	747	—	757
March 31, 2020	4,333	$ 645	$ 34,565	$ 272,543	$ 307,753

		Attributable to Pope Resources			
	Units	General Partners	Limited Partners	Noncontrolling Interests	Total
December 31, 2018	4,313	$ 944	$ 56,533	$ 281,123	$ 338,600
Net income (loss)	—	46	3,265	(2,544)	767
Cash distributions	—	(61)	(4,305)	(3,076)	(7,442)
Capital call	—	—	—	17,259	17,259
Preferred stock issuance	—	—	—	125	125
Equity-based compensation	17	8	585	—	593
Units issued under distribution reinvestment plan	—	—	24	—	24
Unit repurchases	(3)	—	(166)	—	(166)
Payroll taxes paid on unit net settlements	(1)	(1)	(78)	—	(79)
March 31, 2019	4,326	$ 936	$ 55,858	$ 292,887	$ 349,681

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited, in thousands)
Pope Resources, A Delaware Limited Partnership
Three Months Ended March 31, 2020 and 2019

	2020	2019
Net income (loss)	**$ (7,630)**	$ 767
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depletion	**8,875**	6,534
Equity-based compensation	**757**	593
Depreciation and amortization	**186**	166
Deferred taxes	**(203)**	23
Cost of land sold	**—**	2
Loss from unconsolidated real estate joint venture	**327**	9
Gain on disposal of property and equipment	—	(61)
Cash flows from changes in operating accounts		
Accounts receivable, net	**(795)**	(2,026)
Prepaid expenses, contract assets, and other assets	**419**	517
Real estate project expenditures	**(55)**	(1,023)
Accounts payable and accrued liabilities	**(252)**	(736)
Deferred revenue	**222**	86
Environmental remediation payments	**(112)**	(158)
Other current and long-term liabilities	**(295)**	285
Net cash provided by operating activities	**1,444**	4,978
Cash flows from investing activities		
Reforestation and roads	**(931)**	(644)
Capital expenditures	**—**	(252)
Proceeds from sale of property and equipment	**—**	71
Investment in unconsolidated real estate joint venture	**(46)**	—
Deposit for acquisition of timberland - Partnership	**—**	(5)
Acquisitions of timberland - Partnership	**(19)**	(16)
Acquisitions of timberland - Funds	**—**	(19,344)
Net cash used in investing activities	**(996)**	(20,190)
Cash flows from financing activities		
Line of credit borrowings	**9,000**	4,500
Line of credit repayments	**(1,000)**	(2,400)
Proceeds from issuance of long-term debt	**—**	3,000
Repayment of long-term debt	**(33)**	(32)
Proceeds from unit issuances - distribution reinvestment plan	**—**	24
Unit repurchases	**—**	(166)
Proceeds from preferred stock issuance - ORM Timber Funds	**—**	125
Payroll taxes paid on unit net settlements	**—**	(79)
Cash distributions to unitholders	**(4,367)**	(4,366)
Cash distributions - ORM Timber Funds, net of distributions to Partnership	**—**	(3,076)
Capital call - ORM Timber Funds, net of Partnership contribution	**—**	17,259
Net cash provided by financing activities	**3,600**	14,789
Net increase (decrease) in cash and restricted cash	**4,048**	(423)
Cash and restricted cash at beginning of period	**9,037**	6,057
Cash and restricted cash at end of period	**$ 13,085**	$ 5,634

See accompanying notes to condensed consolidated financial statements.

1. The condensed consolidated balance sheets as of March 31, 2020, and December 31, 2019, and the related condensed consolidated statements of comprehensive income, partners' capital and noncontrolling interests, and cash flows for the three-month periods ended March 31, 2020, and 2019, 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, 2019, is derived from the Partnership's audited consolidated financial statements and notes thereto for the year ended December 31, 2019, 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, 2020.

2. The financial statements in the Partnership's 2019 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.

3. On January 14, 2020, Pope Resources entered into an Agreement and Plan of Merger (the "Merger Agreement") with Rayonier, Inc., ("Rayonier") and certain of its subsidiaries, and the Merger Agreement and merger were approved by Pope Resources unitholders on May 5, 2020. Upon consummation of the transaction, holders of limited partner units of the Partnership (including the depositary receipts therefor, the "Partnership Units"), will be entitled to receive, for each Partnership Unit, merger consideration consisting of (i) 3.929 common shares of Rayonier, (ii) 3.929 units of Rayonier Operating Partnership LP, or (iii) $125 in cash. Elections will be subject to proration to ensure that the aggregate amount of cash, on the one hand, and Rayonier common stock and Rayonier operating partnership units, on the other hand, that are issued in the merger would be equal to the amounts issued as if every Partnership Unit received $37.50 in cash and 2.751 Rayonier common shares or Rayonier operating partnership units. If elections for the Rayonier common shares and Rayonier operating partnership units are oversubscribed, then to reduce the effect of such proration Rayonier can, in its discretion, add additional equity (and decrease the amount of cash) payable to the Partnership unitholders making such election.

   The merger is expected to be completed on May 8, 2020, and is subject to the satisfaction (or waiver, if permissible under applicable law) of customary closing conditions, including the approval of the holders of a majority of the Partnership Units.

4. Revenue is measured based on the consideration specified in a contract with a customer. The Partnership recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Included in "Accounts receivable, net" are $4.1 million and $2.2 million of receivables from contracts with customers as of March 31, 2020, and December 31, 2019, respectively.

   Significant changes in the contract asset balance during the period were as follows, and there were no contract liabilities as of March 31, 2020, and December 31, 2019 (in thousands):

Contract assets, December 31, 2019	$	2,765
Revenue recognized from changes in estimates of variable consideration		4
Transferred to receivables from contract assets		(408)
Contract assets, March 31, 2020	$	2,361

   The contract assets in the table above represent rights to consideration for timber deeds transferred to the customer and are related primarily to the Funds Timber segment. These contracts provide the customer the legal right to harvest timber on a designated portion of the Funds' or Partnership's property. The value of a timber deed contract is determined based on the estimated timber volume by tree species multiplied by the contracted price. The contract consideration is considered variable because the timber volume by species is an estimate until the harvest is completed. The contract assets are transferred to receivables when the rights to consideration become due under the contract. Customers may harvest the timber at their discretion, within a time period and operational parameters stated in the contract.

The following is a description of principal activities, separated by reportable segments, from which the Partnership generates its revenue.

Partnership Timber and Funds Timber

Log sale revenue in these two segments is recognized when control is transferred, and title and risk of loss passes to the customer, which typically occurs when logs are delivered to the customer. Revenue in these two segments is earned primarily from the harvest and sale of logs from the Partnership's and Funds' timberland. Other revenue in these segments is generated from the sale of rights to harvest timber (timber deed sales), commercial thinning, ground leases for cellular communication towers, royalties from gravel mines and quarries, and land use permits. Timber deed sales are generally structured so that the customer pays a contracted price per volume, measured in thousands of board feet (MBF), and revenue is recognized when control is transferred to the customer, which generally occurs on the effective date of the contract. Commercial thinning consists of the selective cutting of timber stands that have not yet reached optimal harvest age. However, this timber does have some commercial value and revenue is based on the volume harvested. Royalty revenue from gravel mines and quarries is recognized monthly based on the quantity of material extracted.

The following table presents log sale and other revenue for the Partnership Timber and Funds Timber segments:

(in thousands)	Quarter ended March 31,	
	2020	2019
Partnership Timber		
Log sale revenue	**$ 9,861**	$ 14,722
Timber deed sale revenue	**1,638**	—
Other revenue	**577**	449
Total revenue	**$ 12,076**	$ 15,171
Funds Timber		
Log sale revenue	**$ 11,999**	$ 8,860
Timber deed sale revenue	**4**	—
Other revenue	**47**	580
Total revenue	**$ 12,050**	$ 9,440

Timberland Investment Management (TIM)

Fee revenue generated by the TIM segment for managing the Funds includes fixed components related to invested capital and acres under management, and a variable component related to harvest volume from the Funds' tree farms. These fees, which represent an expense in the Funds Timber segment, are eliminated in consolidation. The TIM segment occasionally earns revenue from providing timberland management-related consulting services to third-parties and recognizes such revenue as the related services are provided.

Real Estate

The Real Estate segment's activities consist of investing in and later selling improved properties, holding properties for later development and sale, and managing commercial properties. Revenue is generated primarily from sales of land, sales of development rights, known as conservation easements (CE's), sales of unimproved land from the Partnership's timberland portfolio, and residential and commercial rents. Revenue on real estate sales is recorded on the date the sale closes. When a real estate transaction is closed with obligations to complete infrastructure or other construction, the portion of the total contract allocated to the post-closing obligations may be recognized over time as that work is performed, provided the customer either simultaneously receives and consumes the benefits as we perform under the contract, our performance creates or enhances the asset controlled by the customer, or we do not create an asset with an alternative use to the customer and we have an enforceable right to payment for the performance completed. Progress towards the satisfaction of our performance obligations is generally measured based on costs incurred relative to the total cost expected to be incurred for the performance obligations.

The following table breaks down revenue for the Real Estate segment:

(in thousands)	Quarter ended March 31,	
	2020	2019
Sale of unimproved land	**$ —**	$ 22
Rentals and other	**259**	409
Total revenue	**$ 259**	$ 431

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

6. ORM Timber Fund II, Inc. (Fund II), ORM Timber Fund III (REIT) Inc. (Fund III), and ORM Timber Fund IV LLC (Fund IV), collectively “the Funds”, were formed by Olympic Resource Management LLC (ORMLLC), a wholly owned subsidiary of the Partnership, for the purpose of raising 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 is organized to operate for a specific term from the end of its respective investment period; 10 years for each of Fund II and Fund III, and 15 years for Fund IV. Fund II, Fund III, and Fund IV are scheduled to terminate in March 2021, December 2025, and December 2034, respectively.

   Pope Resources and ORMLLC together own equity interests totaling 20% of Fund II, 5% of Fund III, and 15% of Fund IV. The Funds are considered variable interest entities because their organizational and governance structures are the functional equivalent of a limited partnership. As the managing member of the Funds, the Partnership is the primary beneficiary of each of the Funds as it has the authority to direct the activities that most significantly impact their economic performance, as well as the right to receive benefits and the obligation to absorb losses that could potentially be significant to the Funds. Accordingly, the Funds are consolidated into the Partnership’s financial statements. The obligations of each of the Funds are non-recourse to the Partnership.

   The assets and liabilities of the Funds as of March 31, 2020, and December 31, 2019, were as follows:

(in thousands)	**March 31, 2020**	December 31, 2019
Assets:		
Cash	**$ 9,575**	$ 6,197
Contract assets	**2,361**	2,765
Other current assets	**2,621**	2,427
Total current assets	**14,557**	11,389
Properties and equipment, net of accumulated depreciation	**348,256**	355,162
Total assets	**$ 362,813**	$ 366,551
Liabilities and equity:		
Current liabilities	**$ 3,913**	$ 3,747
Current portion of long-term debt	**24,994**	24,990
Total current liabilities	**28,907**	28,737
Long-term debt, net of unamortized debt issuance costs and current portion	**32,347**	32,345
Funds’ equity	**301,559**	305,469
Total liabilities and equity	**$ 362,813**	$ 366,551

7. Other assets consisted of the following at March 31, 2020 and December 31, 2019:

(in thousands)	March 31, 2020	December 31, 2019
Investment in Real Estate joint venture entity	**$ 4,653**	$ 4,954
Advances to Real Estate joint venture entity	**1,000**	1,000
Deferred tax assets, net	**672**	469
Right-of-use assets	**128**	161
Note receivable	**49**	50
Other	**1**	1
Total	**$ 6,503**	$ 6,635

8. 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 tables reconcile internally reported income (loss) from operations to externally reported income (loss) from operations by business segment.

Quarter ended March 31, (in thousands)	Partnership Timber	Funds Timber	Timberland Investment Management	Real Estate	Other	Consolidated
2020						
Revenue - internal	**$ 12,275**	**$ 12,050**	**$ 1,459**	**$ 394**	**$ —**	**$ 26,178**
Eliminations	**(199)**	**—**	**(1,459)**	**(135)**	**—**	**(1,793)**
Revenue - external	**12,076**	**12,050**	**—**	**259**	**—**	**24,385**
Cost of sales	**(5,305)**	**(12,893)**	**—**	**(317)**	**—**	**(18,515)**
Operating, general and administrative expenses - internal	**(1,279)**	**(2,569)**	**(1,352)**	**(1,390)**	**(7,525)**	**(14,115)**
Eliminations	**249**	**1,407**	**70**	**38**	**29**	**1,793**
Operating, general and administrative expenses - external	**(1,030)**	**(1,162)**	**(1,282)**	**(1,352)**	**(7,496)**	**(12,322)**
Income (loss) from operations - internal	**5,691**	**(3,412)**	**107**	**(1,313)**	**(7,525)**	**(6,452)**
Eliminations	**50**	**1,407**	**(1,389)**	**(97)**	**29**	**—**
Income (loss) from operations - external	**$ 5,741**	**$ (2,005)**	**$ (1,282)**	**$ (1,410)**	**$ (7,496)**	**$ (6,452)**
2019						
Revenue - internal	$ 15,372	$ 9,440	$ 1,363	$ 551	$ —	$ 26,726
Eliminations	(201)	—	(1,363)	(120)	—	(1,684)
Revenue - external	15,171	9,440	—	431	—	25,042
Cost of sales	(7,188)	(9,139)	—	(281)	—	(16,608)
Operating, general and administrative expenses - internal	(1,317)	(2,489)	(1,290)	(856)	(1,790)	(7,742)
Eliminations	245	1,311	69	33	26	1,684
Operating, general and administrative expenses - external	(1,072)	(1,178)	(1,221)	(823)	(1,764)	(6,058)
Income (loss) from operations - internal	6,867	(2,188)	73	(586)	(1,790)	2,376
Eliminations	44	1,311	(1,294)	(87)	26	—
Income (loss) from operations - external	$ 6,911	$ (877)	$ (1,221)	$ (673)	$ (1,764)	$ 2,376

9. 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 the Funds, 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 earnings per unit:

	Quarter Ended March 31,	
(in thousands, except per unit amounts)	**2020**	2019
Net and comprehensive income (loss) attributable to Pope Resources' unitholders	**$ (3,941)**	$ 3,311
Less:		
Non-forfeitable distributions paid to unvested restricted unitholders	**(35)**	(38)
Preferred share dividends - ORM Timber Funds	**(12)**	(12)
Net and comprehensive income (loss) for calculation of earnings per unit	**$ (3,988)**	$ 3,261
Basic and diluted weighted average units outstanding	**4,330**	4,325
Basic and diluted net earnings (loss) per unit	**$ (0.92)**	$ 0.75

10. In the first quarter of 2020, the Partnership issued 11,977 restricted units pursuant to the management incentive compensation program and no restricted units to members of the Board of Directors. These restricted units vest ratably over four years with the grant date fair value equal to the market price on the date of grant. Units granted to directors are included in the calculation of total equity compensation expense which is recognized over the vesting period. Grants to retirement-eligible individuals on the date of grant are expensed immediately. The Partnership recognized $757,000 and $593,000 of equity compensation expense in the first quarter of 2020 and 2019, respectively, related to these compensation programs.

11. Supplemental disclosure of cash flow information: interest paid, net of amounts capitalized, totaled $226,000 and $415,000 during the first three months of 2020 and 2019, respectively. Income taxes paid totaled $0 and $20,000 for the first three months of 2020 and 2019, respectively.

12. The Partnership's financial instruments include cash, and accounts receivable, for which the carrying amount represents fair value based on their short-term nature. The carrying amounts of note receivable, included in other assets, also approximates fair value given current market interest rates.

    Collectively, the Partnership's and the Funds' fixed-rate debt has a carrying value of $125.4 million as of March 31, 2020 and December 31, 2019. 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 $138.1 million and $133.1 million as of March 31, 2020 and December 31, 2019, respectively.

13. The Partnership had an accrual for estimated environmental remediation costs of $9.9 million and $10.0 million as of March 31, 2020 and December 31, 2019, respectively. The environmental remediation liability represents management's estimate of payments to be made to remedy and monitor certain areas in and around Port Gamble Bay, Washington. The liability at March 31, 2020 is comprised of $993,000 that management expects to expend in the next 12 months and $8.9 million thereafter.

    In December of 2013, a consent decree (CD) and a Clean-up Action Plan (CAP) related to Port Gamble Bay were finalized with the Washington State Department of Ecology (DOE) and filed with Kitsap County Superior Court. Construction activity commenced in late September 2015. The required in-water construction activity was completed in January 2017. By the end of the third quarter of 2017, the sediments dredged from the Bay were moved to their permanent storage location on property owned by the Partnership a short distance from the town of Port Gamble. This effectively concluded the component of the project related to the in-water cleanup of Port Gamble Bay. The two remaining components of the project consist of restoration projects to address Natural Resource Damages (NRD) and the cleanup of the millsite.

    As disclosed previously, certain environmental laws allow state, federal, and tribal trustees (collectively, the Trustees) to bring suit against property owners to recover damages for injuries to natural resources. Like the liability that attaches to current property owners in the cleanup context, liability for natural resource damages (NRD) can attach to a property owner simply because an injury to natural resources resulted from releases of hazardous substances on that owner's property, regardless of culpability for the release. In the case of Port Gamble, the Trustees are alleging that the Partnership has NRD liability because of releases that occurred on its property. The Partnership has been in discussions with the Trustees regarding their claims and the alleged conditions in Port Gamble Bay, and has also been discussing restoration alternatives that might address the damages the Trustees allege. These discussions have progressed to the point where a short list of restoration projects has been identified that would resolve the Trustees' NRD claims, and management is hopeful that a settlement agreement will be reached by mid-year 2020.

With respect to the millsite, in early 2019, the Partnership submitted the final remedial investigation/feasibility study (RI/FS) and draft Cleanup Action Plan (CAP) to DOE for the millsite cleanup. The CAP and consent decree for the millsite are expected to be finalized during mid-year 2020, following a public review period.

For both the NRD restoration and millsite cleanup components of the liability, it is reasonably possible that cost estimates could change. We currently expect the NRD restoration projects and the millsite cleanup to occur over the next two to three years.

Finally, there will be a monitoring period of approximately 10 to 15 more years during which the Partnership will monitor conditions in the Bay, on the millsite, and at the storage location of the dredged and excavated sediments. During this monitoring phase, conditions may arise that require corrective action, and monitoring protocols may change over time. In addition, extreme weather events could cause damage to the sediment caps that would need to be repaired. These factors could result in additional costs.

Activity in the environmental liability is as follows:

(in thousands)	Balance at Beginning of the Period	Additions to Accrual	Expenditures for Remediation	Balance at Period-end
Year ended December 31, 2018	4,979	5,600	(1,496)	9,083
Year ended December 31, 2019	9,083	1,576	(649)	10,010
Quarter ended March 31, 2020	**10,010**	**—**	**(112)**	**9,898**

14. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, the United States declared a national emergency concerning the outbreak, and all states and several municipalities have declared public health emergencies. The COVID-19 pandemic has introduced significant economic and business uncertainty, along with volatile financial market conditions.

The states in which we operate have issued stay-at-home orders. However, our timberland-related businesses have been deemed essential businesses in those states. As such, we continue to operate these businesses at full capacity where market conditions allow, while maintaining the health and safety of our employees, contractors, suppliers and customers. Towards the end of the first quarter of 2020, business slowdowns resulting from COVID-19 began to have a negative impact on log prices. The ongoing impact on log prices, or our business more generally, is uncertain at this time.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report may contain projections and statements about our expected financial condition, operating results, and business and strategic plans and objectives. These statements reflect management's estimates based upon our current expectations, in light of management's knowledge of existing circumstances and our intentions 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 plans, goals, objectives and anticipated performance. These statements can be identified by words such as "anticipate", "believe", "expect", "intend", and similar expressions. Some of 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 or their outcomes 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 our Annual Report on Form 10-K entitled "Risk Factors," in a similarly titled section of our Definitive Proxy Statement dated April 6, 2020, and in our other filings with the Securities and Exchange Commission. Any 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 four primary businesses: Partnership Timber, Funds Timber, Timberland Investment Management, and Real Estate.

By far the most significant segments, in terms of owned assets and operations, are our two timber segments, which we refer to as Partnership Timber and Funds Timber. These segments include timberlands owned directly by the Partnership and three private equity funds ("Fund II", "Fund III", and "Fund IV", collectively, the "Funds"), respectively. We refer to the timberland owned by the Partnership as the Partnership's tree farms, and our Partnership Timber segment reflects operations from those properties. We refer to timberland owned by the Funds as the Funds' tree farms, and operations from those properties are reported in our Funds Timber segment. When referring collectively to the Partnership's and Funds' timberland, we refer to them as the Combined tree farms. Operations in each of these segments consist of growing timber and manufacturing logs for sale to domestic wood products manufacturers and log export brokers.

Our Timberland Investment Management segment is engaged in organizing and managing private equity timber funds using capital invested by third parties and the Partnership. The Funds are consolidated into our financial statements, but then income or loss attributable to equity owned by third parties is subtracted from consolidated results in our Condensed Consolidated Statements of Comprehensive Income under the caption "Net and comprehensive (income) loss attributable to non-controlling interests-ORM Timber Funds" to arrive at "Net and comprehensive income attributable to unitholders".

Our three active timber funds have assets under management totaling approximately $472 million as of March 31, 2020 based on the most recent appraisals.

Our Real Estate segment's activities primarily include securing permits and entitlements, and in some cases, installing infrastructure for raw land development and then realizing that land's value by selling larger parcels to developers who, in turn, seek to take the land further up the value chain by either selling homes to retail buyers or lots to developers of commercial property. More recently, we have acquired and developed other real estate properties (not previously owned by the Partnership), either on our own or by partnering with another developer in a joint venture. Land held for development by our Real Estate segment represents property in western Washington that has been deemed suitable for residential and commercial building sites. Land held for sale includes those properties in the development portfolio that we expect to sell in the next 12 months.

Recent Developments

On January 15, 2020, we announced that we had entered into an Agreement and Plan of Merger dated January 14, 2020 (the "Merger Agreement") with Rayonier, Inc., a North Carolina corporation ("Rayonier"), Rayonier Operating Company

LLC, a Delaware limited liability company ("OpCo"), Pacific GP Merger Sub I, LLC, a Delaware limited liability company and a wholly owned subsidiary of Rayonier ("Merger Sub 1"), Pacific GP Merger Sub II, LLC, a Delaware limited liability company and a wholly owned subsidiary of Rayonier ("Merger Sub 2"), Pacific LP Merger Sub III, LLC, a Delaware limited liability company and a wholly owned subsidiary of OpCo ("Merger Sub 3"), and our general partners, Pope EGP, Inc., a Delaware corporation ("EGP"), and Pope MGP, Inc., a Delaware corporation and the managing general partner of the Partnership ("MGP" and together with EGP, the "General Partners"). Certain information about the transactions contemplated by the Merger Agreement is set forth in a Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 6, 2020. The transactions contemplated by the Merger Agreement were approved by a vote of our unitholders on May 5, 2020, and are expected to be consummated on May 8, 2020.

Timber - Overall

Operations Overall Timber results include operations on 122,000 acres of timberland owned or managed by the Partnership (Partnership Timber) in western Washington, and 141,000 acres of timberland owned by the Funds (Funds Timber) in western Washington, northwestern Oregon, southwestern Oregon, and northern California.

Timber revenue is earned primarily from the harvest and sale of logs from these timberlands and is driven primarily by the volume of timber harvested and the average log price realized on the sale of those logs. Our harvest volume typically represents delivered log sales to domestic mills and log export brokers. We also occasionally sell rights to harvest timber (timber deed sales) from the Combined tree farms. The metrics used to calculate volumes sold and average price realized during the reporting periods exclude 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).

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

Revenue in our Partnership Timber and Funds Timber segments is also derived from commercial thinning operations, ground leases for cellular communication towers, and royalties from gravel mines and quarries, all of which are included in other revenue in the tables that follow, and timber deed sales. Commercial thinning consists of the selective cutting of timber stands not yet of optimal harvest age. The smaller diameter logs harvested in these operations do, however, have some commercial value, thus allowing us to earn revenue while at the same time improving the projected value at harvest of the remaining timber in the stand.

Log Prices For the Partnership, the weighted-average realized log price for Q1 2020 decreased 5% relative to Q1 2019. For the Funds, the overall realized log price decreased 7% relative to Q1 2019. Average realized log prices continue to be weak due to a well-supplied log market. Demand from China for logs from the Pacific Northwest (PNW) remained low as a result of an increased supply of lower cost spruce logs supplied from Europe. In recent years, European forests have experienced drought, severe storms and a spruce bark beetle infestation, the combination of which has resulted in the death of large areas of timber. With fewer logs from the PNW being sold to the China market, logs available to the domestic market increased. These factors have combined to exert downward pressure on log prices. In addition, business slowdowns resulting from COVID-19 began to have a negative impact on log prices towards the end of March.

Partnership Timber

Partnership Timber operating results for the quarters ended March 31, 2020 and 2019, were as follows:

	Q1 2020	Q1 2019
Partnership		
Overall log price per MBF	$ 597	$ 629
Total volume (in MMBF)	19.8	23.4
(in thousands)		
Log sale revenue	$ 9,861	$ 14,722
Timber deed sale revenue	1,638	—
Other revenue	577	449
Total revenue	12,076	15,171
Cost of sales	(5,305)	(7,188)
Operating expenses	(1,030)	(1,072)
Operating income	$ 5,741	$ 6,911

Operating Income

Operating income decreased $1.2 million, or 17%, from Q1 2019, driven by decreases of 3.6 MMBF, or 15%, in total harvest volume, and 5% in the weighted-average realized log price.

Revenue

Log sale revenue in Q1 2020 decreased $4.9 million, or 33%, from Q1 2019, due to decreases of 6.9 MMBF, or 29%, in delivered log volume, and 5% in the weighted-average realized log price. This was offset partially by $1.6 million from timber deed sales in Q1 2020 that had no counterpart in the prior year.

Log Prices

Partnership Timber log prices for the quarters ended March 31, 2020 and 2019, were as follows:

Average price realizations (per MBF)

	Q1 2020	Q1 2019
Partnership		
Douglas-fir domestic	$ 633	$ 655
Douglas-fir export	723	730
Whitewood domestic	473	528
Whitewood export	435	544
Cedar	985	973
Hardwood	470	650
Pulpwood	332	385
Overall log price	597	629

From Q1 2019 to Q1 2020, our weighted-average realized log price decreased 5%. Other than for cedar, prices declined for all species.

Log Volume

The Partnership harvested the following log volumes by species for the quarters ended March 31, 2020 and 2019:

Volume (in MMBF)

	Q1 2020		Q1 2019	
Partnership				
Douglas-fir domestic	11.0	67%	12.4	53%
Douglas-fir export	2.1	13%	4.8	21%
Whitewood domestic	0.4	2%	0.5	2%
Whitewood export	—	—%	0.2	1%
Cedar	0.2	1%	0.4	2%
Hardwood	0.5	3%	1.3	6%
Pulpwood	2.3	14%	3.8	15%
Log sale volume	16.5	100%	23.4	100%
Timber deed sale volume	3.3		—	
Total volume	19.8		23.4	

Delivered log volume decreased 6.9 MMBF, or 29%, in Q1 2020 from Q1 2019. We sold 3.3 MMBF of timber deed sales, however, that had no counterpart in the prior year.

Cost of Sales

Cost of sales varies with harvest volume, and for the quarters ended March 31, 2020 and 2019, was as follows, with the first part of the table expressing these costs in total dollars and the second part of the table expressing those costs that are driven by volume on a per MBF basis:

(in thousands)

	Q1 2020	Q1 2019
Partnership		
Harvest, haul, and tax	$ 3,896	$ 5,586
Depletion	1,396	1,599
Other	13	3
Total cost of sales	$ 5,305	$ 7,188
Amounts per MBF *		
Harvest, haul, and tax	$ 236	$ 239
Depletion	$ 71	$ 68

* 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.

Cost of sales decreased $1.8 million, or 26%, in Q1 2020 from Q1 2019, primarily due to the 29% decrease in delivered log harvest volume.

Operating Expenses

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, 2020, and 2019, segment operating expenses were $1.0 million and $1.1 million, respectively.

Funds Timber

Funds Timber operating results for quarters ended March 31, 2020 and 2019, were as follows:

	Q1 2020	Q1 2019
Funds		
Overall log price per MBF	$ 585	$ 631
Total volume (MMBF)	20.5	14.1
(in thousands)		
Log sale revenue	$ 11,999	$ 8,860
Timber deed sale revenue	4	—
Other revenue	47	580
Total revenue	12,050	9,440
Cost of sales	(12,893)	(9,139)
Operating expenses - internal	(2,569)	(2,489)
Operating loss - internal	(3,412)	(2,188)
Eliminations *	1,407	1,311
Operating loss - external	$ (2,005)	$ (877)

* Represents primarily management fees charged to the Funds and eliminated from operating expenses in consolidation. In the TIM segment, these fees are reflected as revenue, on an internal reporting basis, and eliminated in consolidation.

Operating Loss

Operating loss increased $1.1 million, or 129%, from Q1 2019. A 45% increase in harvest volume was more than offset by a 41% increase in cost of sales and a 7% decline in average realized log prices.

Revenue

Total revenue in Q1 2020 rose $2.6 million, or 28%, from Q1 2019, driven by an increase of $3.1 million in delivered log sale revenue, offset partially by a $533,000 decline in other revenue.

Log Prices

Funds Timber log prices for quarters ended March 31, 2020 and 2019, were as follows:

Average price realizations (per MBF)

	Q1 2020	Q1 2019
Funds		
Douglas-fir domestic	$ 650	$ 647
Douglas-fir export	676	731
Whitewood domestic	515	513
Whitewood export	372	547
Pine	425	432
Cedar	659	961
Hardwood	395	530
Pulpwood	312	359
Overall log price	585	631

The weighted-average realized log price declined 7% from Q1 2019 to Q1 2020. For Douglas-fir and whitewood, domestic prices remained steady or slightly higher. Rather, the price declines for these two species were concentrated in the export market. For hardwood and pulpwood, however, log prices decreased.

Log Volume

The Funds harvested the following log volumes by species for the quarters ended March 31, 2020, and 2019:

Volume (in MMBF)

	Q1 2020		Q1 2019	
Funds				
Douglas-fir domestic	10.8	54%	7.4	52%
Douglas-fir export	2.7	13%	2.9	21%
Whitewood domestic	4.4	21%	1.3	9%
Whitewood export	—	—%	0.4	3%
Pine	0.2	1%	0.1	1%
Cedar	0.1	—%	0.5	4%
Hardwood	0.2	1%	0.2	1%
Pulpwood	2.1	10%	1.3	9%
Log sale volume	20.5	100%	14.1	100%

Total volume from delivered log sales increased by 6.4 MMBF, or 45%, in Q1 2020 from Q1 2019. This overall increase was exclusively from the domestic market, as volume sold to the export market declined from the prior year.

Cost of Sales

Cost of sales vary with harvest volume. Because the Funds' tree farms were acquired more recently than those of the Partnership, the depletion rates for the Funds' tree farms are much higher than for the Partnership. For the quarters ended March 31, 2020 and 2019, cost of sales was as follows, with the first part of the table expressing these costs in total dollars and the second part of the table expressing those costs that are driven by volume on a per MBF basis:

(in thousands)

	Q1 2020	Q1 2019
Funds		
Harvest, haul, and tax	$ 5,415	$ 3,817
Depletion	7,478	4,935
Other	—	387
Total cost of sales	$ 12,893	$ 9,139
Amounts per MBF *		
Harvest, haul, and tax	$ 264	$ 271
Depletion	$ 365	$ 350

* 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.

Cost of sales increased $3.8 million, or 41%, in Q1 2020 from Q1 2019, primarily due to the 45% increase in harvest volume. The higher amount of other cost of sales for Q1 2019 related to the salvage harvest of fire-damaged timber on a Fund IV property.

Operating Expenses

Operating expenses include the cost of maintaining existing roads and building temporary roads for harvesting, silviculture costs, and other management expenses that include the asset and timberland management fees charged to the Funds. These fees, which are the source of revenue for our Timberland Investment Management segment (discussed below), are eliminated in consolidation, and amounted to $1.5 million and $1.4 million in Q1 2020 and Q1 2019, respectively. After elimination of these fees, Fund operating expenses were $1.2 million in each of Q1 2020 and Q1 2019.

Timberland Investment Management

The Timberland Investment Management (TIM) segment manages timberland portfolios on behalf of three private equity timber funds that own a combined 141,000 acres of commercial timberland in western Washington, northwestern Oregon, southwestern Oregon, and northern California as of March 31, 2020.

Fund Distributions and Fees Paid to the Partnership

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 received combined distributions from the Funds of $434,000 during Q1 2019. There were no distributions from the Funds in Q1 2020 due to the anticipated slow-down in operating activities and cash flow as a result of COVID-19. Fees earned by the Partnership for managing the Funds represent a portion of the operating expenses in our Funds Timber segment (discussed above) and are eliminated as the Funds are consolidated in our financial statements, as shown in the table below.

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.

Revenue and operating loss for the TIM segment for the quarters ended March 31, 2020 and 2019 were as follows:

	Quarter Ended	
(in thousands, except invested capital, volume and acre data)	**Mar-20**	Mar-19
Revenue internal	**$ 1,459**	$ 1,363
Intersegment eliminations	**(1,459)**	(1,363)
Revenue external	**$ —**	$ —
Operating income internal	**$ 107**	$ 73
Intersegment eliminations	**(1,389)**	(1,294)
Operating loss external	**$ (1,282)**	$ (1,221)
Invested capital (in millions)	**$ 407**	$ 407
Acres owned by Funds	**141,000**	141,000
Harvest volume - Funds (MMBF), including timber deed sales	**20.5**	14.1

TIM generated management fee revenue of $1.5 million and $1.4 million from managing the Funds during Q1 2020 and Q1 2019, respectively.

Operating expenses rose slightly for the quarter ended March 31, 2020, versus the comparable period in 2019, totaling $1.3 million and $1.2 million, respectively.

Real Estate

The Real Estate segment's activities consist of investing in and later reselling improved properties, holding properties for later development and sale, and managing commercial properties. Revenue is generated primarily from the sale of land within our 1,500-acre Real Estate portfolio, sales of development rights known as conservation easements (CE's), sales of tracts from the Partnership's timberland portfolio, and residential and commercial rents from our Port Gamble and Poulsbo properties. The CE sales allow us to continue conducting harvest operations on the timberland but bar any future subdivision or development on the property. In addition, we may acquire and develop other properties for sale, either on our own or by partnering with other experienced real estate developers in a joint venture. The Partnership's Real Estate holdings are located primarily in the Washington counties of Pierce, Kitsap, and Jefferson with sales of land for this segment typically falling into one of three general types:

- Residential and commercial 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.

"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 obtain entitlements for further development of these parcels.

Results from Real Estate operations may vary significantly from period to period as we make multi-year investments in entitlements and infrastructure prior to selling entitled or developed land. Further, Real Estate results will vary as a result of adjustments to our environmental remediation liability related to Port Gamble. These adjustments are reflected in our Real Estate segment within operating expenses.

Other than the sale of a small parcel of undeveloped land for $22,000 in Q1 2019, there were no land sales either Q1 2020 or 2019. Rental and other revenue decreased from $409,000 in Q1 2019 to $259,000 in Q1 2020 due primarily to a consulting project that finished in Q2 2019. Real Estate operating expenses were $1.4 million during Q1 2020 compared to $823,000 in Q1 2019. These factors resulted in operating loss of $1.4 million for Q1 2020 compared to $673,000 for Q1 2019.

Environmental Remediation

As disclosed previously, we have a liability for environmental remediation at Port Gamble, Washington, due to contamination that we believe to have occurred in Port Gamble prior to our 1985 acquisition of the property at the time of our spinout from Pope & Talbot, Inc. (P&T), or between that acquisition and the time P&T ceased to operate the site. We have adjusted that liability from time to time based on evolving circumstances. The required remediation in Port Gamble Bay was completed in January 2017.

In February 2018, the Partnership and DOE entered into an agreed order with respect to the millsite under which the Partnership has performed a remedial investigation and feasibility study (RI/FS) and drafted a cleanup action plan, or CAP. As with the in-water portion of the project, the CAP defines the scope of the remediation activity for the millsite.

As disclosed previously, certain environmental laws allow state, federal, and tribal trustees (collectively, the Trustees) to bring suit against property owners to recover damages for injuries to natural resources. Like the liability that attaches to current property owners in the cleanup context, liability for natural resource damages (NRD) can attach to a property owner simply because an injury to natural resources resulted from releases of hazardous substances on that owner's property, regardless of culpability for the release. In the case of Port Gamble, the Trustees are alleging that the Partnership has NRD liability because of known and alleged releases that occurred on its property. The Partnership has been in discussions with the Trustees regarding their claims and the alleged conditions in Port Gamble Bay, and has also been discussing restoration alternatives that might address the damages the Trustees allege.

We currently expect the millsite cleanup and NRD restoration to occur over the next two to three years. There will be a monitoring period of approximately 10 to 15 more years during which we will monitor conditions in the Bay, on the millsite, and at the landfill containing the dredged and excavated sediments, which is on land that we own a short distance from the town of Port Gamble. During this monitoring phase, conditions may arise that require corrective action, and monitoring protocols may change over time. In addition, extreme weather events could cause damage to the sediment caps that would need to be repaired. These factors could result in additional costs.

Should any future circumstances result in a change to the estimated cost of the project, we will record an appropriate adjustment to the liability in the period it becomes known and when we can reasonably estimate the amount.

General and Administrative (G&A)

G&A expenses were $7.5 million for the first quarter of 2020 compared to $1.8 million for the first quarter of 2019. The increase in G&A expenses is due to $5.2 million of legal and professional fees for Q1 2020 related to the pending merger with Rayonier and its subsidiaries.

Interest Expense, Net

	Quarter ended March 31,	
(in thousands)	**2020**	2019
Interest expense - Partnership	**(882)**	(1,025)
Interest expense - Funds	**(561)**	(556)
Capitalized interest - Partnership	**—**	66
Interest expense, net	**$ (1,443)**	$ (1,515)

The decrease in interest expense is due primarily to lower interest rates in the first quarter of 2020 compared to the prior year. The Partnership's and Fund III's debt arrangements with Northwest Farm Credit Services (NWFCS) are included in the latter's patronage program, which rebates a portion of interest paid in the prior year back to the borrower. This NWFCS patronage program is a feature common to most of this lender's loan agreements. The patronage program reduced interest expense by $350,000 and $278,000 for Q1 2020 and Q1 2019, respectively. The increase in the patronage rebate are the result of higher debt balances.

Income Tax

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 and the Funds do 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.

The Partnership and Funds recorded a consolidated income tax benefit of $265,000 for Q1 2020 and expense of $94,000 for Q1 2019.

Noncontrolling interests

The line item "Net and comprehensive (income) loss attributable to noncontrolling interests - ORM Timber Funds" represents the combination of the portions of the net income or loss for the Funds which are attributable to third-party owners: 80% for Fund II, 95% for Fund III, and 85% for Fund IV.

The line item "Net and comprehensive loss attributable to noncontrolling interests - Real Estate" represents two-thirds of the net income or loss from a Real Estate entity, Ferncliff Investors, that is attributable to third party owners. Ferncliff Investors holds a 50% interest in an unconsolidated real estate joint venture entity.

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 our assessment, commercial credit arrangements with banks or other financial institutions. We expect that funds generated internally from operations and externally through financing will provide the required resources for the Partnership's operations and capital expenditures for at least the next twelve months.

The Partnership's debt at March 31, 2020, consists of mortgage debt with fixed and variable interest rate tranches and operating lines of credit with Northwest Farm Credit Services (NWFCS). The mortgage debt includes a $71.8 million long-term credit facility with NWFCS structured in ten tranches that mature from 2024 through 2036, as well as a $40.0 million delayed-draw facility under which the Partnership may borrow at any time through October 2023. The delayed-draw facility matures in October 2028 and $7.0 million was outstanding at March 31, 2020. The Partnership's credit arrangements with NWFCS include an accordion feature under which the Partnership may borrow, subject to lender approval, up to an additional $50.0 million within either the long-term or delayed-draw facility. The Partnership has a $30.0 million operating line of credit that matures in October 2023, and had $24.0 million outstanding as of March 31, 2020. The operating line of credit carries a variable interest rate that is based on one-month LIBOR rate plus 1.6%. All of these facilities are collateralized by portions of the Partnership's timberland. In addition, our commercial office building in Poulsbo, Washington is collateral for a $2.2 million amortizing loan from NWFCS that matures in 2023.

These debt agreements contain covenants that are measured either quarterly or annually, consisting of the following:

- a maximum debt-to-total-capitalization ratio of 30%, with total capitalization calculated using fair market (vs. carrying) value of timberland, roads and timber; and
- a maximum loan-to-appraised value of timberland collateral of 50%.

The Partnership is in compliance with these covenants as of March 31, 2020, and expects to remain in compliance for at least the next twelve months.

Mortgage debt within our private equity timber Funds is collateralized by Fund properties only, with no recourse to the Partnership. Fund II has a timberland mortgage comprised of two fixed-rate tranches totaling $25.0 million with MetLife Insurance Company. We are engaged in discussions with the lender and another financial institution to refinance or extend the maturity of this credit facility and believe we will be able to do so. The tranches are non-amortizing and collateralized by a portion of Fund II's timberland portfolio, with both tranches maturing 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. Fund III has a timberland mortgage comprised of two fixed-rate tranches totaling $32.4 million with NWFCS. The mortgage is non-amortizing and collateralized by a portion of Fund III's timberland, with an $18.0 million tranche maturing in December 2023 and a $14.4 million tranche maturing in October 2024.

Fund II's mortgage contains a requirement to maintain a loan-to-value ratio of less than 50%, with the denominator defined as fair market value. Fund III's mortgage contains covenants, measured annually, that require Fund III to maintain an interest coverage ratio of 1.5:1, maintain working capital of $500,000, and not exceed a debt-to-appraised value of collateral of 50%. Fund II and Fund III are in compliance with these covenants as of March 31, 2020, and we expect they will remain in compliance for at least the next twelve months.

The $4.5 million decrease in cash and restricted cash generated for the three months ended March 31, 2020 compared to March 31, 2019 is explained in the following table:

(in thousands)	Three Months Ended March 31, 2020	Change	2019
Cash provided by operating activities	**$ 1,444**	$ (3,534)	$ 4,978
Investing activities			
Reforestation and roads	**(931)**	(287)	(644)
Capital expenditures	**—**	252	(252)
Proceeds from sale of property and equipment	**—**	(71)	71
Investment in unconsolidated real estate joint venture	**(46)**	(46)	—
Deposit for acquisition of timberland - Partnership	**—**	5	(5)
Acquisition of timberland - Partnership	**(19)**	(3)	(16)
Acquisition of timberland - Funds	**—**	19,344	(19,344)
Cash used in investing activities	**(996)**	19,194	(20,190)
Financing activities			
Line of credit borrowings	**9,000**	4,500	4,500
Line of credit repayments	**(1,000)**	1,400	(2,400)
Repayment of long-term debt	**(33)**	(1)	(32)
Proceeds from issuance of long-term debt	**—**	(3,000)	3,000
Units issued under distribution reinvestment plan	**—**	(24)	24
Unit repurchases	**—**	166	(166)
Proceeds from preferred stock issuance - ORM Timber Funds	**—**	(125)	125
Payroll taxes paid upon unit net settlements	**—**	79	(79)
Cash distributions to unitholders	**(4,367)**	(1)	(4,366)
Cash distributions to fund investors, net of distributions to Partnership	**—**	3,076	(3,076)
Capital call - ORM Timber Funds, net of Partnership contribution	**—**	(17,259)	17,259
Cash provided by (used in) financing activities	**3,600**	(11,189)	14,789
Net increase (decrease) in cash and restricted cash	**$ 4,048**	$ 4,471	$ (423)

The decrease in cash provided by operating activities of $3.5 million resulted primarily from the payment of over $5.0 million of legal and professional fees paid in connection with our merger with Rayonier and lower average log price realizations in Q1 2020 compared to the prior year, offset partially by a $968,000 decrease in Real Estate project expenditures.

Cash used in investing activities during 2020 decreased by $19.2 million compared to 2019 due primarily to the acquisition of a tree farm by Fund IV in January 2019.

Cash provided by financing activities decreased in the current year by $11.2 million due primarily to a capital call for Fund IV's tree farm acquisition in the first quarter of 2019 that had not counterpart in 2020, offset by higher net borrowings under credit facilities.

Seasonality

Timber - Partnership and Funds. 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. However, this pattern may not hold true during periods of comparatively strong log prices, when we may accelerate harvest volume, or soft log prices, when we may defer harvest volume. In addition, our quarterly harvest patterns may be impacted by severe weather or fire conditions.

Timberland Investment 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 invested capital, the number of acres owned by the Funds, 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 operating 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

The following table presents our capital expenditures by major category for the quarter ended March 31, 2020:

in millions		
Reforestation and roads - Partnership	$	0.4
Reforestation and roads - Funds		0.5
Other Real Estate development projects		0.1
	$	1.0

We expect capital resources to remain sufficient for at least the next 12 months.

ACCOUNTING MATTERS

Critical Accounting Policies and Estimates

An accounting estimate is deemed to be critical if it requires us to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and also if different estimates that we reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on the presentation of the Company’s financial condition, changes in financial condition, or results of operations. 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 cost allocation of purchased timberland, timber volume, and environmental remediation liabilities.

For a further discussion of our critical accounting 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, 2019. See also notes 2 and 4 to the condensed consolidated financial statements in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The consolidated fixed-rate debt outstanding had a fair value of approximately $138.1 million and $133.1 million at March 31, 2020 and December 31, 2019, respectively, based on the prevailing interest rates for similar financial instruments. A change in interest rates will affect the fair value of fixed-rate debt, whereas a change in interest rates on variable-rate debt will affect interest expense and cash flows. A hypothetical 1% change in prevailing interest rates would change the fair value of fixed-rate long-term debt obligations by $3.7 million and result in a $370,000 change in annual interest expense for our variable-rate debt. 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 control over financial reporting, 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 and to assess the effectiveness of the Partnership's internal control over financial reporting. The Partnership's principal executive and principal financial 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 managing 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 four 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 principal executive and principal financial 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 our business, prospects, financial condition or results of operations.

In 2015, the Partnership filed a lawsuit seeking coverage under the Partnership's insurance policies at the time it acquired the Port Gamble site from Pope & Talbot (P&T). Pursuant to an order from P&T's bankruptcy court, the Partnership later amended its complaint to add claims against P&T and P&T's historical liability insurers. The litigation is currently pending in King County Superior Court, although the defendant insurers are currently pursuing an interlocutory appeal of a recent key ruling by the trial court in the Partnership's favor.

On March 18, 2020, a purported unitholder of the Partnership filed a lawsuit against the Partnership and its Board of Directors alleging that, among other things, the Definitive Proxy Statement dated April 6, 2020 contained materially incomplete and misleading information in violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The plaintiff sought, among other things, to enjoin the pending merger between the Partnership and Rayonier and its subsidiaries, an award of rescissory damages and plaintiffs' costs, including attorneys' fees. This lawsuit is captioned *Stein* v. *Pope Resources, et al.*, No. 1:20-CV-00387, filed in the United States District Court for the District of Delaware. This lawsuit was settled and dismissed on or about April 29, 2020.

On March 26, 2020, a purported unitholder of the Partnership filed a putative stockholder class action complaint against the Partnership, its Board of Directors, Rayonier, OpCo, Merger Sub 1, Merger Sub 2, Merger Sub 3, MGP and EGP alleging that, among other things, the Definitive Proxy Statement dated April 6, 2020 contained materially incomplete and misleading information in violation of Sections 14(a) and 20(a) of the Exchange Act. The plaintiff sought, among other things, to enjoin the pending merger between the Partnership and Rayonier and its subsidiaries, an award of rescissory damages and plaintiffs' costs, including attorneys' fees. This lawsuit is captioned *Thompson* v. *Pope Resources*, *et al.*, No. 1:20-CV-00432, and also was filed in the United States District Court for the District of Delaware. This lawsuit was settled and dismissed on or about April 29, 2020.

On April 14, 2020, a purported unitholder of the Partnership filed a putative stockholder class action complaint against the Partnership, its Board of Directors and Rayonier alleging, among other things, that members of the Board of Directors breached their duty of loyalty under the Partnership's limited partnership agreement and Delaware law in connection with entering into the Merger Agreement, that Rayonier aided and abetted such breach and that the Definitive Proxy Statement dated April 6, 2020 misrepresents or omits material information. The plaintiff sought, among other things, to enjoin the proposed Merger, an award of compensatory and/or rescissory damages and plaintiffs' costs, including attorneys' fees. This lawsuit is captioned *Laidlaw* v. *Pope Resources*, *et al.*, No. 20-2-00755-18, and was filed in the Superior Court of the State of Washington in Kitsap County. This lawsuit was settled and dismissed on or about April 29, 2020.

On April 17, 2020, another purported unitholder of the Partnership filed a lawsuit against the Partnership and its Board of Directors alleging that, among other things, the Definitive Proxy Statement dated April 6, 2020 contained false and misleading information in violation of Sections 14(a) and 20(a) of the Exchange Act. The plaintiff sought, among other things, to enjoin the proposed Merger, an award of rescissory damages and plaintiff's costs, including attorneys' fees. This lawsuit is captioned *Arzonetti v. Pope Resources, A Delaware Limited Partnership, et al.*, Case No. 1:20-cv-03102, and was filed in the United States District Court for the Southern District of New York. This lawsuit was settled and dismissed on or about April 29, 2020.

ITEM 1A. RISK FACTORS

Risks relating to our operations and ownership of our securities are set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, and are incorporated herein by reference. Risks relating to our pending merger with Rayonier and its subsidiaries are set forth in our Definitive Proxy Statement on Schedule 14A and filed with the SEC on April 6, 2020, and are incorporated herein by reference.

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

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.

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of Principal 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 Principal 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 6, 2020.

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/ Daemon P. Repp
Daemon P. Repp
Vice President and Chief Financial Officer
(Principal Financial Officer)

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

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 6, 2020

/s/Thomas M. Ringo

Thomas M. Ringo
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Daemon P. Repp, 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 6, 2020

/s/ Daemon P. Repp

Daemon P. Repp
Vice President and 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, 2020, 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 6, 2020

Exhibit 32.2

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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daemon P. Repp, Director of Finance 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/ Daemon P. Repp
Daemon P. Repp
Vice President and Chief Financial Officer

May 6, 2020