

SHAREHOLDERS AGREEMENT

THIS AGREEMENT is made as of November 7, 1985 by and among Pope MGP, Inc., a Delaware corporation ("MGP"), Pope EGP, Inc., a Delaware corporation ("EGP"), Peter T. Pope, Emily T. Andrews, Pope & Talbot, Inc., a Delaware corporation ("Pope & Talbot"), the present and future directors of MGP ("Directors"), and Pope Resources (a Delaware limited partnership) (the "Partnership").

WITNESSETH:

WHEREAS, MGP is the Managing General Partner, and EGP is the Equity General Partner, of the Partnership which is being formed in connection with a Plan of Distribution of Pope & Talbot;

WHEREAS upon the payment by each of Peter T. Pope and Emily T. Andrews of \$25,000 in net assets and an agreement to each contribute 600 units of partnership interest of the Partnership ("Units") to MGP (representing an aggregate of approximately one-tenth of one percent (0.1 %) of the outstanding Units issued in connection with formation of the Partnership), Peter T. Pope and Emily T. Andrews will each own one-half (1/2) of all of the issued and outstanding stock of MGP;

WHEREAS, upon the payment by each of Peter T. Pope and Emily T. Andrews of \$350,000 in net assets and the agreement by each to contribute 5400 Units to EGP (representing in the aggregate approximately nine-tenths of one percent (0.9%) of the outstanding Units issued in connection with the formation of the Partnership), Peter T. Pope and Emily T. Andrews will each own one-half (1/2) of all the issued and outstanding stock of EGP;

WHEREAS, the Partnership and MGP desire to provide for a specific corporate structure of MGP in connection with MGP's services to the Partnership as Managing General Partner;

WHEREAS, the parties hereto desire to promote their mutual interest and the interests of MGP and the Partnership by imposing certain restrictions upon the ownership and transferability of the stock of MGP; and

WHEREAS, the parties wish to make certain other agreements as specified herein;

NOW, THEREFORE, the parties hereby agree as follows:

DEFINITIONS

For the purposes of this Agreement, the following definitions shall apply:

"Andrews Family" shall mean Emily T. Andrews, her parents, and Adolphus Andrews, Jr. and their lineal descendants, any present or former spouse of such persons, any lineal descendants of such spouses or former spouses, any estate of any of the foregoing persons, any trust in which any of the foregoing persons has a beneficial interest as an income beneficiary or remainderman, and any corporation, partnership, or other entity in which anyone or more of such persons or entities own an interest.

The Andrews General Partner Shareholder shall have a "Qualifying Interest" in Units owned by the Andrews Family, including any Units held for the benefit of the Andrews Family by a broker, nominee, pledgee, custodian, receiver, or the like. In no event shall any Units be counted more than once if more than one member of the Andrews Family has the requisite interest in such Units.

"Andrews General Partner Shareholder" shall mean Emily T. Andrews, or any person who is a permitted transferee under this Agreement of shares of MGP Common Stock owned by Emily T. Andrews, who succeeds to legal ownership (by contract or bequest) of all shares of MGP held by Emily T. Andrews or any such successor, while Andrews or any such successor is or was a General Partner Shareholder.

"Five Percent Ownership" shall mean ownership of 5% or more of the outstanding Partnership Units, from time to time, or the number of Units distributed to Stockholders pursuant to the Plan (as adjusted for Unit splits, dividends, and the like), whichever is less.

"General Partner Shareholder" shall mean each of the two persons or entities who each own fifty percent (50%) of the common stock of MGP, or the one person or entity who owns 100% of the common stock of MGP.

"Pope Family" shall mean the lineal descendants or spouses of George A. Pope, Jr. and Harriet Brownell (the parents of Peter T. Pope), any present or former spouse of such persons, any lineal descendants of such spouses or former spouses, any estate of any of the foregoing persons, any trust in which any of the foregoing persons has a beneficial interest as an income beneficiary or remainderman, and any corporation, partnership or other entity in which any one or more of such persons or entities own an interest.

The Pope General Partner Shareholder shall have a "Qualifying Interest" in Units owned by the Pope Family, including any Units held for the benefit of the Pope Family by a broker, nominee, pledgee, custodian, receiver, or the like. In no event shall any Units be counted more than once if more than one member of the Pope Family has the requisite interest in such Units.

"Pope General Partner Shareholder" shall mean Peter T. Pope, or any person who is a permitted transferee under this Agreement of shares of MGP Common Stock owned by Peter T. Pope, who succeeds to legal ownership (by contract or bequest) of all shares of MGP held by Peter T. Pope or any such successor, while Pope or any such successor is or was a General Partner Shareholder.

"Shareholder" shall mean each of the Pope General Partner Shareholder, the Andrews General Partner Shareholder, and any other person owning or purchasing shares of MGP (collectively the "Shareholders").

Capitalized terms used which are not defined herein shall have the meanings ascribed to them in Pope & Talbot's Proxy Statement dated November 7, 1985 relating to the Plan of Distribution.

I. SHARES

SECTION 1.1. *Shares.* This Agreement applies to all shares of common stock and any other equity securities of MGP and EGP. Each share of common stock and any other equity security of MGP, including any equity securities issued as a dividend or other distribution with respect to such shares or securities, and the rights to receive such shares and securities are a "Share" under this Agreement and are collectively referred to as "Shares." Each share of common stock and any other equity security of EGP, including any equity securities issued as a dividend or other distribution with respect to such shares or securities, and the rights to receive such shares and securities are an "EGP Share" under this Agreement and are collectively referred to as "EGP Shares."

II. REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

SECTION 2.1. *Representations and Warranties of Shareholders.* Each Shareholder represents and warrants that:

(a) He or she is (or upon receipt of the Shares and EGP Shares will be) the owner of twenty-five thousand (25,000) Shares, free and clear of all liens and encumbrances, and that there are no outstanding options, agreements, contracts, calls, commitments or demands of any character to

which the Shareholder is a party or of which the Shareholder knows, which restrict or require the transfer of, or otherwise relate to, the Shares, except this Agreement and the Bylaws of MGP; and

(b) He or she is acquiring the Shares for investment and not with a view to or for resale in connection with any distribution of the Shares.

SECTION 2.2. *Representations and Warranties of EGP Shareholders.* Each shareholder of EGP represents and warrants that:

(a) He or she is (or upon receipt of the EGP Shares will be) the owner of twenty-five thousand (25,000) EGP Shares, free and clear of all liens and encumbrances, and that there are no outstanding options, agreements, contracts, call, commitments or demands of any character to which such shareholder is a party or of which such shareholder knows, which restrict or require the transfer of, or otherwise relate to, the EGP Shares, except this Agreement and the Bylaws of EGP; and

(b) He or she is acquiring the EGP Shares for investment and not with a view to or for resale in connection with any distribution of the EGP Shares.

III.

CONTRIBUTIONS; TAXES

SECTION 3.1. *Capital Contribution and Purchase of Shares and EGP Shares.*

(a) (1) On or before the date on which certain assets and liabilities of Pope & Talbot are transferred to the Partnership pursuant to the Plan of Distribution, Peter T. Pope and Emily T. Andrews will each pay to MGP one dollar (\$1.00) per share in cash or other assets for the twenty-five thousand (25,000) Shares each person is purchasing hereunder, or an aggregate payment in cash or other assets of \$50,000, for purchase of all the authorized capital stock of MGP.

(a) (2) On or before the Distribution Date, Peter T. Pope and Emily T. Andrews will each pay to EGP a total of \$350,000 in cash or other assets for the twenty-five thousand (25,000) EGP Shares each person is purchasing hereunder, or an aggregate payment in cash or other assets of \$700,000, for purchase of all the authorized capital stock of EGP.

(b) On the Distribution Date, Peter T. Pope and Emily T. Andrews each agree to and shall contribute to the capital of MGP and EGP, respectively, the number of Units set forth opposite his or her name below:

Shareholder	Number of Units Contributed To MGP	Number of Units Contributed To EGP
PeterT.Pope	600	5,400
EmilyT.Andrews	600	5,400
Total	1,200	10,800

(c) In any instance where the aggregate number of Units contributed to the capital of and held by MGP and EGP falls below a minimum of one percent (1%) of the total of all outstanding Units, whether through issuance of additional Units by the Partnership or otherwise, the Shareholders and the shareholders of EGP shall jointly contribute additional Units to the capital of MGP and EGP, such that following such contribution, the combined total of Units held by MGP and EGP shall equal or exceed one percent (1%) of the then outstanding Units. If, in the opinion of counsel for the Partnership, additional capital contributions to MGP and EGP are required in order to maintain the partnership tax status of the Partnership, the Shareholders and the shareholders of EGP shall jointly contribute additional capital to MGP and EGP, in such amounts as are sufficient, in the opinion of such counsel, to maintain such tax status. Such contributions shall be made, as between MGP and

EGP, in proportion so that 10% of the contribution required shall be made by the Shareholders and 90% of the contribution required shall be made by the shareholders of EGP. The Shareholders and the shareholders of EGP shall contribute such additional Units or other capital pro rata in accordance with their respective ownership interests in MGP and EGP. In the event any such shareholder shall fail to make the required additional contribution of Units or other assets, then the other shareholder(s) of the applicable corporation shall be jointly and severally obligated to make such contribution on his or her behalf.

(d) No distribution of cash or property (other than securities of MGP) shall be made by MGP to its Shareholders with respect to their ownership of Shares if, as a result of such distribution, the aggregate net asset value of EGP and MGP (not considering Units owned by EGP or MGP, or amounts receivable from the Partnership) shall be less than \$750,000, valued at the fair market value of the assets of such corporations at the time of such proposed distribution. Each Shareholder understands that to the extent permitted under this Agreement, the directors of MGP intend that any distributions by the Partnership with respect to Units contributed to the capital of MGP pursuant to Section 3.1(b) or 3.1(c) will be declared as dividends of MGP and distributed pro rata to the Shareholders as of the date on which such distributions are paid. Each Shareholder further understands that, to the extent permitted under this Agreement, any interest or other income received in respect of investment of the assets contributed to MGP pursuant to Section 3.1(a) will be declared as dividends of MGP, and distributed pro rata to the Shareholders of MGP on an annual basis or such more frequent intervals as the Shareholders may agree.

(e) No distribution of cash or property (other than securities of EGP) shall be made by EGP to its shareholders with respect to their ownership of EGP Shares if, as a result of such distribution, the aggregate net asset value of EGP and MGP (not considering Units owned by EGP or MGP, or amounts receivable from the Partnership) shall be less than \$750,000, valued at the fair market value of the assets of such corporations at the time of such proposed distribution. Each shareholder of EGP understands that to the extent permitted under this Agreement, the directors of EGP intend that any distributions by the Partnership with respect to Units contributed to the capital of EGP pursuant to Section 3.1(b) or 3.1(c) will be declared as dividends of EGP and distributed pro rata to the shareholders of EGP as of the date on which such distributions are paid. Each shareholder of EGP further understands that, to the extent permitted under this Agreement, any interest or other income received in respect of investment of the assets contributed to EGP pursuant to Section 3.1(a) will be declared as dividends of EGP, and distributed pro rata to the shareholders of EGP on an annual basis or such more frequent intervals as the shareholders of EGP may agree.

IV.

TRANSFER

SECTION 4.1. *Restriction on Transfer.* Except as provided in this Agreement, no Shareholder or shareholder of EGP will sell, assign, transfer, convey, pledge, hypothecate, give a security interest in, encumber, give, or otherwise dispose or attempt to dispose of any of the Shares or EGP Shares or any interest therein (all of the foregoing are herein referred to as a "Transfer"). Any purported Transfer of any Shares or EGP Shares contrary to this Agreement shall be null and void, and the purported purchaser or other transferee shall acquire no interest whatsoever in such Shares or EGP Shares.

SECTION 4.2. *Permissible Transfers.* Subject to Section 10.12, the Pope General Partner Shareholder and/or the Andrews General Partner Shareholder may transfer all (but not part) of his or her Shares or EGP Shares to the other General Partner Shareholder or to a single entity whose legal owner is a General Partner Shareholder (including a trust whose trustee is a General Partner Shareholder), so long as such person or entity will hold such Shares or EGP Shares on behalf of one or more persons or entities in whose hands Units would be included in the Pope General Partner Shareholder Qualifying Interest or Andrews General Partner Shareholder Qualifying Interest,

respectively; provided that any such transfer shall not be permitted, and shall be null and void, in the event ownership of Shares and/or EGP Shares by the proposed transferee would cause MGP or EGP to be disqualified as an S Corporation under the Internal Revenue Code of 1954, as amended. Any such transferee (s) (successor General Partner Shareholders) shall be required in connection with and as a condition to such transfer to become a party to this Agreement, and shall hold the Shares and/or the EGP Shares subject to the terms of this Agreement.

SECTION 4.3. *Sale of Shares and EGP Shares.*

(a) In the event the Pope General Partner Shareholder Qualifying Interest falls below Five Percent Ownership, or the Pope General Partner Shareholder desires to dispose of his Shares and EGP Shares (other than to a transferee permitted under Section 4.2), then so long as the Andrews General Partner Shareholder has not disposed of any Shares (except as permitted under Section 4.2), the Pope General Partner Shareholder shall offer to sell to the Andrews General Partner Shareholder all his Shares, together with all EGP Shares then held by the Pope General Partner Shareholder, as hereinafter provided. In such instance, the Pope General Partner Shareholder (and his designee pursuant to Section 7.1(a)(2), if applicable) shall also tender his resignation as a director of MGP, which resignation may be made subject to completion of the purchase of the Shares (and the EGP Shares, if applicable) pursuant to the offer under this Section 4.3(a).

(b) In the event the Andrews General Partner Shareholder Qualifying Interest falls below Five Percent Ownership, or the Andrews General Partner Shareholder desires to dispose of her Shares and EGP Shares (other than to a transferee permitted under Section 4.2), then so long as the Pope General Partner Shareholder has not disposed of any Shares (except as permitted under Section 4.2), the Andrews General Partner Shareholder shall offer to sell to the Pope General Partner Shareholder all her Shares, together with all EGP Shares then held by the Andrews General Partner Shareholder, as hereinafter provided. In such instance, the Andrews General Partner Shareholder (and her designee pursuant to Section 7.1 (a) (1), if applicable), shall also tender her resignation as a director of MGP, which resignation may be made subject to completion of the purchase of Shares (and the EGP Shares, if applicable) pursuant to the offer under this Section 4.3(b).

(c) In the event that a General Partner Shareholder shall (1) materially breach this Agreement, or (2) fail to make a required capital contribution pursuant to Section 3.1 (b) or 3.1 (c), and fail to cure such breach or failure within 30 days after notice from the other General Partner Shareholder or MGP, then such General Partner Shareholder (and his or her designee pursuant to Section 7.1 (a) (1) or 7.1 (a) (2), if applicable), shall resign as a director of MGP, and such General Partner Shareholder shall offer to sell all of his or her Shares, together with all of his or her EGP Shares, to the other General Partner Shareholder, as hereinafter provided. If there is only one General Partner Shareholder at such time, then the General Partner Shareholder shall offer to sell his or her Shares to all the directors of MGP, as provided in Section 4.3(d) and 4.3(e).

(d) In the event (1) the Pope General Partner Shareholder Qualifying Interest falls below Five Percent Ownership while the Pope General Partner Shareholder is the only shareholder of MGP, (2) the Andrews General Partner Shareholder Qualifying Interest falls below Five Percent Ownership while the Andrews General Partner Shareholder is the only shareholder of MGP, (3) the sole shareholder of MGP desires to relinquish control of MGP by disposing of his or her Shares, or (4) the General Partner Shareholder offeree under Section 4.3(a), 4.3(b) or 4.3(c) fails to accept the offer thereunder to purchase the remaining Shares and EGP Shares, then in any such instance, such Shareholder(s) (the sole General Partner Shareholder if there is only one shareholder of MGP or both General Partner Shareholders if there are two) shall offer to sell a portion of his or her Shares to each of the other directors of MGP who is not then a Shareholder. In connection with and as a condition to such purchase(s), each director will be required to become a party to this Agreement, as provided in Section 6.1. The number of shares to be sold pursuant to such offers shall be calculated so that following completion of such offer and sale, each of the then directors of MGP will own twenty percent (20%) of the outstanding Shares of MGP. Any remaining Shares of MGP not owned by the

then directors of MGP following such offers and sales will be offered by such Shareholder(s) to and purchased by a director newly appointed pursuant to Section 4.3(e).

(e) In the event an offeree director does not accept the offer to purchase Shares pursuant to Section 4.3(d), then such director shall resign as a director of MGP. In such instance, or if a vacancy thereafter occurs on the Board of Directors of MGP following the sale of Shares to all directors of MGP due to resignation or otherwise, then subject to Section 7.1 (a) hereof, the remaining directors shall thereupon appoint one or more persons to the Board of Directors in order to fill all vacancies on the Board of Directors, and each such appointee will purchase 20% of the outstanding Shares of MGP pursuant to this Agreement concurrent with his or her appointment to the Board. In connection with and as a condition to such purchase of Shares, each director shall become a party to this Agreement, as provided under Section 6.1. Following such appointment(s) and purchase(s), the Board of Directors shall have five members, each of whom will then own 20% of the Shares.

(f) Any offer of Shares required pursuant to this Section 4.3 shall be made in writing within thirty (30) days following any triggering event specified above. Subject to compliance with applicable securities laws, the offeree(s) shall have sixty (60) days after such offer within which to purchase the Shares for cash. In connection with any offer and sale of Shares pursuant to this Section 4, the purchase price of such Shares shall be the fair market value of that percentage of the net assets of MGP equal to the percentage of the outstanding shares of MGP being sold, as determined by mutual agreement of the selling Shareholder and the offerees. In the absence of mutual agreement, the Board of Directors of MGP shall appoint an appraiser, who shall determine the fair market value of such Shares for the purpose of such purchase and sale. In connection with any such purchase, the appropriate number of Shares shall be transferred to the purchaser thereof, which Shares shall remain subject to this Agreement.

SECTION 4.4. *Transfer Event.*

(a) Following the sale of Shares pursuant to Section 4.3(d) and 4.3(e), any of the following events shall constitute a "Transfer Event" with respect to any Shareholder:

(i) the Shareholder ceases to be a director of MGP for any reason;

(ii) any Shares of the Shareholder are levied upon under a writ of execution, become subject to sale under any legal process, are transferred or ordered to be transferred to or for the benefit of any person or entity as a result of or in connection with any final property settlement or judgment incident to a divorce, dissolution of marriage or separation or are transferred or ordered to be transferred to any person by decree of distribution or other court order in proceedings arising from the death of the spouse of the Shareholder (on and as of the date of such levy, legal process, settlement, judgment, decree or order);

(iii) a Transfer or attempted or purported Transfer in violation of Section 4.1 occurs;

(iv) the Shareholder fails to make a contribution to capital as required in Section 3.1;

(v) the Shareholder fails to sign a consent to MGP's election as an S Corporation under the Internal Revenue Code of 1954, as amended, whenever such consent may be requested by MGP;

(vi) the Shareholder attempts to transfer his or her Shares to a transferee whose ownership of the Shares would cause MGP to be disqualified as an S Corporation under the Internal Revenue Code of 1954, as amended, which transfer shall be null and void;

(vii) the Shareholder's spouse fails to sign any consent which may be required; or

(viii) the Shareholder materially breaches this Agreement.

(b) Upon the occurrence of any Transfer Event:

(i) the owner of the Shares subject to the Transfer Event shall promptly notify MGP of the Transfer Event;

(ii) the owner of the Shares subject to the Transfer Event shall resign immediately as a Director of MGP; and

(iii) the owner of Shares subject to a Transfer Event shall offer such Shares to such person's successor on MGP's Board of Directors as soon as practicable after the Transfer Event, and MGP and such purchaser shall use their best efforts to effect the purchase of such Shares as soon as practicable after the Transfer Event.

SECTION 4.5. *Provisions Relating to EGP Shares.*

(a) In the event the Pope General Partner Shareholder, the Andrews General Partner Shareholder, or any holder of EGP Shares, desires or is required to offer to dispose of any or all of his or her EGP Shares, such shareholder of EGP Shares shall first offer to sell all EGP Shares owned by such shareholder to the other shareholder(s) of EGP at their then fair market value. The fair market value of such shares shall be the fair market value of that percentage of the net assets of EGP equal to the percentage of outstanding EGP shares being sold, without any discount or premium for block holdings of securities.

(b) In the event a holder of EGP Shares shall (1) materially breach this Agreement or (2) fail to make a required capital contribution pursuant to Section 3.1 (b) or 3.1 (c), and fails to cure such breach or failure within 30 days after notice from any other holder of EGP Shares or EGP, then such defaulting holder shall offer to sell all his or her EGP Shares to the other EGP shareholder(s), as hereinafter provided. Sale of EGP Shares pursuant to this Section 4.5(b) shall not affect any liability which such defaulting holder would otherwise have as a result of such conduct.

(c) The fair market value of shares of EGP shall be determined by mutual agreement of the selling shareholder and the offeree in accordance with Section 4.5(a). In the absence of mutual agreement, the selling shareholder and the offeree shall jointly appoint an appraiser, who shall determine the fair market value of such shares in accordance with Section 4.5(a) for the purpose of such purchase and sale. In the event the parties are unable to agree on an appraiser, the selling shareholder and the offeree shall each appoint an appraiser, and such appraisers shall jointly select a third appraiser. The appraisal of a majority of these appraisers shall be determinative of the fair market value of such shares for the purpose of such purchase and sale. All costs of any appraisal required under this Section 4.5 shall be borne equally by the purchaser and seller.

(d) In the event the offeree pursuant to Section 4.5(a) or 4.5(b) fails to purchase such shares of EGP for cash within 90 days from the date of such offer, or fifteen (15) days from completion of the appraisal as provided above, whichever is later, the offeror shall have the right, subject to compliance with applicable securities laws and any other provisions governing such transfer contained in any agreement between EGP and the Partnership, to sell any shares to any purchaser(s) as the offeror shall select at a price not less than the then fair market value of such shares as provided in Section 4.5(a). In connection with and as a condition to any sale of such EGP Shares, the purchaser shall be required to become a party to this Agreement, and shall thereafter be subject to the terms and conditions hereof.

(e) At any time after (1) the expiration of 10 years from the date of this Agreement or (2) such time as EGP is permitted under the terms of the Partnership Agreement to withdraw as a general partner of the Partnership, whichever shall first occur, the Pope General Partner Shareholder and the Andrews General Partner Shareholder shall each have the right, subject to Section 4.5(a), to sell all EGP Shares then held by such General Partner Shareholder to Pope & Talbot at the then fair market value of the EGP Shares, as determined in accordance with Section 4.5(c), and Pope & Talbot hereby agrees to purchase such shares. Notwithstanding any other provision in this Agreement, the rights of the Pope General Partner Shareholder and the Andrews General Partner Shareholder under this Section 4.5(e), and the corresponding obligation of Pope & Talbot hereunder, shall survive

termination of the Agreement pursuant to Section 8.1 hereof.

(f) In the event the Pope General Partner Shareholder or the Andrews General Partner Shareholder desires to sell shares of common stock of EGP to Pope & Talbot pursuant to Section 4.5(e), then such General Partner Shareholder shall notify Pope & Talbot in writing of the exercise of such right, and Pope & Talbot agrees to take such steps as are necessary to complete such purchase for cash within 90 days after receipt of such notice.

V.

LEGEND; SPOUSAL AGREEMENT

SECTION 5.1. *Legend.* MGP and EGP will transfer Shares or EGP Shares on their books only in accordance with the terms and conditions of this Agreement. All Shares and EGP Shares shall bear legends confirming applicability of this Agreement with respect to ownership and/or transfer of Shares and EGP Shares, as well as any legends required under applicable state or federal securities laws.

SECTION 5.2. *Spousal Agreement.* The spouse of each Shareholder and holder of EGP Shares shall execute a Consent and Agreement of Spouse in the form attached hereto as Exhibit B.

VI.

ADDITIONAL PARTIES

SECTION 6.1. *Additional Parties.* The parties hereto agree and consent in advance that upon the election or appointment of a new director to the Board of Directors of MGP, purchase of Shares and/or EGP Shares by, or transfer of Shares and/or EGP Shares to, a person or entity not otherwise a party to this Agreement, such new director shall, as a condition to such appointment or election (and purchase of Shares, if authorized herein), and such purchaser or transferee shall, as a condition to purchase of Shares and/or EGP Shares, agree in writing to be bound by the terms and provisions of this Agreement, and become a party to this Agreement. In the event other persons become parties to this Agreement, this Agreement will continue to be binding upon every Shareholder, shareholder of EGP, Director, or other person without the re-execution of, or amendment to this Agreement.

VII.

ELECTION OF DIRECTORS

SECTION 7.1. *Composition of Board of Directors.*

(a) So long as all the outstanding Shares are held by two General Partner Shareholders, such persons agree to take such actions as are necessary to maintain the composition of the Board of Directors of MGP (which shall consist of five (5) persons, as provided in the Bylaws) in accordance with the following provisions and MGP's Bylaws:

(1) The Andrews General Partner Shareholder, or a person designated by the Andrews General Partner Shareholder to serve on the Board of Directors, shall be a member of the Board, and shall be elected to a term ending in each even-numbered year;

(2) The Pope General Partner Shareholder, or a person designated by the Pope General Partner Shareholder to serve on the Board of Directors, shall be a member of the Board, and shall be elected to a term ending in each even-numbered year;

(3) The third Board member shall be a person who is not an employee or consultant of MGP or the Partnership (except for the Chief Executive Officer of the Partnership as specified below), shall be selected jointly by the Pope General Partner Shareholder and the Andrews General Partner Shareholder, and shall be elected to a term ending in each odd-numbered

year; provided that, so long as neither the Pope General Partner Shareholder nor the Andrews General Partner Shareholder nor a member of the Pope Family or the Andrews Family is serving as the Chief Executive Officer of MGP, then such Chief Executive Officer shall be the third member of the Board of Directors;

(4) The fourth member of the Board shall be elected to a term ending in each even-numbered year, and shall be selected jointly by the Pope General Partner Shareholder and the Andrews General Partner Shareholder. Such director shall be a person who is not an employee or consultant of MGP or the Partnership;

(5) The fifth member of the Board shall be elected to a term ending in each odd-numbered year, and shall be selected jointly by the Pope General Partner Shareholder and the Andrews General Partner Shareholder. Such director shall be a person who is not an employee or consultant of MGP or the Partnership;

(6) No person serving on the Board of Directors of MGP shall be more than 75 years of age; and

(7) In the event of any conflict between the bylaws of MGP and this Agreement, the terms of this Agreement shall prevail.

(b) In the event the Pope General Partner Shareholder and the Andrews General Partner Shareholder are unable to agree on a person to fill the position of Chief Executive Officer of the Partnership, or to fill a vacancy on the Board of Directors as a result of the resignation, removal, death, disability, or any other reason, of a director or the Chief Executive Officer of the Partnership who, pursuant to this Section 7.1, is to be jointly selected by the Pope General Partner Shareholder and Andrews General Partner Shareholder, the director selected pursuant to Section 7.1(a) (4) or 7.1 (a) (5) whose term last expires, together with the Pope General Partner Shareholder and the Andrews General Partner Shareholder shall, by majority vote, select the person to fill such vacancy.

SECTION 7.2. *Sole Shareholder.* In the event either the Pope General Partner Shareholder or the Andrews General Partner Shareholder shall become the sole shareholder of MGP under the terms of this Agreement, such Shareholder shall have the right to select the members of MGP's Board of Directors, subject only to the restrictions imposed in Section 7.1(a)(3), 7.1(a)(4), 7.1(a)(5), and 7.1 (a) (6) and the Bylaws of MGP.

SECTION 7.3. *Ownership by all Directors.* Upon the sale of Shares to MGP's directors pursuant to Section 4.3(d) of this Agreement, selection of MGP's Board of Directors shall be made by a majority of the directors of MGP, with each director possessing one vote on each matter to be voted on. In the event such directors are unable to agree on a person to fill a position on the Board of Directors, then the vote of the oldest director shall be excluded, and the vote of a majority of the remaining directors shall prevail.

VIII,

TERMINATION AND AMENDMENT

SECTION 8.1. *Termination.*

(a) This Agreement shall terminate as to all parties if MGP shall cease for any reason to be the Managing General Partner of the Partnership and EGP shall cease for any reason to be the Equity General Partner of the Partnership, or if all parties to this Agreement consent to its termination; provided that this Agreement shall not be terminated by the Partnership without the approval of the Managing General Partner and Partners of record holding a majority of the Units held of record by all Partners ("Majority Interest") obtained as required or permitted under the Partnership Agreement.

(b) This Agreement shall terminate as to a shareholder of MGP or EGP upon the purchase of all

of his or her Shares and EGP Shares pursuant to this Agreement. No termination as to any Shareholder or shareholder of EGP shall cause or constitute a termination of this Agreement as to any other , Shareholder or shareholder of EGP.

(c) This Agreement may only be terminated pursuant to this Section 8.1.

SECTION 8.2. *Amendment.* This Agreement may be amended by agreement of all the parties hereunder; provided that MGP and the Shareholders shall not be permitted to amend the provisions contained in Section 4 (other than Section 4.5) or Section 7 hereof, or any provision of MGP's bylaws relating to size of and qualifications for the Board of Directors, without the approval of the Managing General Partner and a Majority Interest of the Partners of the Partnership as defined in, and obtained as required or permitted under, the Partnership Agreement.

IX.

NOTICES

SECTION 9.1. *Notices.* Any notice, request, instruction or other document to be given by any party to another party shall be in writing and shall be deemed given at the time it is deposited in the United States mails, postage prepaid, by registered or certified mail, at the time it is personally delivered to the person to whom the notice is given, or at the time the notice is delivered to a common carrier for transmission or is actually transmitted by the person giving the notice by electronic means to the person to whom notice is given, whichever first occurs. Notice shall be given to the parties hereto at the following addresses or to such other persons or addresses as may be designated in writing by the party to receive such notice as any party hereto shall hereafter specify to the other parties hereto.

<u>Name</u>	<u>Address</u>
Pope MGP, Inc.	
Pope EGP, Inc.	
Peter T. Pope	
Emily T. Andrews	
Pope Resources (a Delaware Limited Partnership)	
Pope & Talbot, Inc.	
George H. Folquet	
Marco Vitulli	

SECTION 9.2. *Determination of Qualifying Interest.* On or before January 31st of each year following execution of this Agreement, the Pope General Partner Shareholder and the Andrews General Partner Shareholder shall each furnish to MGP a report of ownership of their respective Family Qualifying Interest in the Partnership showing maintenance of Five Percent Ownership. This reporting requirement shall apply only so long as such Shareholder is a General Partner Shareholder. In the event the Pope General Partner Shareholder or the Andrews General Partner Shareholder shall become aware of any change in the Pope General Partner Shareholder Qualifying Interest or the Andrews General Partner Shareholder Qualifying Interest which would result in a reduction of such Qualifying Interest below Five Percent Ownership and require sale of Shares pursuant to Section 4, then such Shareholder shall report such event to MGP and the Partnership within 30 days thereafter.

X.

MISCELLANEOUS

SECTION 10.1. *Successors and Assigns.* Except as otherwise herein provided, this Agreement shall bind and inure to the benefit of each and all of the successors and assigns of the parties, including, without limitation, any person or entity which is a successor General Partner Shareholder, Shareholder, shareholder of EGP, or Director of MGP.

SECTION 10.2. *Entire Agreement.* This Agreement constitutes the entire agreement between the parties and supersedes any and all prior agreements and understandings, both oral and written, between and among the parties hereto.

SECTION 10.3. *Further Acts.* Each party to this Agreement agrees to perform any further acts and execute and deliver any documents that may be reasonably necessary or appropriate to carry out, implement, or enforce the provisions of this Agreement, including, without limitation, taking such actions as are necessary, as a Shareholder, shareholder of EGP or Director of MGP to comply with the requirements of Sections 4 and 7 of this Agreement.

SECTION 10.4. *Severability.* If any provision of this Agreement is held to be illegal, void, or unenforceable, the remaining provisions will continue to be in full force and effect.

SECTION 10.5. *Governing Law.* This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware as applied to agreements solely among Delaware residents to be executed and performed entirely within Delaware.

SECTION 10.6. *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 10.7. *Gender; Number.* The use of any gender shall be construed to include any or all other genders where appropriate. The singular shall include the plural, and vice versa.

SECTION 10.8. *Section Headings.* The section and other headings are for reference only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.9. *Specific Performance.* Each party acknowledges that it has bargained for the performance of the specific duties and obligations of each of the parties contained in this Agreement as a material part of the formation of the Partnership, and that, in the event of a default by any party, money damages would be difficult to determine and; in any event, would not adequately compensate the injured party or parties. Accordingly, each party agrees and consents to the entry by a court of competent jurisdiction of a judgment or decree of specific performance with respect to its duties and obligations in the event of its failure to perform such duties and obligations in accordance with the terms of this Agreement.

SECTION 10.10. *S Corporation Election.* The Shareholders and the shareholders of EGP agree that it is in the best interests of each such shareholder for MGP and EGP to elect to be taxed as S Corporations under of the Internal Revenue Code of 1954, as amended, and hereby elect such S Corporation status for MGP and EGP and in furtherance of such election agree to provide written consents to the S Corporation election whenever such consents are requested by the Board of Directors of MGP or EGP.

SECTION 10.11. *Filing.* Upon execution of this Agreement, or any amendment to this Agreement, and upon the addition of parties to this Agreement pursuant to Section 6.1, a copy of the agreement or amendment shall be filed in the principal executive office of MGP and EGP in the State of Washington with its respective secretary and the copy shall be open to the inspection of any shareholder of MGP and EGP during the normal business hours of MGP and EGP.

SECTION 10.12. *Designation and Selection of Successors.* The Pope General Partner Shareholder and the Andrews General Partner Shareholder each agree that in connection with execution of this Agreement, each will confer with the other with respect to selection of a successor as General Partner Shareholder (who shall be a permitted transferee under Section 4.2 hereof) in the event of such Shareholder's death or disability. The Pope General Partner Shareholder and the Andrews General Partner Shareholder shall exercise reasonable efforts in connection with such discussions to select a successor who is not strongly objectionable to the other party, but the decision as to selection of his or her successor shall be made in the sole discretion of each General Partner Shareholder. The Pope General Partner Shareholder and the Andrews General Partner Shareholder shall promptly thereafter furnish to MGP a written designation identifying the person who will serve as such successor General Partner Shareholder and take such actions as are appropriate to vest ownership of his or her Shares in such successor upon any event which would require transfer of Shares. Each such successor shall have full authority to act as representatives of the deceased or disabled General Partner Shareholder, including the authority, subject to the obligations described above, to select a future successor as General Partner Shareholder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first set out above.

POPE MGP, INC.

By _____
POPE EGP, INC.

By _____

Peter T. Pope

Emily T. Andrews

POPE & TALBOT, INC.

By _____

POPE RESOURCES (A Delaware Limited Partnership)

By _____

George H. Folquet

Marco Vitulli

EXHIBIT A

THE TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE, THE VOTING RIGHTS OF THE HOLDER HEREOF AND CERTAIN OTHER RIGHTS OF THE HOLDER HEREOF ARE SUBJECT TO AND RESTRICTED BY THE TERMS AND CONDITIONS OF SHAREHOLDERS AGREEMENT DATED AS OF NOVEMBER 7, 1985, AND THE BY-LAWS OF THE CORPORATION, IN EACH CASE AS THE SAME MAY BE MODIFIED, AMENDED OR SUPPLEMENTED FROM TIME TO TIME. NO TRANSFER OF THE SECURITIES REPRESENTED HEREBY SHALL BE VALID OR EFFECTIVE UNLESS THE TERMS AND CONDITIONS OF SAID AGREEMENTS, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF POPE MGP, INC. AND POPE EGP, INC IN THE STATE OF WASHINGTON, HAVE BEEN SATISFIED.

EXHIBIT B

CONSENT AND AGREEMENT OF SPOUSE

The undersigned spouse of _____, a shareholder of Pope MGP, Inc. (the "Company" or "MGP") and/or Pope EGP, Inc. ("EGP"), who is a party to a Shareholders Agreement dated as of November 7, 1985 among the Company, its shareholders and directors, EGP, Pope & Talbot, Inc. and Pope Resources, (a Delaware limited partnership), hereby acknowledges and agrees that he or she:

1. Has read the Shareholders Agreement and the Bylaws of MGP and EGP;
2. Has been informed of and is familiar with the background of and the reasons for the provisions of the Shareholders Agreement and such Bylaws;
3. Hereby consents to the terms and conditions of the Shareholders Agreement and such Bylaws as the same may be modified, amended or supplemented from time to time, agrees and consents to the election by MGP and EGP and their shareholders to be taxed as an S Corporation under the Internal Revenue Code of 1954, as amended, agrees to provide all notices and information required by him or her, and confirms his or her express agreement to be bound by any required transfer which shall arise in the event of the occurrence with respect to his or her spouse, of any of the events set forth in said Shareholders Agreement or such Bylaws which give rise to a required transfer, including divorce, dissolution of marriage or separation, and to cooperate fully and take all such action as may be necessary to facilitate the exercise of any required transfer in accordance with the Shareholders Agreement, as it may be amended from time to time; and
4. Hereby consents to any amendment to Shareholders Agreement and such Bylaws and to any change in the parties to the Shareholders Agreement.

Dated as of November 7, 1985.
