Pope Resources
1999 ANNUAL REPORT

CORE
COMPETENCIES

POPE RESOURCES IS THE ASSET-HOLDING PARENT COMPANY OF OLYMPIC RESOURCE MANAGEMENT, THE ACTIVE ENTITY WITH A PROVEN TRACK RECORD IN ACQUIRING AND MANAGING TIMBERLAND.

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Strategy 1

We expanded our forestry consulting services.

Strategy 2

We pursued and won another major timberland management contract.

IN 1999, WE STRENGTHENED OUR CORE COMPETENCIES AND REAFFIRMED OUR MISSION TO BECOME THE FIRST CHOICE OF TIMBERLAND OWNERS IN NEED OF PROFESSIONAL SERVICES.

Strategy 3

In a volatile timberland acquisitions environment, we held firm.

Strategy 4

We secured entitlements that open up new real estate possibilities.

GARY F. TUCKER, PRESIDENT AND CEO

TO OUR UNITHOLDERS

LEVERAGING OUR 150-YEAR HERITAGE OF STEWARDSHIP AND RESPONSIBLE TIMBERLAND OWNERSHIP, WE ESTABLISHED OLYMPIC RESOURCE MANAGEMENT TO PROVIDE THE SAME LEVEL OF PROFESSIONAL EXPERTISE TO THIRD-PARTY OWNERS OF TIMBERLANDS.

In 1999, the fourth full year of the new direction for Pope Resources, we demonstrated our commitment to increase unitholder value by transforming the company. We continue to evolve from functioning strictly as an asset-based organization to operating as a client-driven service provider.

FINANCIAL REVIEW

While revenues were up, earnings were down. Net income for the year was $5.1 million on revenues of $50.9 million. This compares to net income of $8.8 million in 1998 on revenues of $43.0 million. In 1998, however, we realized gains of $3.6 million on two land sales.

The forestry consulting business we acquired at the end of 1998 contributed meaningfully to overall revenue growth. In 1999, a transition year for this business, earnings for this new entity were down, but we expect improved results in 2000.

Revenues for the Heron Beach Inn on Ludlow Bay were reported as part of consolidated income for the first time in 1999 after we purchased the remaining interest from our former joint venture partner at the end of 1998.

THE PAST IN PERSPECTIVE

In 1985 Pope Resources was spun off from Pope and Talbot, a lumber and pulp manufacturer whose rich 150-year heritage we share. Pope Resources was created to bring a dedicated focus to the management of 76,000 acres of timberland and real estate properties. During its first decade, Pope Resources enjoyed a strong record of adding value for its unitholders.

In 1996, I was brought in by the Pope Resources Board of Directors with a mandate to grow the company. The next year we launched Olympic Resource Management (ORM) as a vehicle for this growth.

ORM fundamentally transformed the direction of this company. While Pope Resources remained the asset-based holding company, ORM emerged as an energetic, client-driven service provider. Our strategy is to provide timberland investment management and third-party timberland management services. Within a year, ORM was managing over half a million acres of timberlands stretching from Washington to California.

To address the needs of landowners who desired only a subset of our timberland management services, we expanded this strategy to include forestry consulting. By 1999, we had dozens of forestry consulting clients throughout Canada, the U.S., Jamaica, and Argentina.

This two-tiered approach—large-scale timberland management and more selective contract forestry consulting—affords ORM several entry points into the market of serving third-party timberland owners.

OUR COMPETITIVE ADVANTAGES

To be competitive in marketing our timberland-related services, it was imperative that ORM be lean, nimble, and smart. In creating such an operation, we have developed three competitive advantages.

First, we succeeded in establishing an optimal balance of centralized and decentralized services to generate significant economies of scale, which could in turn be passed on to our clients.

To provide centralized services, we developed the in-house expertise of our Operational Planning and Analysis group (OPA). This talented group of experts, led by three PhDs, provides technical support to our on-the-ground field managers.

Finally, we are continuing to make the necessary investments in land information systems in order to put the best tools into the hands of our foresters.

OUR FOUR CORE COMPETENCIES

As ORM's strategy has evolved to meet customer needs, we have continued to strengthen the four core competencies we employ today: forestry consulting, timberland management, acquisitions, and real estate development. All but the last, which we reserve for existing properties owned by Pope Resources on the Olympic Peninsula, are service-oriented and client-driven.

1 *FORESTRY CONSULTING*

With the full integration in early 1999 of Simons Reid Collins (SRC), we added to our timberland expertise and improved our ability to market and provide forestry consulting services to a growing list of clients. SRC, now operating as ORM Resources Canada Ltd., has provided forestry consulting services to most of Canada's major timber owners and has a strong presence in selected international markets.

This acquisition has also increased our ability to grow our forestry consulting services globally. Our expanding efforts in Argentina and Jamaica were made possible by this added expertise. For technical services and expertise, few timberland services companies can surpass the level of ORM talent.

2 *TIMBERLAND MANAGEMENT*

ORM is the western regional manager for the Hancock Timber Resource Group (HTRG). In 1997 we were awarded a contract to manage 535,000 acres of timberlands, which now stretch from California to British Columbia. This past year, HTRG lost two of its largest pension fund clients to competing investment managers. As a result, our lands under management for HTRG were cut in half effective in early 2000. We are working closely with HTRG, with whom we continue to enjoy a strong relationship, to rebuild their western timberland portfolio.

We are also making significant strides to expand our base of third-party timberland management business. In March of 2000, we entered into a contract to manage an additional 365,000 acres of industrial timberland in Washington, Oregon, and California, bringing our total lands under management to over 600,000 acres.

3 *ACQUISITIONS*

Throughout the 1990s, strong returns from some of the first timberland acquisitions made by institutional investors attracted much attention. Consequently, new capital began flowing into this asset class with increasing vigor. We also saw a proliferation of Timberland Investment Management Organizations (TIMOs) competing for this capital. Early in the decade there were only a handful of TIMOs, while today the number has more than doubled. So it's not surprising that by the end of the decade, timberland became a seller's market.

More and more large properties came to market through controlled auction processes run by investment banks. While participating in the early phases of some of these transactions, it was clear to us that the abundant supply of capital was resulting in overbidding. We elected to hold firm.

④ REAL ESTATE DEVELOPMENT

In 1999 we obtained approval of new county zoning regulations that will allow for the build-out and completion of Port Ludlow, our hallmark community. This major milestone was the result of an unprecedented collaborative process involving the local community, environmental groups, and business interests who met over a three-year period to define a shared vision for the future of this world-class community.

We also reached another important milestone in Port Gamble, which is expected to be granted status as a rural historic town under the state's Growth Management Act. The new designation will be the first step in allowing the town to expand its residential, commercial, and industrial base while still retaining its historic charm.

UNIT PERFORMANCE

Pope Resources unitholders continue to enjoy the single level of taxation afforded master limited partnerships, making such an investment one of the most tax-efficient means of owning timberlands. While the value of our units fell 10% in 1999, this performance was better than that of our publicly traded partnership peers, whose units fell an average of 17%.

A measure of differentiation between units of Pope Resources and our peers is our lower yield. While many publicly traded partnerships focus on distribution yield, we stress value creation because we believe this is the best way to manage and grow the lands under our stewardship. This strategy has also paid off for our unitholders. Since spin-off from Pope & Talbot 14 years ago through the end of 1999, the value of our units has increased by a compound annual growth rate of 20%.

THE YEAR AHEAD

In the coming year we will continue to implement the strategies that make the most of our core competencies and competitive advantages. Growing our timberland management and forestry consulting business lines will continue to be our top priority. Our multifaceted service options allow us the versatility to provide clients with the mix of services that fit their specific needs. We will also continue to monitor timberland sales and be ready to acquire at the right price. Our real estate development activities, now with new momentum, will continue to move along their prescribed course.

We are confident in our vision, proud of our team and determined to continue our fine record of adding value for you, our unitholders.

GARY F. TUCKER, PRESIDENT AND CEO

CORE COMPETENCY ***STRATEGY Nº***

1

CONSULTING

OUR FORESTRY CONSULTING COMPETENCIES HAVE NEVER BEEN STRONGER. IN LATE 1998, WE ADDED THE WELL-RESPECTED TALENT OF SIMONS REID COLLINS TO OUR POOL OF TIMBERLAND EXPERTS AND REINFORCED THE ORM REPUTATION AS POWERFUL CLIENT ALLIES.

CHARLES GOODBRAND
Senior Vice President and
General Manager
ORM Resources Canada Ltd.

"Because our forestry consulting expertise is so deep and so wide, ORM clients enjoy a full spectrum of service choices."

"We are energetically working to expand our base of third-party timberland management clients in the West."

CORE COMPETENCY **STRATEGY Nº**

2

MANAGEMENT

IN MARCH OF 2000, WE ENTERED INTO A CONTRACT TO MANAGE AN ADDITIONAL 365,000 ACRES OF INDUSTRIAL TIMBERLAND IN WASHINGTON, OREGON, AND CALIFORNIA.

CORE COMPETENCY ***STRATEGY Nº***

3

ACQUISITIONS

OUR SUCCESS DURING THE YEAR WAS IN KNOWING THAT THE ENTIRE MARKET WAS OVERPRICED.

DAVE NUNES
Senior Vice President
Acquisitions and
Portfolio Development

"In the frenzy to buy, many bought too high. We may see some of those properties on the market again in the near future."

"The Port Ludlow zoning milestone we reached after years of concerted effort has helped to unlock significant real estate value."

GREG McCARRY
Senior Vice President
Real Estate

CORE COMPETENCY ***STRATEGY №***

4

REAL ESTATE

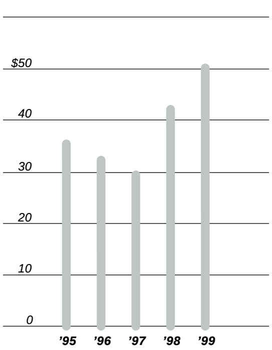
IN BOTH PORT LUDLOW AND PORT GAMBLE, NEW ENTITLEMENTS HAVE PAVED THE WAY FOR HIGHER AND BETTER USE OF OUR LAND.


Stewardship
Expertise
Versatility
Results

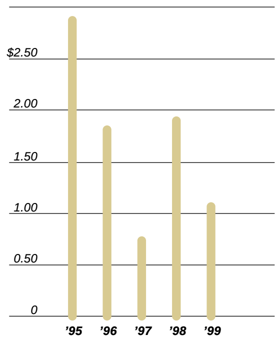
(Dollars in thousands, except per unit data)	*1999*	*1998*	*1997*
Revenues:			
Timberland Resources	**$34,501**	$29,310	$19,486
Real Estate	**16,352**	13,642	10,623
Total Revenues	**50,853**	42,952	30,109
Income from Operations:			
Timberland Resources	**15,057**	14,940	10,151
Real Estate	**(95)**	2,527	(727)
Administrative	**(8,282)**	(7,104)	(4,570)
Total Income from Operations	**6,680**	10,363	4,854
Net Income	**5,066**	8,792	3,509
Earnings per Unit – Diluted	**1.11**	1.94	0.78
Distribution per Unit	**0.40**	0.40	0.49
Total Assets	**66,880**	62,706	56,319
Long-term Debt	**13,282**	13,818	14,323
Partners' Capital	**49,302**	45,896	38,911
Acres Owned/Managed (000)	**534**	640	74
Fee Timber Harvested (MMBF)	**42.0**	38.9	33.2
Homes Sold	**28**	13	14
Lots Sold	**48**	39	24
Employees (FTE)	**257**	157	88

Total revenues

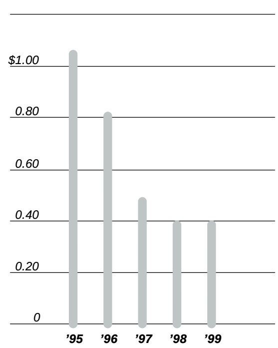
(millions)



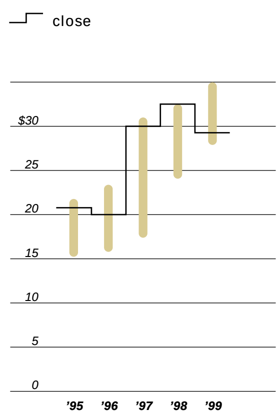
Earnings Per Unit



Distribution Per Unit



Unit Trading Range



This discussion should be read in conjunction with the Partnership's consolidated financial statements included with this report.

Results of Operations

TIMBERLAND RESOURCES

Timberland Resources' revenue sources are as follows: harvest and sale of logs from the Partnership's 74,000-acre tree farm located in the Hood Canal area of Washington, as well as management and consulting fees earned from timberland management and forestry consulting activities performed for third-party owners of timberlands. Timberland management fees include fees earned from the Partnership's role as the western regional timberland manager for the Hancock Timber Resource Group (HTRG). The majority of forestry consulting revenue result from the December 1998 acquisition of Simons Reid Collins, a forestry consulting business headquartered in British Columbia.

Revenues and operating income for the Timberland Resources segment for the three years ending December 31, 1999, are as follows:

Year ended	Revenues	Operating income
December 31, 1999	$34.5 million	$15.1 million
December 31, 1998	29.3 million	14.9 million
December 31, 1997	19.5 million	10.1 million

The 18% increase in revenues in 1999 as compared to 1998 is the result of an increase in revenues realized from the sale of logs harvested from the Partnership's tree farm combined with new revenues earned from the Partnership's forestry consulting activities. Operating income did not increase in proportion to the increase in revenues as a result of costs incurred in the integration of the forestry consulting activities. The 1998 increase in revenues and operating income as compared to 1997 resulted primarily from timberland management fees earned from the timberland management activities of Olympic Resource Management LLC (ORMLLC), partially offset by a decline in revenue earned from logs harvested from the Partnership's tree farm.

The Partnership benefited from an improvement in log prices realized during 1999 and an increase in timber harvested. The increase in harvest volume resulted from the January 1999 acquisition of 500 acres and subsequent logging of a portion of the acquired tract. The Partnership harvested the following timber over the past three years:

	Softwood Sawlogs		Pulp, Hardwood, and Other		Totals	
	Volume MMBF	Price $/MBF	Volume MMBF	Price $/MBF	Volume MMBF	Price $/MBF
1999	**32.1**	**$628**	**9.9**	**$255**	**42.0**	**$542**
1998	28.6	583	10.3	268	38.9	500
1997	24.7	698	8.5	252	33.2	584

MMBF = million board feet
MBF = thousand board feet

Log revenues from the Partnership's timberland ownership are significantly affected by export log market conditions. Sales to the export market totaled 22%, 20%, and 42% of segment revenues for 1999, 1998, and 1997, respectively. The majority of the Partnership's export log volume is sold to Japan. Indirect sales to the export market totaled 11.1 MMBF, 8.6 MMBF, and 10.3 MMBF of softwood logs for 1999, 1998, and 1997, respectively. The average price per MBF realized for export logs sold was $694, $681, and $794 for 1999, 1998, and 1997, respectively. The Japanese economy showed some signs of recovery in 1999, resulting in the improvement in log prices realized and increased volume sold to the export market. The decline in export log volumes and prices in 1998 as compared to 1997 reflected the weakening Japanese economy and strengthening U.S. dollar experienced during that time period.

Domestic sawlog volumes were 21.0 MMBF, 20.0 MMBF, and 14.4 MMBF in 1999, 1998, and 1997, respectively. The increase in domestic log volume in 1999 reflects the increased timber harvest resulting from the Partnership's aforementioned timberland acquisition. Average domestic log prices per MBF were $593, $541, and $630 for 1999, 1998, and 1997, respectively. The increase in domestic log prices is the indirect result of improved export market conditions. As log prices improve in the export market, log volume is diverted from the domestic to the export market, which tends to improve prices. In 1998 domestic log prices weakened as log volume was diverted from the export to the domestic market.

Pulp log volumes were 8.7 MMBF, 9.5 MMBF, and 7.0 MMBF, for 1999, 1998, and 1997, respectively. Pulp log volumes decreased in 1999, as the Partnership did not harvest as many lower quality timber stands that tend to generate a larger proportion of pulp logs. The increase in pulp log volume between 1997 and 1998 was due to both an increase in overall timber harvested and the Partnership's harvest of a higher proportion of timber stands that had not been previously thinned. These stands generally contain a higher proportion of lower quality pulp logs than stands that have been previously thinned. Pulp log prices were $222, $251, and $217 per MBF for 1999, 1998, and 1997, respectively.

The Partnership's tree farm is located in the Hood Canal region of Washington state. Most of the tree farm acreage owned by the Partnership is at a relatively low elevation where harvest activities are possible year around. As a result of this competitive advantage, the Partnership tends to harvest and sell a greater portion of the annual harvest in the first half of the year when the supply of logs tends to be lower. Towards the end of September or October, harvest activities taper off as the Partnership reaches the planned annual harvest volume. Other activities in the Timberland Resource segment are not significantly seasonal.

In the operation and management of its tree farm, the Partnership is subject to federal, state, and local laws that govern land use. Management's objective is to be in compliance with such laws and regulations at all times. They anticipate that increasingly strict requirements relating to the environment, threatened and endangered species, natural resources, forestry operations, and health and safety matters, as well as increasing social concern over environmental issues, may result in additional restrictions on the timber operations of the Partnership. This will in turn result in increased costs, additional capital expenditures, and reduced operating flexibility. Although management does not consider current laws and regulations to be materially burdensome, there can be no assurance that future legislative, governmental, or judicial decisions will not adversely affect the Partnership's operations.

Risk of loss from fire, while possible on any timberland, is minimized on Partnership lands for several reasons. First, the Partnership maintains a well-developed road system that allows access and quick response to any fire that may occur. Second, management maintains a fire plan and program that provides for increased monitoring activities and requires all operators to maintain adequate fire suppression equipment during fire season. The Washington State Department of Natural Resources is ultimately responsible for all fire suppression activities in the state.

ORMLLC is the western regional timberland manager for HTRG. The contract covering management services provided in the western United States runs for three years and commenced on January 1, 1998. In conjunction with the acquisition of Simons Reid Collins, ORM Resources Canada Ltd. (a subsidiary of ORMLLC) assumed management of additional HTRG timberlands in British Columbia. The current British Columbia contract ends December 31, 2000. As of December 31, 1999, ORMLLC (together with its subsidiary) was managing 460,000 acres of HTRG timberland in Washington, Oregon, California, and British Columbia. Total acres under management for HTRG is subject to change as HTRG's client portfolios are adjusted.

In September 1999, the State Teachers Retirement System of Ohio (STRSO) switched its investment management account away from HTRG to a new investment manager. In addition, effective February 2000 the California Public Employees Retirement System (CalPERS) changed investment managers for its western timberland portfolio. ORMLLC managed 319,000 acres of timberlands on behalf of HTRG for STRSO and CalPERS during most of 1999. Following these transfers, ORMLLC manages 242,000 acres of timberlands on behalf of HTRG. The decrease in acres under management will reduce the revenues generated from the HTRG contract in 2000.

As part of its strategy to expand service offerings to third-party owners of timberlands, management worked throughout 1999 to market its timberland management services. In March 2000, management signed a major new contract to manage an additional 365,000 acres in California, Oregon, and Washington. The revenues from this contract are expected to offset a portion of the revenue lost in the transfer of the STRSO and CalPERS timberlands.

Forestry consulting services are currently provided in western Canada, the United States, Jamaica, and Argentina to both private and public owners of timberland. During 1999, the forest products industry in British Columbia experienced a cyclical downturn, thus negatively affecting the Partnership's forestry consulting revenues. Management believes that its forestry consulting activities in British Columbia will benefit from the anticipated recovery in the forest products industry in British Columbia.

REAL ESTATE

Real Estate segment revenues are derived from residential development and income-producing properties. Residential development consists of the sale of single-family homes, developed lots, and undeveloped acreage. These activities span approximately 3,000 acres of the Partnership's ownership and are concentrated in Port Ludlow, Washington. Income-producing properties consist of the following properties in Port Ludlow: the 37-room Heron Beach Inn on Ludlow Bay, a 300-slip saltwater marina, a 27-hole championship golf course, a commercial center, an RV park, a restaurant/lounge and related facilities, and the water and sewer utilities serving the area. In addition, the Partnership manages residential and commercial properties in Port Gamble and Kingston, Washington.

Revenues and operating income/(loss) for the Real Estate segment for the three years ending December 31, 1999, are as follows:

Year ended	*Revenues*	*Operating income/(loss)*
December 31, 1999	$16.4 million	$(0.1) million
December 31, 1998	13.6 million	2.5 million
December 31, 1997	10.6 million	(0.7) million

The majority of the 21% increase in Real Estate segment revenues in 1999 compared to 1998 was the result of the Partnership's purchase of the remaining interest in the Heron Beach Inn in December of 1998, which resulted in the Partnership consolidating the Inn's revenues and expenses. The 28% increase in revenues in 1998 from 1997 is due to the sale of a 980-acre property for $2.8 million, which resulted in a gain of $2.6 million to the Real Estate segment.

Residential development revenues increased 9% to $9.4 million for the year ended December 31,1999, as a result of a shift to focusing on the sale of completed homes as opposed to improved lots at the Partnership's flagship development in Port Ludlow. The increase in revenues from the sale of homes was partially offset by a decrease in revenue from the sale of undeveloped acreage. The primary source of increased residential development revenue in 1998 as compared to 1997 was an increase in undeveloped acreage sales from $0.5 million in 1997 to $3.6 million in 1998. The majority of this increase is attributable to the aforementioned sale of a 980-acre property in 1998.

In 1999, Port Ludlow, the Partnership's largest development, generated revenues of $7.2 million through the sale of six lots and 28 homes. This compares to 1998 sales of $4.6 million through the sale of 21 developed lots and 13 homes, and 1997 sales of $4.7 million for 17 developed lots and 14 homes. During 1999, the Partnership began to focus more on the sale of homes at Port Ludlow as opposed to lots. The change in strategy is expected to build value in the Partnership's Port Ludlow properties, as the Partnership will have more control over the quality of homes in the community and additional residents are expected to positively affect revenues attributable to the Partnership's income-producing properties.

Income-producing property revenues in 1999 increased 40% to $7.0 million due to the Partnership's purchase of the remaining interest in the 37-room Heron Beach Inn on Ludlow Bay in December of 1998. Prior to 1998 the Partnership participated in a joint venture to own and operate the Inn. As a joint venture partner, only the Partnership's share of profit from the joint venture was included in non-operating income/loss. On December 31, 1998, the joint venture was dissolved and the Partnership acquired the entire interest in the Inn, and has subsequently included the Inn's revenues and expenses in operating income during 1999.

Land holdings throughout Washington state are affected by the state's Growth Management Act (GMA), which requires counties to submit comprehensive plans that identify the future direction of growth and stipulate where population densities are to be concentrated. In Jefferson County, where Port Ludlow is located, the GMA Hearings Board approved the County's Comprehensive Plan. In this plan, Port Ludlow was granted status as a Master Planned Resort facilitating future build-out and development of the resort. In July 1999, the Partnership successfully completed a mediation process with local residents that resulted in a proposed zoning ordinance necessary for completion and build-out of the resort. In October 1999, the Jefferson County Commissioners approved the zoning ordinance.

The Partnership continues to be in the planning and entitlement phases for several developments located in the West Puget Sound region. In July 1999, Kitsap County designated Port Gamble as a "Rural Historic Town." This designation provides for substantial new commercial, industrial and residential development of the town utilizing historic land use patterns, densities and architectural character. The designation has been appealed to the State GMA Hearings Board and is scheduled for review in the first half of 2000. The Partnership has initiated a legislative amendment to GMA that will provide additional clarification and authorization for designations involving national historic town sites and bolster the Partnership's position on appeal. It is anticipated that the legislation will be adopted during the first quarter of 2000.

The City of Bremerton approved the request for a planned development on the Partnership's 270-acre property in Bremerton. The planned development has a mix of industrial and residential uses. Clearing and grading for a road to the industrial portion of the development was completed during 1999.

The Partnership continues to work with officials in Gig Harbor regarding the development of a 320-acre mixed-use project located within the Gig Harbor city limits. Preliminary environmental studies were completed in 1997 and the Partnership continues to work with local officials in Gig Harbor on the development plans. Efforts in 1999 focused on a successful agreement to construct an arterial road through the property which in turn connects to a nearby freeway interchange.

The Partnership has two additional ongoing projects in Kitsap County: a 720-acre residential development in Kingston and a 185-acre residential development in Hansville. Development of these sites has been delayed pending resolution of a lawsuit (in which the Partnership is not a party) that will establish the appropriate zoning and development regulations applicable to projects pending throughout Kitsap County. In April 1999, the State Court of Appeals rendered a favorable decision, but the case has been appealed to the Washington Supreme Court for further review.

Voters in Washington state recently passed Initiative 695, which replaced the value-based license fees in the state with a low flat-rate license fee. This is expected to have a detrimental impact on state, county and local government budgets. Significant adverse impacts are also anticipated to the level of services provided by the Washington State Ferry System and funding of highway transportation projects. The reduction of governmental funding in these areas may affect the Partnership's real estate holdings, which are significantly reliant on ferry service, but the impact is unknown at this time.

OTHER

The following table sets forth expenses as a percentage of revenues for the years indicated:

	1999	*1998*	*1997*
Revenues	**100%**	100%	100%
Cost of sales	**31**	28	36
Operating expenses	**37**	28	25
Selling, general, and administrative expenses	**19**	20	23
Operating income	**13%**	24%	16%

Cost of sales includes the cost of purchasing and producing tangible goods for sale. Cost of sales for the Partnership will fluctuate due to the various methods for selling and harvesting timber and the basis of the land the Partnership sells. In 1999 cost of sales as a percentage of revenues increased 3% from 1998. In 1998 the cost-of-sales ratio was positively affected by the sale of a 980-acre parcel of undeveloped land for $2.8 million. The cost-of-sales ratio in 1999 is 5% below the ratio in 1997 due to the increase in revenues earned from timberland management and forestry consulting activities, which do not have cost of sales associated with the revenue.

Operating expenses consist of salary and other costs directly attributable to a revenue-producing activity. The 9% increase in the operating expense ratio between 1998 and 1999 is due to an increase in payroll and facility expenses associated with the December 1998 acquisition of the forestry consulting business and purchase and subsequent consolidation of the Heron Beach Inn. The 3% increase in the operating expense ratio between 1997 and 1998 reflects the increase in operating expenses associated with timberland management activities.

The selling, general, and administrative (SG&A) ratio decreased 1% from 1998 to 1999 as compared to a 3% decrease from 1998 to 1997. The decline in the SG&A ratio in 1999 is due to a proportionally greater increase in revenues from the Heron Beach Inn and timberland consulting activities. The decrease between 1997 and 1998 is due to the increase in revenues from timberland management activities.

Interest income decreased in 1999, as the Partnership's average short-term investments declined as a result of the acquisition and debt retirement for the Heron Beach Inn. The increase in interest income in 1998 is the result of higher average short-term investment balances.

The Partnership was a 50% joint venture partner in Ludlow Associates, which owned the 37-room Heron Beach Inn on Ludlow Bay. The Partnership's share of joint venture losses was $217,000 and $337,000 for the years 1998 and 1997, respectively. The results for the Heron Beach Inn improved in 1999 as a result of a reduction in outstanding debt. These results have been consolidated with the Partnership.

LIQUIDITY AND CAPITAL RESOURCES

Funds generated internally through operations and externally through financing will provide the required resources for the Partnership's real estate development and other capital expenditures. Management may also consider increasing the Partnership's debt-to-total-capitalization ratio to participate in investments in real property, if the investments meet the Partnership's requirements of return and provide a good fit with the Partnership's portfolio of properties. Management considers its capital resources to be adequate for its current plans. At December 31, 1999, the Partnership had available an unused $20 million bank loan commitment.

Management has considerable discretion to increase or decrease the level of logs cut and thereby may increase or decrease net income and cash flow, assuming log prices and demand remain stable. Management's current plan is to harvest approximately 38 million board feet of timber in 2000. Since harvest plans are based on demand and pricing, actual harvesting may vary subject to management's ongoing review.

For the year ending December 31, 1999, cash provided by operating activities was $8.3 million and overall cash and cash equivalents increased $2.3 million. Cash provided by operating activities in 1999 was used for cash payments to unitholders of $1.8 million, capital expenditures of $3.8 million, and repayment of long-term debt of $0.5 million. Capital expenditures in 1999 included $1.3 million for the acquisition of 500 acres of timberland.

In 1998, cash provided by operating activities was $9.2 million and overall cash and cash equivalents decreased by $1.3 million. The cash generated from operations was primarily used for cash payments to unitholders of $2.3 million, $0.5 million of which was accrued on December 31, 1997; repayments of long-term debt of $2.6 million; and capital expenditures related to real property, equipment, roads, and reforestation of $5.0 million. Repayments of long-term debt in 1998 included debt retirement associated with the Heron Beach Inn on Ludlow Bay.

The Partnership plans to continue making quarterly partnership distributions during 2000.

YEAR 2000 (Y2K)

The Partnership budgeted $250,000 to identify and remediate Y2K issues. Actual costs incurred were $220,000 and no significant interruptions to the Partnership's business or systems were experienced. The Y2K project included the development of contingency plans that are applicable to events other than Y2K that have the potential to cause an interruption to the Partnership's business.

FORWARD-LOOKING STATEMENTS

Certain information in this report constitutes forward-looking statements within the meaning of federal securities laws. Forward-looking information is subject to risks, trends, and uncertainties that could cause actual results to differ materially from those projected. Those uncertainties include but are not limited to changes to regulations that affect the Partnership's ability to harvest timber and develop real estate and changes in economic conditions, which can have a significant effect on the price the Partnership can obtain for its timber and real estate.

COMMITMENTS AND CONTINGENCIES

The Partnership's commitments consist of performance bonds, letters of credit, and operating leases entered in the normal course of business. The Partnership may from time to time be a defendant in lawsuits arising in the ordinary course of business. Management believes that loss to the Partnership, if any, will not have a material adverse effect to the Partnership's financial condition or results of operations.

FINANCIAL INFORMATION ABOUT SEGMENTS

Segment financial information is presented in Note 10 to the Partnership's Financial Statements included with this report.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1999 AND 1998

ASSETS

(Thousands)	*1999*	*1998*
CURRENT ASSETS:		
Cash and cash equivalents	**$ 4,922**	$ 2,666
Accounts receivable	**1,583**	639
Work in progress	**12,033**	11,199
Current portion of contracts receivable	**587**	611
Prepaid expenses and other	**550**	368
Total current assets	**19,675**	15,483
PROPERTIES AND EQUIPMENT:		
Land and land improvements	**15,611**	16,701
Roads and timber, net of accumulated depletion of $10,024 and $8,868	**12,391**	11,272
Buildings and equipment, net of accumulated depreciation of $14,358 and $12,910	**15,921**	16,028
Total properties and equipment at cost	**43,923**	44,001
OTHER ASSETS:		
Contracts receivable (net of current portion)	**1,733**	1,780
Unallocated amenities and project costs	**1,356**	1,073
Other	**193**	369
Total other assets	**3,282**	3,222
Total assets	**$66,880**	$62,706

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES:		
Accounts payable	**$ 1,084**	$ 777
Accrued liabilities	**2,099**	1,383
Current portion of long-term debt	**406**	382
Minority interest	**366**	256
Total current liabilities	**3,955**	2,798
Long-term debt	**13,282**	13,818
Deferred profit	**341**	194
Commitments and contingencies (Notes 2 and 8)		
Partners' capital (units outstanding: 4,528 and 4,519)	**49,302**	45,896
Total liabilities and partners' capital	**$66,880**	$62,706

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997

(Thousands, except per unit information)	***1999***	*1998*	*1997*
Revenues	**$50,853**	$42,952	$30,109
Cost of sales	**(15,799)**	(12,120)	(10,937)
Operating expenses	**(18,737)**	(12,004)	(7,445)
Selling, general, and administrative	**(9,637)**	(8,465)	(6,873)
Income from operations	**6,680**	10,363	4,854
OTHER INCOME (EXPENSE):			
Interest expense	**(1,298)**	(1,406)	(1,421)
Interest income	**259**	618	413
Equity in losses of joint venture	**–**	(217)	(337)
	(1,039)	(1,005)	(1,345)
Income before income taxes and minority interest	**5,641**	9,358	3,509
Income tax provision	**(259)**	(310)	–
Income before minority interest	**5,382**	9,048	3,509
Minority interest	**(316)**	(256)	–
Net income	**$ 5,066**	$ 8,792	$ 3,509
NET INCOME:			
Allocable to general partners	**$ 67**	$ 117	$ 47
Allocable to limited partners	**4,999**	8,675	3,462
Net income	**5,066**	8,792	3,509
EARNINGS PER UNIT:			
Basic	**$ 1.12**	$ 1.95	$ 0.78
Diluted	**$ 1.11**	$ 1.94	$ 0.78
WEIGHTED AVERAGE UNITS OUTSTANDING:			
Basic	**4,523**	4,519	4,519
Diluted	**4,548**	4,534	4,526

See notes to consolidated financial statements.

YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997

(Thousands)	*General Partners*	*Limited Partners*	*Total*
January 1, 1997	$ 522	$37,094	$37,616
Net Income (comprehensive income)	47	3,462	3,509
Distributions	(30)	(2,184)	(2,214)
December 31, 1997	$ 539	$38,372	$38,911
Net Income (comprehensive income)	117	8,675	8,792
Distributions	(24)	(1,783)	(1,807)
December 31, 1998	$ 632	$45,264	$45,896
Net Income	**67**	**4,999**	**5,066**
Translation loss	**(1)**	**(37)**	**(38)**
Comprehensive income	**66**	**4,962**	**5,028**
Issuance of Partnership units		**188**	**188**
Distributions	**(24)**	**(1,786)**	**(1,810)**
December 31, 1999	**$ 674**	**$48,628**	**$49,302**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997

(Thousands)	*1999*	*1998*	*1997*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	**$50,055**	$41,294	$29,371
Cash paid to suppliers and employees	**(40,006)**	(30,693)	(22,575)
Interest received	**234**	609	428
Interest paid, net of amounts capitalized	**(1,394)**	(1,663)	(1,404)
Income taxes paid	**(542)**	(395)	–
Net cash provided by operating activities	**8,347**	9,152	5,820
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	**(3,764)**	(2,496)	(3,023)
Business combinations	**–**	(2,476)	–
Joint venture investment	**–**	(610)	(492)
Net cash used for investing activities	**(3,764)**	(5,582)	(3,515)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash distributions to unitholders	**(1,810)**	(2,260)	(1,763)
Repayment of long-term debt	**(497)**	(2,594)	(333)
Issuance of Partnership units	**188**	–	–
Minority interest distribution	**(208)**	–	–
Net cash used for financing activities	**(2,327)**	(4,854)	(2,096)
Net increase (decrease) in cash and cash equivalents	**2,256**	(1,284)	209
CASH AND CASH EQUIVALENTS:			
Beginning of year	**2,666**	3,950	3,741
End of year	**$ 4,922**	$ 2,666	$ 3,950

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income	**$ 5,066**	$ 8,792	$ 3,509
Land sold through tax-deferred exchange	**–**	(2,677)	–
Cost of land and timber sold	**1,200**	946	306
Minority interest	**316**	256	–
Land resale expenditures	**(7)**	(66)	(288)
Depreciation and depletion	**2,686**	2,053	1,647
Loss on equity in joint venture	**–**	217	337
Deferred profit	**(147)**	(48)	(34)
INCREASE (DECREASE) IN CASH FROM CHANGES IN OPERATING ACCOUNTS:			
Accounts receivable	**(944)**	41	(163)
Work in progress	**(834)**	(1,353)	539
Contracts receivable	**71**	919	(498)
Accounts payable and accrued liabilities	**1,007**	280	493
Other long-term liabilities	**(20)**	(118)	–
Other, net	**(47)**	(90)	(28)
Net cash provided by operating activities	**$ 8,347**	$ 9,152	$ 5,820

See notes to consolidated financial statements.

(DOLLARS IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

Note 1:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of operations: Pope Resources, A Delaware Limited Partnership (the "Partnership"), is a publicly traded limited partnership engaged principally in managing timber resources on its own properties as well as those owned by others, and real estate development activities in the northwest region of the United States. The managing general partner is Pope MGP, Inc. Timberland Resources activities include the sale of logs and fees earned providing timberland consulting and management services on tree farms owned by others. Real Estate includes the sale of single-family homes, finished lots and undeveloped acreage, and various commercial property operations.

Principles of consolidation: The consolidated financial statements include the accounts of the Partnership and its subsidiaries. Significant intercompany balances and transactions have been eliminated in consolidation.

Minority interest: Minority interest represents Pope MGP, Inc.'s interest in the Investor Portfolio Management Business (see Note 9) and has been classified as a current liability as the minority interest's share in income is generally distributed on an annual basis.

Use of estimates in financial statements: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contracts receivable: The Partnership sells land parcels under contracts requiring a minimum cash down payment of 20% and having financing terms of up to eight years at interest rates of 10%. The Partnership reduces credit risk on contracts through collateral on the underlying land and down payment requirements.

Principal payments on contracts receivable for the next five years are due as follows:

2000	$ 587
2001	445
2002	228
2003	259
2004	147

Unallocated amenities and project costs: Unallocated amenities and project costs represent indirect development costs for long-term real estate development projects. These costs are expensed based on anticipated project sales of residential dwellings and lots over the life of the project.

Properties and equipment: Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Depletion of logging roads and costs of fee timber harvested are provided at rates based on unrecovered costs and estimated recoverable volume of softwood timber.

When facts and circumstances indicate the carrying value of properties may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the property to the projected future cash flows. Upon indication that the carrying value of such assets may not be recoverable, the Partnership would recognize an impairment loss by a charge against current operations.

Revenue recognition: Revenue on timber sales is recorded when title and risk of loss passes to the buyer. Revenue on real estate sales is recorded on the date the sale closes. The Partnership uses the installment method of accounting for real estate sales transactions until 20% to 25% of the contract sales value has been collected, at which time the full accrual method of accounting is used. Management fees and consulting service revenues are accrued as the services are provided. Accounts receivable at December 31, 1999, include $527 of earned but unbilled services.

Income per partnership unit: Basic income per partnership unit is computed using the weighted average number of units outstanding during each year. Diluted income per unit is calculated using the weighted average units outstanding during the year, plus the dilutive impact of unit options outstanding.

Statement of cash flows: The Partnership considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Noncash investing activities in 1998 include $2,677 of proceeds from land sales received by tax-deferred exchange facilitators and utilized to purchase other real property on behalf of the Partnership and the assumption of $2,239 in debt for the acquisition of real property.

Reclassifications: Certain reclassifications have been made to the prior years' financial statements to conform with the current year's presentation.

Note 2:

BUSINESS COMBINATIONS AND JOINT VENTURE

The Partnership and its subsidiaries completed two acquisitions at the end of December 1998. One of those acquisitions was the purchase of assets comprising the forestry consulting and timberland management business of H.A. Simons Ltd. and is part of operations for the Timberland Resources segment in 1999. This acquisition was structured primarily as an "earnout," where the Partnership is required to make contingent payments over five years provided the acquired operation meets or exceeds specified profitability levels from business outside of the United States. The Partnership was not required to make a payment on the earnout agreement based on results of operations in 1999.

The second acquisition involved assets of a joint venture that the Partnership participated in to own and operate the 37-room Heron Beach Inn on Ludlow Bay in western Washington, which is part of operations for the Real Estate segment in 1999. As a result of this acquisition the Partnership owns 100% of the Inn and the Inn's operations have been included in the consolidated financial statements for 1999. Prior to the acquisition, the Partnership owned 50% of the joint venture, and losses from the joint venture were recorded on the equity method. The purchase price and the Partnership's basis in the dissolved joint venture were allocated to assets and liabilities acquired.

Note 3:

INCOME TAXES

The Partnership is not subject to income taxes. Instead, partners are taxed on their share of the Partnership's taxable income, whether or not cash distributions are paid. The provision for income taxes relating to taxable subsidiaries of the Partnership consists of $263 in current and $(4) in deferred taxes in 1999 and $278 in current and $32 in deferred taxes in 1998.

The following schedule reconciles net income reported for financial statement purposes to consolidated taxable income:

	1999	*1998*	*1997*
Net income per financial statements	**$5,066**	$8,792	$3,509
Undistributed subsidiary corporation (income)/loss	**371**	(1,226)	–
Difference in reporting depreciation and depletion	**(40)**	(326)	(279)
Cost basis of land, timber and homes sold	**139**	316	29
Deferred profit on real property sold	**224**	(177)	(128)
Other	**108**	–	–
Deferred gain from land exchange	**–**	(2,771)	–
Taxable income	**$5,868**	$4,608	$3,131

Note 4:

LONG-TERM DEBT

Long-term debt at December 31 consists of:

	1999	*1998*
Mortgage note payable to an insurance company, with interest at 9.65%, collateralized by timberlands, with a minimum monthly payment of $136 and maturing May 2022	**$13,298**	$13,632
Local improvement district assessments, with interest ranging from 6.5% to 8%, due through 2009	**253**	411
Other	**137**	157
	13,688	14,200
Less current portion	**406**	382
Total long-term debt	**$13,282**	$13,818

The Partnership has a $20 million revolving term loan agreement. There was no balance outstanding on the agreement as of December 31, 1999 and 1998. The maximum available borrowings are reduced by $10 million on September 30, 2000 and the agreement expires on September 30, 2001.

The Partnership debt agreements contain certain financial statement ratio covenants and have tangible net worth requirements. The minimum net worth requirements for the bank and the insurance company notes were $27,888 as of December 31, 1999. The net worth requirements increase each year by a percentage of the current year's net income. The mortgage note payable also includes debt repayment provisions in the event that timber harvests exceed specified levels. The Partnership was in compliance with these covenants as of December 31, 1999.

Principal payments on long-term debt for the next five years are due as follows:

2000	$ 406
2001	443
2002	484
2003	529
2004	579

Note 5:

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Partnership's financial instruments include cash and cash equivalents, accounts receivable, contracts receivable, and variable rate debt, for which the carrying amount of each approximates fair value. The fair value of contracts receivable was determined based on current yields for similar contracts. The fair value of fixed rate debt having a carrying value of $13,551 and $14,043 has been estimated based on current interest rates for similar financial instruments and totals $14,113 and $15,796 as of December 31, 1999 and 1998, respectively.

Note 6:

UNIT OPTION PLAN

The Partnership's 1997 Unit Option Plan authorized the granting of nonqualified unit options to employees, officers, and directors of the Partnership. A total of 300,000 units have been reserved for issuance under the plan. Unit options are granted at prices not less than the fair value of the limited partnership units on the date of the grant. The options generally become exercisable annually over a four-year period and have a maximum term of ten years. Unit options vested were 28,250 and 10,625 at December 31, 1999 and 1998, respectively. Unit options outstanding were as follows:

	Number of units (thousands)	*Weighted average strike price*
Balance, January 1, 1997	–	$ –
Granted	42.5	20.00
Exercised	–	–
Balance, December 31, 1997	42.5	20.00
Granted	50.0	26.50
Exercised	–	–
Balance, December 31, 1998	92.5	23.51
Granted	57.5	27.88
Exercised	(8.6)	21.79
Balance, December 31, 1999	141.4	25.39

The Partnership accounts for unit-based compensation in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees. Accordingly, compensation cost for unit options is measured as the excess, if any, of the fair value of the Partnership's units at the date of grant over the amount an employee must pay to acquire the unit. No compensation expense has been recognized on original grants of unit options, which have all had an exercise price not less than the fair value of the Partnership's unit price on the date of the grant. Had compensation expense for unit option grants been recognized based on the fair value at the grant date consistent with the method described in SFAS No. 123, Accounting for Stock-Based Compensation, the Partnership's net income would have been adjusted to the pro forma amounts indicated below:

	1999	*1998*	*1997*
Net income as reported	**$5,066**	$8,792	$3,509
Pro forma net income under SFAS No. 123	**4,957**	8,653	3,393

The fair value of options was calculated using the Black-Scholes option-pricing model, with the following assumptions:

	1999	*1998*	*1997*
Expected life	**5 years**	5 years	5 years
Risk-free interest rate	**6.0%**	5.0%	5.1%
Dividend yield	**1.4%**	1.4%	2.1%
Volatility	**.12**	.14	.18

Note 7:

EMPLOYEE BENEFITS

Employees with six months of service are eligible to receive benefits under a defined contribution plan. The Partnership is required to contribute 3% of eligible employee compensation into the plan, which amounted to $308, $230, and $60 for December 31, 1999, 1998, and 1997, respectively.

Note 8:

COMMITMENTS AND CONTINGENCIES

Performance bonds and letters of credit: In the ordinary course of business, and as part of the entitlement and development process, the Partnership is required to provide performance bonds and letters of credit to ensure completion of certain public facilities. The Partnership had performance bonds and letters of credit totaling $610 and $685 outstanding at December 31, 1999 and 1998, respectively.

Operating leases: The Partnership has non-cancelable operating leases for office and computer equipment. The lease terms are from 12 to 36 months. Rent expense under the operating leases totaled $490, $340, and $27 for the years ending December 31, 1999, 1998, and 1997, respectively.

Future minimum rental payments required under non-cancelable operating leases are as follows:

2000	$ 557
2001	87
2002	10
2003	6

Contingencies: The Partnership may from time to time be a defendant in various lawsuits arising in the ordinary course of business. Management believes that loss to the Partnership, if any, will not have a material adverse effect to the Partnership's financial condition or results of operations.

Note 9:

RELATED PARTY TRANSACTIONS AND MINORITY INTEREST

Pope MGP, Inc., is the managing general partner of the Partnership and receives an annual fee of $150.

The minority interest represents Pope MGP, Inc.'s interest in the IPMB. The amendment to the Limited Partnership Agreement authorizing management to pursue the IPMB specifies that net income from the IPMB will be split using a sliding scale allocation method, commencing with 80% to ORM, Inc., a subsidiary of Pope Resources, and 20% to Pope MGP, Inc. The sliding scale allocation method will allocate income evenly between ORM, Inc. and Pope MGP, Inc. once net income from the IPMB reaches $7,000 in a fiscal year. The aforementioned amendment authorizing pursuit of the IPMB limits cumulative net expenditures to $5,000, including debt guarantees. The Partnership has incurred approximately $494 of net expenditures and debt guarantees through December 31, 1999.

A director of Pope MGP, Inc., is also a director of Pope & Talbot, Inc. (P&T). In 1999, 1998, and 1997, the Partnership received lease payments of $75 from P&T for lease of a log sorting and storage site at Port Gamble, Washington.

The Partnership sold one of its residential homes at Port Ludlow, Washington, to the Director, President, and CEO of the Partnership in connection with his relocation and employment. The Partnership holds the promissory note for a portion of the purchase price with a balance of $271 at December 31, 1999, 1998, and 1997. The note bears interest at 6.48% and requires interest-only payments until maturity in 2001.

The Partnership contracts with a relative of the President and CEO to direct the Partnership's outreach efforts, which involves the location of potential timberland properties to be included in investor portfolios and opportunities to sell timberland management services. The Partnership paid $120, $121, and $102 to the individual during 1999, 1998, and 1997, respectively.

Note 10:

SEGMENT AND MAJOR CUSTOMER INFORMATION

The Partnership's operations are classified into two segments: Timberland Resources and Real Estate. The Timberland Resources segment manages over 500 acres of timberland properties for third parties and the Partnership's own tree farm in Washington state. Timberlands under management are in Washington, Oregon, California and British Columbia. Revenues are generated through management fees earned and the sale of timber harvested from the Partnership's tree farm. Major customers include two customers with 17% and 11%; 21% and 9%; and 15% and 9%; of total revenues for 1999, 1998, and 1997, respectively.

The Real Estate segment builds and sells homes and lots and manages several commercial properties including marina, golf course, sewer and water facilities and other commercial properties. All of the Partnership's real estate development activities are in Washington state.

Identifiable assets are those used exclusively in the operations of each industry segment or those allocated when used jointly. The Partnership does not allocate cash, accounts receivable, certain prepaid expenses or the Partnership's administrative office for purposes of evaluating segment performance. Details of the Partnership's operations by business segment for the years ended December 31 were as follows:

	Timberland Resources	*Real Estate*	*Administrative*	*Consolidated*
1999				
Revenues	**$34,501**	**$16,352**	**$ –**	**$50,853**
Income/(loss) from operations	**15,057**	**(95)**	**(8,282)**	**6,680**
Depreciation and depletion	**1,401**	**799**	**483**	**2,683**
Identifiable assets	**19,793**	**36,862**	**10,225**	**66,880**
Capital and land expenditures	**2,919**	**424**	**421**	**3,764**
1998				
Revenues	$29,310	$13,642	$ –	$42,952
Income/(loss) from operations	14,940	2,527	(7,104)	10,363
Depreciation and depletion	862	731	460	2,053
Identifiable assets	16,976	36,461	9,269	62,706
Capital and land expenditures	1,314	5,613	697	7,624
1997				
Revenues	$19,486	$10,623	$ –	$30,109
Income/(loss) from operations	10,151	(727)	(4,570)	4,854
Depreciation and depletion	573	763	311	1,647
Identifiable assets	16,015	33,515	6,789	56,319
Capital and land expenditures	719	769	1,884	3,372

Revenues by product line for the years ending December 31, 1999, 1998, and 1997 are as follows:

	1999	*1998*	*1997*
Sales of forest products:			
Domestic	**$15,108**	$14,547	$11,337
Export, indirect	**7,688**	5,857	8,149
Sales of homes, lots, and undeveloped acreage	**9,254**	8,631	5,819
Fees for service	**18,803**	13,917	4,804
Total revenues	**$50,853**	$42,952	$30,109

Note 11:

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Revenues	*Income/(loss) from operations*	*Net Income/ (loss)*	*Net Income/ (loss) per partnership unit, fully diluted*
1999				
First quarter	**$ 12,566**	**$ 2,994**	**$ 2,567**	**$ .57**
Second quarter	**14,228**	**2,904**	**2,488**	**.55**
Third quarter	**14,349**	**2,321**	**2,089**	**.46**
Fourth quarter	**9,710**	**(1,539)**	**(2,078)**	**(.47)**
1998				
First quarter	$ 9,948	$ 2,791	$ 2,337	$ .52
Second quarter	14,313	5,011	4,547	1.01
Third quarter	12,574	3,395	2,941	.65
Fourth quarter	6,117	(834)	(1,033)	(.24)
1997				
First quarter	$ 7,080	$ 2,045	$ 1,683	$ .37
Second quarter	7,526	1,086	739	.16
Third quarter	8,591	2,017	1,761	.39
Fourth quarter	6,912	(294)	(674)	(.14)

To the Board of Directors and Unitholders
Pope Resources, A Delaware Limited Partnership
Poulsbo, Washington

We have audited the accompanying consolidated balance sheets of Pope Resources, A Delaware Limited Partnership and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Pope Resources, A Delaware Limited Partnership and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Seattle, Washington
February 11, 2000

(Dollars in thousands, except per-unit amounts)	***1999***	*1998*	*1997*	*1996*
RESULTS OF OPERATIONS				
Revenues:				
Timberland resources	**$34,501**	$29,310	$19,486	$21,569
Real estate	**16,352**	13,642	10,623	11,444
Total revenues	**50,853**	42,952	30,109	33,013
Depreciation and depletion	**2,683**	2,053	1,647	1,458
Income from operations	**6,680**	10,363	4,854	9,818
Net interest expense	**1,039**	788	1,008	1,106
Equity in losses of joint venture		217	337	378
Income tax expense	**259**	310		
Minority interest	**(316)**	(256)		
Net income	**5,066**	8,792	3,509	8,334
PER UNIT RESULTS:				
Net income (diluted)	**1.11**	1.94	0.78	1.84
Distributions	**0.40**	0.40	0.49	0.82
Partners' capital	**10.90**	10.16	8.61	8.32
Weighted average units outstanding (000)	**4,523**	4,519	4,519	4,519
Diluted units (000)	**4,548**	4,534	4,526	4,519
CASH FLOW:				
Net cash provided by operating activities	**$ 8,347**	$ 9,152	$ 5,820	$12,330
Investing activities	**3,764**	5,582	3,515	2,581
Distributions to unitholders	**1,810**	2,260	1,763	3,706
Payment/(issuance) of long-term debt	**497**	2,594	333	3,289
EBITDDA†	**9,047**	11,943	6,164	10,898
FINANCIAL POSITION:				
Working capital	**15,720**	12,685	13,816	14,635
Land and timber, net of depletion	**28,002**	27,973	26,095	26,077
Buildings and equipment, net of depreciation	**15,921**	16,028	10,944	9,600
Total assets	**66,880**	62,706	56,319	54,599
Long-term debt	**13,282**	13,818	14,323	14,678
Partners' capital	**49,302**	45,896	38,911	37,616
FINANCIAL RATIOS:*				
Current ratio	**5.0**	5.5	6.1	9.5
Total debt to total capitalization	**22%**	24%	27%	29%
Debt to EBITDDA	**1.5**	1.2	2.3	1.3
Return on assets	**8%**	15%	6%	15%
Return on equity	**11%**	21%	9%	24%
UNIT TRADING PRICES:				
High	**$ 35.00**	$ 32.50	$ 31.00	$ 23.40
Low	**27.88**	24.06	17.40	15.80
Year end	**29.25**	32.50	30.00	20.00
Timberlands harvest (MMBF)	**42.0**	38.9	33.2	31.6
Employees (full time equivalent)	**257**	157	88	56

† EBITDDA = Net income before interest expense, interest income, taxes, depreciation, depletion, and amortization

* Financial ratios: Current ratio = Current assets divided by current liabilities
Total debt to total capitalization = Long-term debt plus current portion of long-term debt divided by total debt plus partners' capital

1995	1994	1993	1992	1991	1990	1989
$26,399	$19,083	$25,716	$10,004	$ 8,692	$ 9,060	$ 7,141
9,763	11,002	8,615	15,469	17,649	18,933	12,470
36,162	30,085	34,331	25,473	26,341	27,993	19,611
1,559	1,334	1,679	2,248	1,232	1,189	956
14,799	10,572	16,576	5,960	4,371	5,519	4,215
1,326	1,439	1,751	902	1,108	1,605	1,607
383	240					
13,090	8,893	14,825	5,058	3,263	3,914	2,608
2.90	1.93	3.00	0.86	0.55	0.67	0.44
1.06	0.72	1.20	0.14	0.15	0.18	0.13
7.30	5.48	4.51	4.68	3.96	3.56	3.07
4,520	4,605	4,938	5,883	5,883	5,883	5,883
4,520	4,605	4,938	5,883	5,883	5,883	5,883
$17,040	$ 7,416	$20,071	$ 6,571	$ 6,338	$ 4,919	$ 2,012
3,564	4,137	1,206	5,089	2,916	2,105	2,833
4,790	3,260	5,560	811	894	1,059	777
7,663	(1,201)	(2,572)	744	2,949	1,348	(1,908)
15,975	11,666	18,255	8,208	5,603	6,708	5,171
12,297	12,991	9,030	10,684	6,649	10,110	3,732
27,068	24,443	21,455	21,226	20,561	19,573	21,106
9,040	9,484	9,642	10,207	8,768	8,145	7,139
54,147	52,879	48,101	51,236	48,941	50,221	49,407
17,992	25,545	24,348	21,720	20,204	23,654	25,228
32,988	24,824	20,875	27,548	23,301	20,932	18,077
7.1	8.4	4.6	10.2	2.6	3.4	1.8
36%	51%	54%	44%	49%	55%	60%
1.1	2.2	1.3	2.6	3.6	3.5	4.9
24%	18%	30%	10%	7%	8%	6%
45%	39%	61%	20%	15%	20%	15%
$ 21.80	$ 18.80	$ 16.40	$ 10.10	$ 7.80	$ 7.90	$ 8.00
15.25	14.40	9.60	6.40	4.45	4.90	5.45
20.80	16.80	14.80	9.70	6.40	4.90	6.95
37.9	29.7	36.3	20.0	24.2	27.0	50.0
62	56	80	78	71	63	55

* Financial Ratios (continued) Debt to EBITDDA = Long-term debt divided by EBITDDA
Return on assets = Net income divided by the average of beginning and ending total assets
Return on equity = Net income divided by the average of beginning and ending partners' capital

DIRECTORS

Douglas E. Norberg
Retired President and Partner
Wright, Runstad & Company
Seattle, Washington

Peter T. Pope
Chairman of the Board
Pope & Talbot, Inc.
Portland, Oregon

Joseph O. Tobin II
Private Investor
San Francisco, California

Gary F. Tucker
President and Chief Executive Officer
Pope Resources
Poulsbo, Washington

Marco F. Vitulli
President
Vitulli Ventures Ltd.
Bellevue, Washington

OFFICERS

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President and
Chief Executive Officer

Roberta A. Farris
Vice President
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Senior Vice President
Timberlands

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Senior Vice President and
General Manager
ORM Resources Canada Ltd.

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Vice President
Commercial Properties

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Vice President
Operational Planning and Analysis

David L. Nunes
Senior Vice President
Acquisitions and Portfolio Development

Thomas M. Ringo
Senior Vice President
Finance and Client Relations

Marsha L. Royer
Vice President
Human Resources

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STOCK EXCHANGE LISTINGS

Units trade on The Nasdaq Stock Market under the symbol POPEZ.

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Any questions or information requests can be referred to:

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www.chasemellon.com

ANNUAL MEETING

No annual meeting is required for the Partnership.

FORM 10-K

Additional copies of this report and Pope Resources' Report on Form 10-K are available without charge upon written request to:

Pope Resources
Investor Relations Department
P.O. Box 1780
19245 10th Avenue NE
Poulsbo, Washington 98370

INDEPENDENT ACCOUNTANTS

Deloitte & Touche LLP
700 Fifth Avenue, Suite 4500
Seattle, Washington 98104

UNIT PRICE PERFORMANCE BY QUARTER

	1999		*1998*	
	High	*Low*	*High*	*Low*
First quarter	**$33.38**	**$27.88**	$29.00	$24.06
Second quarter	**35.00**	**29.75**	31.00	26.63
Third quarter	**34.00**	**31.63**	29.50	27.88
Fourth quarter	**34.88**	**29.25**	32.50	27.63

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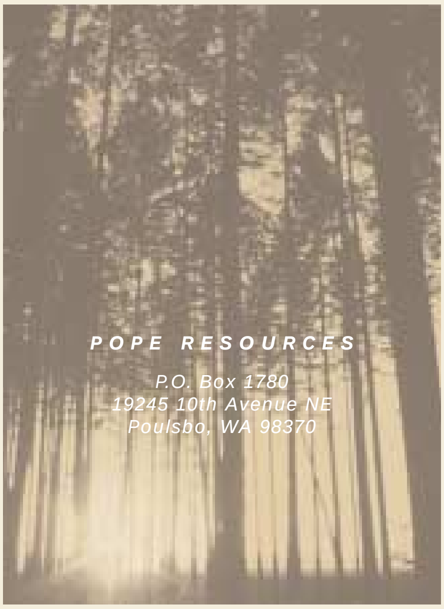
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