

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934 [Fee Required]

For the fiscal year ended December 31, 1998, or

Transition report pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934 [No Fee Required]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-9035

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

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(Exact name of registrant as specified in its charter)

DELAWARE

91-1313292

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(State of Organization)

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(IRS Employer I.D. No.)

P.O. BOX 1780, POULSB0, WA 98370

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(Address of principal executive offices Zip Code)

Registrant's telephone number, including area code: (360) 697-6626

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
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Depository Receipts (Units)	NASDAQ National Market System

Securities registered pursuant to Section 12(g) of the Act:  
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes            No  
      ---            ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. [X]

Approximate aggregate market value of the non-voting equity in the form of units held by nonaffiliates of the registrant as of March 5, 1999 was \$104,386,064.

DOCUMENTS INCORPORATED BY REFERENCE:  
SEE ITEM 14

Exhibit Index Item IV.

## PART I

### ITEM 1. BUSINESS

Pope Resources, A Delaware Limited Partnership (the "Partnership") was organized in October, 1985 as a result of a spin-off by Pope & Talbot, Inc. (P&T) of certain of its assets, and two of its subsidiaries (Ludlow Water Company and Gamble Village Water & Sewer Company). The Partnership is a successor to Pope & Talbot Development, Inc. and other P&T affiliates. P&T acquired its first timberlands in the Puget Sound area in 1853. The Partnership formed Ludlow Bay Realty, Inc. in 1993.

In March 1997, the Partnership's unitholders authorized management to expand its timberland business with the Investor Portfolio Management Business (IPMB). The IPMB has two complementary business strategies: portfolio development and timberland management. Portfolio development's goal is to build and manage diversified portfolios of timberlands for third-party investors, sometimes acting exclusively as an investment manager, while at other times co-investing as a partner on behalf of Pope Resources. Timberland management's mandate is to provide a full range of management services to third-party owners of timberlands. ORM, Inc. and Olympic Resource Management LLC (ORMLLC) were formed in 1997 to facilitate the IPMB activities.

The amendment to the Limited Partnership Agreement authorizing management to pursue the IPMB business limits cumulative net expenditures to \$5,000,000, including debt guarantees. As of December 31, 1998, cumulative net expenditures, incurred in pursuit of IPMB opportunities, including guarantees, totaled approximately \$1,337,000 net of income generated. The amendment further specifies that income from the IPMB will be split using a sliding scale allocation method beginning at 80% to ORM, Inc., a subsidiary of Pope Resources and 20% to Pope MGP, Inc., the managing general partner of the Partnership. The sliding scale allocation method will evenly divide IPMB income between ORM, Inc. and Pope MGP, Inc. once such income reaches \$7,000,000 in a given fiscal year.

During 1998, the Partnership formed ORM International, Inc. and ORM Resources Canada Ltd. to facilitate the acquisition of assets comprising Simons Reid Collins, a division of H.A. Simons Ltd. of Vancouver, British Columbia. These assets and employees are expected to expand the Partnership's ability to market forest management and consulting services globally and expand its array of consulting services available to owners and managers of timberlands.

Also during 1998, the Partnership formed the following wholly owned subsidiaries: Olympic Property Group LLC, Olympic Real Estate Development LLC, and Olympic Resorts LLC, and changed the name of Ludlow Bay Realty, Inc. to Olympic Real Estate Management, Inc. and Ludlow Water Company to Olympic Water and Sewer, Inc. In 1991, Pope Resources became a partner in Ludlow Associates, a Washington partnership, for the purposes of ownership of the Heron Beach Inn on Ludlow Bay. In 1998, Ludlow Associates was dissolved and Pope Resources acquired the entire ownership of the Heron Beach Inn on Ludlow Bay.

### FINANCIAL INFORMATION ABOUT SEGMENTS

Segment financial information is presented in Note 11 to the Partnership's Financial Statements included with this report.

## NARRATIVE DESCRIPTION OF BUSINESS

The Partnership operates in two primary industry segments: (1) Timberland Resources and (2) Real Estate. The Partnership's largest segment, Timberland Resources, encompasses the growing and harvesting of timber from the Partnership's tree farm and management of tree farms owned by others. This segment also includes revenue earned through providing forestry consulting services to owners and managers of timberlands. The Partnership's other segment, Real Estate, consists of residential development and income-producing properties. The following is a description of each industry segment.

### TIMBERLAND RESOURCES

The Timberland Resources segment's key operation is the management of over 600,000 acres of timberlands for the Partnership and third-party investors. The Partnership's tree farm represents approximately 76,000 of the 600,000 acres under management. Operations consist of the growing of timber to its optimal harvest age, and the subsequent harvesting and marketing of timber and timber products to both domestic and Pacific Rim markets. The Partnership earns revenue from management and consulting fees received from third-party investors and the sale of timber products from the Partnership's tree farm. This segment produced 68%, 65%, and 65% of the Partnership's consolidated gross revenues in 1998, 1997 and 1996, respectively.

All of the activities of the IPMB are currently conducted within this segment. The vehicle for the IPMB is ORMLLC, which seeks investors interested in developing risk-diversified portfolios of timberland and timberland management opportunities in the United States, Canada, and other strategic locations globally. The IPMB business generates fee income directly and indirectly through ORMLLC's services to large investors in acquiring, managing, and eventually disposing of timberland investments. ORMLLC also earns revenue by providing timberland consulting services to owners and managers of timberland assets. In December 1997, ORMLLC entered into a contract with the Hancock Timber Resource Group following a competitive bid process to manage over 500,000 acres of timber holdings. ORMLLC operates nine field offices managing timberland in Washington, Oregon, California, and British Columbia.

With the formation of ORM International, Inc. and ORM Resources Canada Ltd. in 1998, the Partnership will expand its presence outside the U.S. ORM Resources Canada Ltd. provides consulting services in forest inventory, timber supply analysis, timber sale cruising and forest resource mapping to a broad range of clients in western Canada. It also provides timberland management services on 60,000 acres on Vancouver Island together with general forestry consulting services for projects in Argentina and Jamaica. The company has offices throughout western Canada and in Buenos Aires, Argentina. The resources used to provide consulting and management services for third parties are also utilized to manage the Partnership's own tree farm near Seattle, Washington.

The dominant timber species on the Partnership's 76,000-acre tree farm is Douglas-fir. Douglas-fir is noted for its strength, flexibility and other physical characteristics that make it generally preferable to other softwoods and hardwoods for the production of construction grade lumber and plywood. As of December 31, 1998, the tree farm's total softwood inventory volume was estimated to be 432 million board feet (MMBF). This compares to inventory volumes of 457 and 470 MMBF at December 31, 1997 and 1996, respectively. Due to Washington State forest practice regulations that provide for limited clear-cut size, riparian management zones, wildlife leave trees, wetlands requirements and other harvest restrictions, the Partnership estimates

that between 7% and 10% of the aforementioned volume is not available for harvest. The merchantable timber volume is accounted for by the Partnership's standing timber inventory system, which utilizes periodic statistical sampling of the timber (cruising) with annual adjustments made for estimated growth and the depletion of areas harvested.

The Partnership views its tree farm as a core holding and is managing it accordingly. As such, the Partnership's annual harvest policy is to schedule harvesting to coincide with a given stand's economic rotation age, consistent with rate-of-harvest regulations in the State Forest Practices Act. From year to year, the policy allows for flexibility in response to the external environment. For instance, when log markets are weak, annual harvest levels might be reduced whereas in strong log markets, the annual levels may be above the average. The Partnership's harvesting schedules are based on both inventory data and projected growth rates. Inventory data includes species, site index, classification of soils, volume, size and age of the timber. From this information, the Partnership develops its annual and long-term harvesting plans predicated on existing and anticipated economic conditions with the objective of maximizing the long-term returns.

The Partnership markets timber in one of two ways. Management engages independent logging contractors to harvest the standing timber and manufacture it into logs which management then sells on the open market. Logs produced are sold both domestically and internationally. One of the principal international markets served is the Pacific Rim. Logs going to this destination are generally sold to brokers who in turn sell direct to offshore destinations. Japan is by far the largest consumer of the international market, though Korea and China are significant from time to time.

The second method in which timber is sold is through stumpage sales, where standing timber is sold on the stump to purchasers that in turn manage the harvesting and marketing of the timber. These operations are governed by provisions of the sales contract, and are closely monitored by management to facilitate sound forestry and stewardship practices and regulatory compliance. Stumpage sales are generally used in unique situations where returns can be improved through the involvement of outside parties.

There are many competitors of the Partnership, most of whom are comparable in size or larger. The principal areas of competition in the timber business are quality, pricing and the ability to satisfy volume demands for various types and grades of logs to respective markets. Management believes that the location, type and grade of the Partnership's timber will enable it to effectively compete in these markets. However, the Partnership's products are subject to increasing competition from a variety of non-wood and engineered wood products as well as competition from foreign-produced products.

The Partnership's timberland operations require activities which include reforestation, competing brush control, thinning of the timber to achieve optimal spacing after stands are established, and fertilization. During 1998, the Partnership planted 1,048,000 seedlings on 2,600 acres. This compares to 1997 and 1996 in which the Partnership planted 902,000 and 658,000 seedlings on 2,073 and 1,440 acres, respectively. Management's policy is to stay current on its reforestation program, returning all timberlands to productive status as soon as economically feasible following harvest.

Over the longer term, management anticipates that population and economic pressures will contribute to the development of increasing portions of its tree farm. To offset the resulting

reductions in the timberland base, management is actively seeking acquisitions and trades that enhance tree farm ownership.

Timberland Resources is a year-round operation of the Partnership and presently employs 120 full-time salaried employees and up to 15 part-time and seasonal personnel.

#### REAL ESTATE

The Real Estate segment consists of residential development together with ownership and management of income-producing properties. The Real Estate segment produced 32%, 35%, and 35% of the Partnership's consolidated gross revenues in 1998, 1997, and 1996, respectively.

Residential development consists of the sale of single-family homes, finished lots and undeveloped acreage. The principal activity of residential development consists of building residential dwellings and developing lots in Port Ludlow. This division's key assets include approximately 4,000 acres of land located in western Washington, of which the focus for development is Port Ludlow. Port Ludlow is an active adult community on approximately 2,000 acres of which 1,300 acres are still owned by the Partnership. Work is progressing on five remaining subdivisions in this community. Progress is being made in activities ranging from permit approval to actual construction for the final 500 lots in this development. Although the Partnership is working closely with the local government and community, there can be no assurance that all of the remaining subdivisions will be fully approved for development.

The income-producing properties in this segment consist of a 300-slip marina, a 27-hole championship golf course, a commercial shopping center, an RV park, a restaurant/lounge and related facilities, and the water and sewer utilities serving the Port Ludlow, Washington area. In addition, the Partnership manages residential and commercial properties in Port Gamble and Kingston, Washington.

On December 31, 1998, the Partnership dissolved Ludlow Associates, a Washington partnership, and acquired the entire ownership interest in all Ludlow Associates' assets, including the Heron Beach Inn on Ludlow Bay. Prior to this event, the Partnership was a 50% joint venture partner in Ludlow Associates. The acquisition will facilitate promotion of the Heron Beach Inn on Ludlow Bay as part of a destination resort at Port Ludlow. The Inn, golf course, marina, and RV park business is seasonal, with the peak season beginning in May and running through September of each year.

Other real estate development activities are located in Bremerton, Gig Harbor, Kingston, and Hansville. The 260-acre Bremerton project is entirely located within the city limits. About 60 acres will be devoted to an industrial park, while the remaining 200 acres is slated for residential development. Preliminary project approval for the development was received in 1997 and marketing activities for the industrial park will commence in 1999.

Gig Harbor, a suburb of Tacoma, is the site of a 320-acre mixed-use development consisting of 200 acres for residential development; 120 acres for a business park; and a site for a neighborhood commercial center. Preliminary environmental studies were completed in 1997 and the Partnership continues to work with local officials in Gig Harbor on the development plans.

There are two on-going projects in Kitsap County, a 720-acre residential development in Kingston and a 200-acre residential development in Hansville. While significant progress has

been made in the governmental entitlement process, final approval is currently stalled pending the outcome of a court case, in which the Partnership is not a party, that will establish the appropriate zoning and development regulations applicable to projects pending throughout the County.

The Partnership's land sales activities are closely associated with the management of its timberlands. After logging its timberlands, the Partnership has the option of reforesting the land, developing it for sale as improved property, or selling it in developed or undeveloped acreage tracts. Management continually evaluates timberlands in terms of their best economic use, whether it means continuing to grow timber or reclassifying the property for sale or development. As the Partnership reclassifies timber properties for sale or development, the Partnership may replace such timber properties with land purchases in more remote areas. Although the Partnership believes it has adequate land inventory for future development, additional properties may be purchased, as they become available.

The Partnership competes for property sales with other real estate development companies, which are as large or larger than the Partnership and have substantial acreage for sale and development. Management believes location, price and terms of sale enable the Partnership to compete effectively in these markets.

The residential development division's backlog of sales was approximately \$890,500 as of December 31, 1998, all of which are expected to close in 1999. This compares to sales backlogs of \$926,900 and \$1,089,000 as of December 31, 1997 and 1996, respectively.

Real Estate presently employs 35 full-time salaried employees and has in the past employed up to an additional 80 part-time and seasonal personnel.

The total number of employees not otherwise classified under a segment is 40 full-time salaried employees. No employee is a member of a labor union.

ITEM 2. PROPERTIES

See the discussion of each segment under "Item 1. Business."

ITEM 3. LEGAL PROCEEDINGS

None.

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

No matters were submitted to a vote of the Partnership's unitholders during 1998.

PART II

ITEM 5. MARKET FOR PARTNERSHIP'S UNITS  
AND RELATED SECURITY HOLDER MATTERS

The units are traded on the Nasdaq National Market System. The Partnership's units trade under the ticker symbol "POPEZ". The following table sets forth the 1998-1997 quarterly range of high and low prices for the Partnership's units, as adjusted for the 5 for 1 unit split completed in November 1997:

	1998		1997	
	High	Low	High	Low
First Quarter	\$29.00	\$24.06	\$21.60	\$17.40
Second Quarter	\$31.00	\$26.63	\$23.60	\$20.30
Third Quarter	\$29.50	\$27.88	\$27.20	\$22.75
Fourth Quarter	\$32.50	\$27.63	\$31.00	\$26.00

As of March 1, 1999, there were approximately 900 beneficial holders and 417 registered holders of 4,519,470 outstanding units.

During 1998, cash distributions totaled \$1,807,000, consisting of quarterly distributions of 10 cents per unit each quarter. The fourth quarter distribution of 10 cents per unit was paid on December 15, 1998. During 1997, cash distributions totaled \$2,215,000 consisting of 14 cents, 14 cents, 11 cents, and 10 cents per unit. The fourth quarter distribution of 10 cents per unit was paid on January 15, 1998. All cash distributions are at the discretion of the Partnership's managing general partner, Pope MGP, Inc.



ITEM 6. SELECTED FINANCIAL DATA

The financial information set forth below for each of the years ending December 31, 1994 through 1998 is derived from the Partnership's audited financial statements. This information should be read in conjunction with the financial statements and related notes included with this report and previously filed with the Securities and Exchange Commission. Per unit amounts reflected below have been restated for the 5 for 1 unit split completed in 1997.

(Thousands, except per unit data)

	1998	1997	1996	1995	1994
TOTAL REVENUES	\$42,952	\$30,109	\$33,013	\$36,162	\$30,085
INCOME FROM OPERATIONS	\$10,363	\$ 4,854	\$ 9,818	\$14,799	\$10,572
NET INCOME	\$ 8,792	\$ 3,509	\$ 8,334	\$13,090	\$ 8,893
EARNINGS PER PARTNERSHIP UNIT-FULLY DILUTED	\$ 1.94	\$ .78	\$ 1.84	\$ 2.90	\$ 1.93
DISTRIBUTION PER UNIT	\$ .40	\$ .49	\$ .82	\$ 1.06	\$ .72
TOTAL ASSETS	\$62,706	\$56,319	\$54,599	\$54,147	\$52,879
LONG-TERM DEBT	\$13,818	\$14,323	\$14,678	\$17,992	\$25,545
PARTNERS' CAPITAL	\$45,896	\$38,911	\$37,616	\$32,988	\$24,824

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 revenues were \$29.3 million, \$19.5 million, and \$21.6 million for the years ended December 31, 1998, 1997, and 1996, respectively. The 1998 increase in revenues resulted primarily from timberland management fees. The decrease in revenues for 1997 resulted from weakening timber prices partially offset by a small increase in timber volume harvested.

Olympic Resource Management LLC (ORMLLC) is the western regional timberland manager for the Hancock Timber Resource Group (HTRG). The contract covering these services commenced on January 1, 1998, and currently covers timberland management services for over 500,000 acres in Washington, Oregon, California, and British Columbia. Total acres under management for HTRG is subject to change from time to time as HTRG's client portfolios are adjusted. As such changes occur, Timberland Resources revenues will fluctuate with an increase in acres bringing a positive impact and a decrease in acres producing an adverse effect. An example of such a portfolio change occurred recently when HTRG, on behalf of one of its pension fund clients chose to sell 25,000 acres of timberlands in northern California.

Other changes can potentially occur if existing HTRG clients choose to select an investment manager other than HTRG. An example of such a change occurred recently when HTRG was notified of the State Teachers Retirement System of Ohio's (STRSO) plan to change investment managers in the first half of 1999. This will affect the Partnership inasmuch as ORMLLC has been managing 97,000 acres of STRSO's portfolio on behalf of the current investment manager HTRG. The decrease in acres under management is expected to have an adverse effect on revenues in 1999.

While timberland management fees were the primary factor driving an increase in this segment's revenues in 1998, increased revenues also resulted from higher timber harvest volumes on timberlands owned by the Partnership. The Partnership harvested the following softwood timber:

Year	Softwood Sawlogs		Pulp Logs		Totals	
	Volume MMBF	Price \$/MBF	Volume MMBF	Price \$/MBF	Volume MMBF	Price \$/MBF
1998	28.6	\$583	9.5	\$251	38.9	\$500
1997	24.7	698	7.0	217	33.2	584
1996	23.4	808	5.3	220	31.6	698

Log revenues from the Partnership's timberland ownership are significantly affected by export log market conditions. The majority of the Partnership's export log volume is sold to Japan. Indirect sales to the export market totaled 8.6 MMBF, 10.3 MMBF, and 12.3 MMBF of softwood logs for 1998, 1997, and 1996, respectively. The average price per MBF realized for export logs sold was \$681, \$794, and \$968 for 1998, 1997, and 1996, respectively. The decline in export log volumes and prices over this period reflects the weakening Japanese economy and strengthening U.S. dollar.

Sales to the export market totaled 20%, 42%, and 55% of segment revenues for 1998, 1997, and 1996, respectively. The decrease in 1998 of export revenues as a percent of total segment revenues is caused by both a decrease in export log volumes and an increase in total revenue as a result of the increase in timberland management activities. Management anticipates that the recovery in the Japanese economy will be modest at best and thus housing starts and the corresponding demand for imported logs will remain relatively flat in 1999.

Weak export markets have also had an adverse impact on domestic log prices in 1998, as log volume was diverted from the export to the domestic market and thus supply increased relative to demand. Domestic sawlog volumes were 20.0 MMBF, 14.4 MMBF, and 11.1 MMBF in 1998, 1997, and 1996 respectively. Average domestic log prices per MBF were \$541, \$630, and \$631 for 1998, 1997, and 1996, respectively. Weak 1998 pricing occurred despite very strong U.S. housing starts. Continued weakness in the export log market combined with a possible slowdown in the U.S. economy may have a negative impact on domestic sawlog prices in 1999.

Pulp log volumes were 9.5 MMBF, 7.0 MMBF, and 5.3 MMBF for 1998, 1997, and 1996, respectively. The increase in pulp log volume in 1998 and 1997 was due to both an increase in overall timber harvested and the Partnership's harvest of a higher relative percentage 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. These timber stands were not thinned because of topographic and local log market conditions that caused the cost of thinning to exceed the anticipated benefit. By harvesting these lower-quality timber stands during periods of weak export markets and leaving higher-quality stands to grow in both volume and value, the overall value of the Partnership's timberland holdings is enhanced. Pulp log prices were \$251, \$217, and \$220 per MBF for 1998, 1997, and 1996, respectively.

Additionally, a land sale to the Washington State Department of Fish & Wildlife for \$887,000 was completed during 1998. For tax purposes, profit from the land sale was not recognized pursuant to a tax-deferred exchange.

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. All of management's activities are supplemented by the Washington State Department of Natural Resources, which is ultimately responsible for all fire suppression activities in the state.

#### REAL ESTATE

Real Estate revenues for the years ended December 31, 1998, 1997, and 1996 were \$13.6 million, \$10.6 million, and \$11.4 million, respectively. These revenues were derived from residential development and income-producing properties. Residential development consists of the sale of single-family homes, developed lots, and undeveloped acreage. Income-producing properties consist of the 36-room Heron Beach Inn on Ludlow Bay, a 300-slip marina, a 27-hole championship golf course, a commercial center, an RV park, a restaurant/lounge and related facilities leased to Village Resorts, Inc., and the water and sewer utilities providing service to properties in the Port Ludlow area. They also include the Port Gamble townsite and a residential and commercial property in Kingston, Washington.

Revenue from residential development totaled \$8.6 million, \$5.8 million, and \$6.9 million for the years ended December 31, 1998, 1997, and 1996, respectively. The primary source of increased residential development revenue in 1998 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 sale of a 980-acre property for \$2.8 million. The Partnership utilized \$1.8 million of the proceeds from this sale to purchase replacement properties pursuant to a tax-deferred exchange. The Partnership believes the replacement properties are better aligned with other property development plans and relative to developing the property that was sold, resulting in an income stream that is nearer term in nature. Revenue in 1996 included the recognition of \$0.5 million of previously deferred revenue. The revenue was recognized in 1996 when a contract on a large parcel was paid.

The Partnership's largest development is in Port Ludlow, Washington. During 1998, the Partnership's development at Port Ludlow generated revenues of \$4.6 million through the sale of 13 developed lots and 21 homes. These compare to 1997 sales of \$4.7 million for 17 developed lots and 13 homes, and 1996 sales of \$5.0 million for 8 developed lots and 17 homes. Revenue per sale depends on the quality and size of the home, features of the subdivision, and location of the lot.

Revenue from income-producing properties totaled \$5.0 million, \$4.8 million, and \$4.5 million for the years ended December 31, 1998, 1997, and 1996, respectively. The increase in revenues is due to a modest revenue increase in most of the properties included in the Partnership's income-producing properties portfolio. During 1998, 1997, and 1996, the Partnership participated in a joint venture to operate the 36-room Heron Beach Inn on Ludlow Bay. As a joint venture partner, only the Partnership's share of operations 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 will include the Inn's results in operating income beginning January 1, 1999. Accordingly, management expects an increase in this segment's revenues in 1999 as the Partnership begins to include Inn revenues in the Partnership's results of operations.

The Partnership continues to be in the planning and entitlement phases for several developments located in the West Puget Sound region. In 1997, the City of Bremerton approved the Partnership's request for preliminary planned unit development status on a 260-acre property. The industrial portion of the Bremerton property is 60 acres. Construction of the off-site sewer at this site is completed and the Partnership is focusing on its marketing plan. With respect to other properties, 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. The Partnership has two additional ongoing projects in Kitsap County, a 720-acre residential development in Kingston and a 200-acre residential development in Hansville. While significant progress has been made in the governmental entitlement process, final approval is currently stalled pending the outcome of a court case, in which the Partnership is not a party, that will establish the appropriate zoning and development regulations applicable to projects pending throughout the County.

Land holdings throughout Washington state are affected by the state's Growth Management Act, which requires counties to submit comprehensive plans that spell out the future direction of growth and stipulate where population densities are to be concentrated. Both Kitsap County and Jefferson County, in which Port Ludlow is located, have received approval by a State hearings board for their Comprehensive Plans. In this plan, Port Ludlow was granted status as a Master Planned Resort, ensuring future build-out and development. The Partnership is now working with local residents and Jefferson County to adopt a zoning ordinance for Port Ludlow.

OTHER

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

	1998	1997	1996
	-----	-----	-----
Revenues	100%	100%	100%
Cost of sales	28	36	37
Operating expenses	28	25	19
Selling, general, and administrative expenses	20	23	14
	-----	-----	-----
Operating income	24%	16%	30%
	-----	-----	-----
	-----	-----	-----

Cost of sales includes the cost of purchasing and producing tangible goods for sale. As timberland management services expand, the percentage of revenue expended on cost of sales is expected to decrease, as this business does not sell tangible goods. In 1998, cost of sales reflected this expected trend, though 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.

The increase in operating expense ratio is due to an increase in payroll and facility expenses associated with expanding the timberland under management. As the Partnership continues to develop timberland management and consulting services, the operating expense ratio is expected to increase. The increase in operating expense ratio in 1997 is due to the decline in revenues from 1996 and costs incurred for the ramp-up of the IPMB.

The decrease between 1997 and 1998 in the selling, general, and administrative (SG&A) ratio is due to the increase in revenues from the timberland management. The SG&A ratio for 1997 increased over 1996 as a result of costs incurred in the launch of the timberland

management business, investments in information technology, and expenses related to the proxy statement and unitholder vote on the Investor Portfolio Management Business.

Interest income increased in 1998 due to a higher average cash balance during the year. The increase in interest income in 1997 relative to 1996 is due to an increase in the balance of real estate contracts receivable.

The Partnership was a 50% joint venture partner in Ludlow Associates which owned the 36-room Heron Beach Inn on Ludlow Bay. The Partnership's share of joint venture losses was \$217,000, \$337,000 and \$378,000 for the years 1998, 1997, and 1996, respectively. Profitability of the Inn is expected to improve as a result of a reduction in outstanding debt. The Partnership plans to market the Inn along with its golf course and marina as a distinctive resort location in western Washington.

On October 9, 1997, Pope Resources authorized the first-ever split of its partnership units. Unitholders of record as of October 31, 1997, received an additional four units for each unit then held. The split was intended to bring the units to a price level where they can be more easily traded in the marketplace, and to meet new Nasdaq listing requirements.

#### 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 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, 1998, 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 1999. Since harvest plans are based on demand and pricing, actual harvesting may vary subject to management's ongoing review.

Cash provided by operating activities was \$9.2 million for the year ended December 31, 1998. Overall cash and cash equivalents decreased by \$1.3 million in 1998. The cash generated 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.

In 1997, cash provided by operating activities was \$5.8 million and was used primarily for cash payments to unitholders of \$1.8 million, repayments of long-term debt of \$0.3 million, and purchases of equipment and reforestation costs of \$3.0 million. In 1996, cash provided by operating activities was \$12.3 million and was used primarily for debt repayments of \$3.3 million, unitholder distributions totaling \$3.7 million, and capital and land expenditures of \$2.2 million.

The Partnership plans to continue making quarterly partnership distributions during 1999.

#### YEAR 2000 (Y2K)

The Partnership has hired consultants to help evaluate its exposure related to year 2000 (Y2K) issues and to develop a plan to fix hardware or software that is not Y2K compliant. Projected costs of identifying Y2K issues, fixing software and hardware that is not Y2K compliant, and querying major vendors and customers to determine their state of readiness are not expected to be greater than \$250,000. Costs incurred as of December 31, 1998 on assessing Y2K readiness are \$120,000. Management is in the process of identifying the hardware, software, and related equipment that must be modified, upgraded, or replaced to minimize the possibility of a material disruption of its business. Management has essentially achieved Y2K compliance for all of its critical internal systems, and expects to complete this process for its remaining systems no later than the third quarter of 1999. In addition to computer equipment, the Y2K consultants are currently assessing the potential impact of addressing potential Y2K compliance issues for other equipment with embedded date-sensitive processors.

In addition, Management has initiated communications with suppliers of major hardware, software, and other related equipment used, operated, or maintained by the Partnership, to identify and, to the extent possible, resolve issues involving Y2K compliance. The Partnership has not received notification by these suppliers of significant unresolved Y2K problems. However, there can be no assurance that these suppliers will resolve all potential Y2K problems, whether currently known or not, before the occurrence of a material disruption to the business of the Partnership.

To date, the majority of suppliers and customers contacted have responded to such communications or have indicated that the status of their Y2K compliance has yet to be determined. However, management can give no assurance that the Y2K issue will not materially affect its suppliers or customers. In addition, management can give no assurance that failure by its suppliers and customers to achieve Y2K compliance will not have a significant impact on the Partnership's business. However, management intends to continue with follow-up communications until all critical suppliers and customers have indicated their status and/or compliance. In the event that a significant customer or vendor were not able to operate after the year 2000, the resulting interruption in the Partnership's business could lead to costs in excess of management's estimate of expenses related to Y2K compliance.

A framework for developing contingency plans in the event of significant interruptions of internal systems or our supplier's or customer's business is currently being developed. Contingency plans are expected to be complete late in 1999. Management believes that the most reasonably likely worst case scenario relating to Y2K compliance could relate to a potential disruption in cash processing from failures of customers and/or financial institutions.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

POPE RESOURCES

A DELAWARE LIMITED PARTNERSHIP

YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996



POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP  
YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

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INDEPENDENT AUDITORS' REPORT

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, 1998 and 1997, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1998. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP  
Seattle, Washington  
February 5, 1999

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP  
CONSOLIDATED BALANCE SHEETS - DECEMBER 31, 1998 AND 1997

(Thousands)	1998	1997
	-----	-----
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,666	\$ 3,950
Accounts receivable	639	680
Work in progress	11,199	10,072
Current portion of contracts receivable	611	1,433
Prepaid expenses and other	368	364
	-----	-----
Total current assets	15,483	16,499
	-----	-----
<b>PROPERTIES AND EQUIPMENT:</b>		
Land and land improvements	16,701	15,028
Roads and timber, net of accumulated depletion of \$8,868 and \$8,090	11,272	11,067
Buildings and equipment, net of accumulated depreciation of \$12,910 and \$12,029	16,028	10,944
	-----	-----
	44,001	37,039
	-----	-----
<b>OTHER ASSETS:</b>		
Contracts receivable (net of current portion)	1,780	1,877
Unallocated amenities and project costs	1,073	847
Other	369	57
	-----	-----
	3,222	2,781
	-----	-----
Total assets	\$62,706	\$56,319
	-----	-----
	-----	-----
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 777	\$ 852
Distributions payable	-	452
Accrued liabilities	1,383	1,028
Current portion of long-term debt	382	351
Minority interest	256	-
	-----	-----
Total current liabilities	2,798	2,683
Deficit in investment in joint venture	-	160
Long-term debt	13,818	14,323
Deferred profit	194	242
Commitments and contingencies (Notes 2 and 9)		
Partners' capital	45,896	38,911
	-----	-----
Total liabilities and partners' capital	\$62,706	\$56,319
	-----	-----
	-----	-----

See notes to consolidated financial statements.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

(Thousands, except per unit information)	1998	1997	1996
	-----	-----	-----
Revenues	\$ 42,952	\$ 30,109	\$ 33,013
Cost of sales	(12,120)	(10,937)	(12,160)
Operating expenses	(12,004)	(7,445)	(6,410)
Selling, general, and administrative	(8,465)	(6,873)	(4,625)
	-----	-----	-----
Income from operations	10,363	4,854	9,818
OTHER INCOME (EXPENSE)			
Interest expense	(1,406)	(1,421)	(1,388)
Interest income	618	413	282
Equity in losses of joint venture	(217)	(337)	(378)
	-----	-----	-----
Income before income taxes and minority interest	(1,005)	(1,345)	(1,484)
Income tax provision	9,358	3,509	8,334
	-----	-----	-----
Income before minority interest	(310)	-	-
Income before minority interest	9,048	3,509	8,334
Minority interest	(256)	-	-
	-----	-----	-----
Net income	\$ 8,792	\$ 3,509	\$ 8,334
	-----	-----	-----
NET INCOME:			
Allocable to general partners	\$ 117	\$ 47	\$ 111
Allocable to limited partners	8,675	3,462	8,223
	-----	-----	-----
Net income	8,792	3,509	8,334
	-----	-----	-----
EARNINGS PER UNIT:			
Basic	\$ 1.95	\$ 0.78	\$ 1.84
	-----	-----	-----
Fully diluted	\$ 1.94	\$ 0.78	\$ 1.84
	-----	-----	-----
WEIGHTED AVERAGE UNITS OUTSTANDING:			
Basic	4,519	4,519	4,519
	-----	-----	-----
Fully diluted	4,534	4,526	4,519
	-----	-----	-----

See notes to consolidated financial statements.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

(Thousands)	1998	1997	1996
	-----	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 41,294	\$ 29,371	\$ 33,523
Cash paid to suppliers and employees	(30,693)	(22,575)	(20,078)
Interest received	609	428	302
Interest paid, net of amounts capitalized	(1,663)	(1,404)	(1,417)
Income taxes paid	(395)	-	-
	-----	-----	-----
Net cash provided by operating activities	9,152	5,820	12,330
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(2,496)	(3,023)	(2,156)
Business combinations	(2,476)	-	-
Joint venture investment	(610)	(492)	(425)
	-----	-----	-----
Net cash used for investing activities	(5,582)	(3,515)	(2,581)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash distributions to unitholders	(2,260)	(1,763)	(3,706)
Repayment of long-term debt	(2,594)	(333)	(3,289)
	-----	-----	-----
Net cash used for financing activities	(4,854)	(2,096)	(6,995)
Net increase (decrease) in cash and cash equivalents	(1,284)	209	2,754
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	3,950	3,741	987
	-----	-----	-----
End of year	\$ 2,666	\$ 3,950	\$ 3,741
	-----	-----	-----
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Net income	\$ 8,792	\$ 3,509	\$ 8,334
Land sold through tax-deferred exchange	(2,677)	-	-
Cost of land and timber sold	946	306	1,192
Minority interest	256	-	-
Land resale expenditures	(66)	(288)	(106)
Depreciation and depletion	2,053	1,647	1,458
Loss on equity in joint venture	217	337	378
Deferred profit	(48)	(34)	(511)
<b>INCREASE (DECREASE) IN CASH FROM CHANGES IN OPERATING ACCOUNTS:</b>			
Accounts receivable	41	(163)	530
Work in progress	(1,353)	539	912
Contracts receivable	919	(498)	566
Accounts payable and accrued liabilities	280	493	(328)
Other long-term liabilities	(118)	-	-
Other, net	(90)	(28)	(95)
	-----	-----	-----
Net cash provided by operating activities	\$ 9,152	\$ 5,820	\$ 12,330
	-----	-----	-----

See notes to consolidated financial statements.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

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 from the management of 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 10).

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:

(Thousands)

1999	\$611
2000	171
2001	453
2002	257
2003	216

**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.

**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. All unit numbers were adjusted to reflect the 5 for 1 stock split to owners of record on October 31, 1997.

#### 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 \$2,677,000 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 \$2,239,000 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.

#### 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 will be 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 the next five years provided the acquired operation meets or exceeds specified profitability levels from business outside of the United States.

The second acquisition involved assets of a joint venture that the Partnership participated in to operate the 36-room Heron Beach Inn on Ludlow Bay in western Washington, which will become part of operations for the Real Estate segment in 1999. Prior to the acquisition, the Partnership owned 50% of the joint venture. As a result of this acquisition the Partnership owns 100% of the Inn. Losses from the joint venture were recorded on the equity method during 1996, 1997, and 1998. The purchase price and the Partnership's basis in the dissolved joint venture were allocated to assets and liabilities acquired.

#### 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 \$278,000 in current and \$32,000 in deferred taxes in 1998.

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



(Thousands)	1998	1997	1996
Net income per financial statements	\$ 8,792	\$3,509	\$8,334
Undistributed subsidiary corporation income	(1,226)	-	-
Difference in reporting depreciation	(314)	(163)	(37)
Difference in reporting depletion	(12)	(116)	(27)
Cost basis of land, timber and homes sold	316	29	175
Deferred profit from differences in the use of the installment method	(177)	(128)	330
Deferred gain from land exchange	(2,771)	-	-
	-----	-----	-----
Taxable income	\$ 4,608	\$3,131	\$8,775
	-----	-----	-----

4. LONG-TERM DEBT

Long-term debt at December 31 consists of:

(Thousands)	1998	1997
-----		
Mortgage note payable to an insurance company, with interest at 9.65%, collateralized by timberlands, with a minimum monthly payment of \$136,000 and maturing May 2022	\$13,632	\$13,935
Local improvement district assessments, with interest ranging from 6.5% to 10%, due through 2009	411	464
Other	157	275
	-----	-----
	14,200	14,674
Less current portion	382	351
	-----	-----
Total long-term debt	\$13,818	\$14,323
	-----	-----

The Partnership has a \$20 million revolving term loan agreement. There was no balance outstanding on the agreement as of December 31, 1998 and 1997. 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 \$25,856,000 as of December 31, 1998. 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, 1998.

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

(Thousands)	
1999	\$382
2000	411
2001	448
2002	489
2003	534

## 5. PARTNERS' CAPITAL

The general partners of the Partnership are Pope EGP, Inc., and Pope MGP, Inc. Allocations of partner distributions are based on units held. The following is the Partners' capital account activity for the three years ended December 31, 1998:

(Thousands)	General Partners -----	Limited Partners -----	Total -----
January 1, 1996	\$460	\$32,528	\$32,988
Distributions	(49)	(3,657)	(3,706)
Net Income	111	8,223	8,334
	----	-----	-----
December 31, 1996	\$522	\$37,094	\$37,616
Distributions	(30)	(2,184)	(2,214)
Net Income	47	3,462	3,509
	----	-----	-----
December 31, 1997	\$539	\$38,372	\$38,911
Distributions	(24)	(1,783)	(1,807)
Net Income	117	8,675	8,792
	----	-----	-----
DECEMBER 31, 1998	\$632	\$45,264	\$45,896
	----	-----	-----

## 6. 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 \$14,043,000 and \$14,399,000 has been estimated based on current interest rates for similar financial instruments and totals \$15,614,000 and \$15,796,000 as of December 31, 1998 and 1997, respectively.

## 7. 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. During 1998, 50,000 options were granted with a strike price of \$26.50. During 1997, 42,500 options were granted at a strike price of \$20 per unit. As of December 31, 1998, 10,625 options were exercisable.

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:

(Thousands)	1998 -----	1997 -----
Net income as reported	\$8,792	\$3,509
Pro forma net income under SFAS No. 123	8,653	3,393

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

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

#### 8. EMPLOYEE BENEFITS

Full-time salaried employees with one year 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 \$230,000, \$60,000, and \$49,000 for December 31, 1998, 1997, and 1996, respectively.

#### 9. 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 outstanding performance bonds and letters of credit which total \$685,000 and \$712,000 at December 31, 1998 and 1997, respectively.

Operating leases: The Partnership has non-cancellable operating leases for office and computer equipment. The lease terms are from 12 to 36 months. Rent expense under the operating leases totaled \$340,000, \$27,000 and \$7,000 for the years ending December 31, 1998, 1997 and 1996, respectively.

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

1999	\$649,000
2000	603,000
2001	193,000

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.

#### 10. RELATED PARTY AND MINORITY INTEREST

Pope MGP, Inc., is the managing general partner of the Partnership and receives an annual fee of \$150,000.

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 \$7,000,000 in a fiscal year. The aforementioned amendment authorizing pursuit of the IPMB limits cumulative net expenditures to \$5,000,000, including debt guarantees. The Partnership has incurred approximately \$1,337,000 of net expenditures and debt guarantees through December 31, 1998.

A director of Pope MGP, Inc., is also a director of Pope & Talbot, Inc. (P&T). In 1998, 1997 and 1996, the Partnership received lease payments of \$75,000 from P&T for lease of a log sorting and storage site at Port Gamble, Washington.

In 1996, 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 \$271,000 at December 31, 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. The partnership paid \$121,000 and \$102,000 to the individual during 1998 and 1997, respectively.

As of December 31, 1997, the Partnership had a note receivable from an individual participating with the Partnership in a joint venture to develop and manage real estate. The balance of the note receivable was \$224,000 at December 31, 1997, and was repaid in December 1998.

#### 11. 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 600,000 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 21% and 9%; 15% and 9%; and 19% and 11% of total revenues for 1998, 1997, and 1996, 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, with the majority in Port Ludlow.

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:

(Thousands)	Timberland Resources	Real Estate	Administrative	Consolidated
-----				
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
1996				
Revenues	\$21,569	\$11,444		\$33,013
Income (loss) from operations	13,650	(77)	(3,755)	9,818
Depreciation and depletion	505	800	\$ 153	1,458
Identifiable assets	15,947	33,178	5,474	54,599
Capital and land expenditures	490	1,249	526	2,265

Revenues by product line for the years ending December 31, 1998, 1997, and 1996 are as follows:

	1998 -----	1997 -----	1996 -----
Sales of forest products:			
Domestic	\$14,547	\$11,337	\$ 9,663
Export, indirect	5,857	8,149	11,906
Sales of homes, lots, and undeveloped acreage	8,631	5,819	6,832
Fees for service	13,917	4,804	4,612
	-----	-----	-----
Total revenues	\$42,952	\$30,109	\$33,013
	-----	-----	-----

12. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(Thousands, except per unit data)	Revenues	Income/(loss) from operations	Net Income/(loss)	Net Income/(loss) per Partnership unit, fully diluted
-----				
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)
1996				
First quarter	\$ 9,139	\$4,344	\$ 3,894	\$ .86
Second quarter	9,282	3,560	3,209	.71
Third quarter	8,676	2,220	1,916	.42
Fourth quarter	5,916	(306)	(685)	(.15)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS  
ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.



PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Managing General Partner of the Partnership is Pope MGP, Inc. Its address is the same as the address of the principal offices of the Partnership. Pope MGP, Inc. receives \$150,000 per year for acting as managing general partner of the Partnership.

The following table identifies the officers and directors of Pope MGP, Inc. as of December 31, 1998. The Partnership has no directors. Officers of Pope MGP, Inc. hold identical offices with the Partnership.

NAME	AGE	POSITION AND BACKGROUND
Adolphus Andrews, Jr. (1), (2), (5)	76	Director; President of Andrews Associates, Inc., 1981 to present.
Peter T. Pope (1), (2)	64	Director; President, CEO and Chairman of the Board of Pope & Talbot, Inc., 1971 to present.
Gary F. Tucker (3)(4)	63	Director; President and CEO of Pope MGP, Inc. and the Partnership since December 1995; President of Trees Inc., June 1989 to December 1995; Vice President Resources of Plum Creek Timber Company, Inc., March 1984 to May 1989.
Marco F. Vitulli (4)	64	Director; President, Vitulli Ventures Ltd., 1980 to present.
Douglas E. Norberg (2)	58	Director; President, Wright Runstad & Company, 1975 to present.
David Cunningham (3)	52	Vice President Public Affairs, since June 1996, Vice President Land Use from December 1985 to June 1996 of Pope MGP, Inc. and the Partnership; Planning Director, Pope & Talbot Development, Inc., July 1978 to December 1985.
Thomas R. Gilkey (3)	52	Senior Vice President Timberlands since November 1998, Senior Vice President Timberland and Acquisitions from January 1997 to October 1998 of Pope MGP, Inc. Private consultant from January 1994 to December 1996. Executive Vice President, The Campbell Group 1987 to 1994.

Timberland Division Manager of  
Crown Zellerbach 1974 to 1987.

- Meredith R. Green (3) 39 Vice President Finance and Treasurer since December 1997, Controller and Treasurer from January 1997 to December 1997 of Pope MGP, Inc. and the Partnership. Controller of Trillium Corporation from October 1995 to December 1996; Controller of Fiberchem/Hanna Resin Distribution from December 1989 to October 1995; Emerging Business Consultant with Ernst and Young from September 1986 to December 1989.
- Thomas A. Griffin (3) 41 Vice President Income Properties from June 1996, Treasurer and Controller from November 1991 to June 1996, and Controller from March 1989 to October 1991, and Assistant Controller May 1988 to February 1989 of Pope MGP, Inc. and the Partnership; Property Manager of Wood Associates, January 1986 to April 1988; Controller of Vestar, January 1984 to January 1986.
- Craig L. Jones (3) 44 Senior Vice President General Counsel and Secretary since September 1996 of Pope MGP, Inc. and the Partnership. Private law practice from 1981 to 1996.
- Gregory M. McCarry (3) 49 Senior Vice President Real Estate since June 1996, Vice President Development from November 1987 to June 1996 of Pope MGP, Inc. and the Partnership; owner of Pace Builders, 1986 to November 1987; Treasurer of Security Resources, Inc., from 1983 to 1986.
- David L. Nunes (3) 37 Senior Vice President Acquisitions & Portfolio Development since November 1998; Vice President Portfolio Development from December 1997 to October 1998; Director of Portfolio Development from April 1997 to December 1997 of Pope MGP, Inc. and the Partnership; Strategic Planning Director of Weyerhaeuser Company from June 1988 to April 1997.
- Thomas M. Ringo (3) 45 Senior Vice President Finance and Client Relations since June 1996, Vice President Finance from November 1991 to June 1996, and Treasurer from March 1989 through

October 1991 of Pope MGP, Inc. and the Partnership; Tax Manager of Westin Hotel Company, 1985 to March 1989; Tax Consultant for Price Waterhouse, 1981 to 1985.

Wes Nicholson, Ph.D. (3) 48 Vice President Operational Planning and Analysis since November 1998. Director Operational Planning and Analysis from January 1998 to October 1998. President of Taiga Ltd., a one person forestry consulting firm, since January 1995. Director Resource Planning, The Campbell Group from March 1988 to December 1994.

- (1) Mr. Pope is the first cousin of Emily T. Andrews, Mr. Andrews' wife.
- (2) Terms expire December 31, 2000.
- (3) Term as an officer expires December 31, 1999.
- (4) Term as a director expires December 31, 1999.
- (5) Mr. Andrews retires on March 22, 1999 when he attains the age of 77 years.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth certain information concerning the cash compensation paid to each of the five most highly compensated executive officers of the Partnership.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation				
	Year	Salary (\$)	Bonus (\$)(1)	Other Annual Compensation (\$)(2)	All Other Compensation (\$)(3)
Gary F. Tucker CEO & President	1998	258,300	116,000		4,800
	1997	252,000	100,000		4,800
	1996	240,000	110,000		-
Greg McCarry Sr. V.P. Real Estate	1998	148,196	52,000		4,800
	1997	144,581	44,400		4,800
	1996	136,048	50,000		4,363
Craig Jones Sr. V.P. General Counsel	1998	145,294	65,000		4,800
	1997	141,750	80,500		4,800
	1996	45,000	20,000		-
Thomas M Ringo Sr. V.P. Finance and Client Relations	1998	133,250	47,000		4,800
	1997	130,000	45,600		4,800
	1996	107,925	50,000		3,960

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Annual Compensation  
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Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Other Annual Compensation \$(2)	All Other Compensation \$(3)
Thomas Gilkey	1998	133,250	60,000		4,800
Sr. V.P. Timber	1997	130,000	73,700		4,800

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(1) Amounts represent bonuses or commissions earned in the year shown but paid in either the current or following years.

(2) Perquisites and other personal benefits paid to each named executive officer in each instance aggregated less than 10% of the total annual salary and bonus for each officer and accordingly were omitted from the table as permitted by the rules of the Securities and Exchange Commission (SEC).

(3) Amounts represent contributions to the Partnerships 401(k) plan.

(4) Mr. Jones was hired as the Partnership's Sr. V.P. General Counsel in September, 1996.

COMPENSATION PURSUANT TO UNIT OPTIONS

During 1998 unit options were issued at the unit market value as follows:

The following table provides information on option exercises in fiscal 1998 by the named executive officers and the value of exercisable and unexercisable unit options at December 31, 1998.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR  
AND FY-END OPTION VALUES

Name	Units Acquired on exercise	Value Realized	Number of securities underlying unexercised options at year-end (#)		Number of securities underlying unexercised options at year-end (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Gary Tucker President and CEO	-	-	3,750	26,250	\$46,875	\$230,625
Greg McCarry Sr. V.P. Real Estate	-	-	938	6,813	\$11,719	\$59,156
Craig Jones Sr. V.P. General Counsel	-	-	938	6,813	\$11,719	\$59,156
Thomas M. Ringo Sr. V.P. Finance and Client Relations	-	-	938	6,813	\$11,719	\$59,156
Thomas Gilkey Sr. V.P. Timber	-	-	938	6,813	\$11,719	\$59,156

COMPENSATION OF DIRECTORS

Compensation of the outside directors of Pope MGP, Inc. consisted of a monthly fee of \$1,500 plus a \$1,000 per day fee for each board meeting attended. Two outside directors were granted 1,250 unit options each at a strike price of \$20.00 and 3,000 unit options each at a strike price of \$26.50 in 1997 and 1998, respectively. The option grants were made pursuant to the Partnership's 1997 Unit Option Plan for their service as directors of Pope MGP, Inc.

EMPLOYEE BENEFIT PLANS.

Full-time salaried employees with one year 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 \$230,000, \$60,000, and \$49,000 for each of the three years ended December 31, 1998, 1997, and 1998, respectively. Employees become fully vested over a six-year period in the Partnership's contribution.

The Partnership has a supplemental retirement plan for a retired key employee. The plan provides for a retirement income of 70% of the employee's base salary at retirement after taking into account both 401(k) and social security benefits. The Partnership accrued \$181,000 for this benefit in 1995.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT

PRINCIPAL UNITHOLDERS

As of December 31, 1998, the following persons were known or believed by the Partnership to be the beneficial owners of more than five percent (5%) of the outstanding Partnership units:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Units	Private Capital Management, Inc. 3003 Tamiami Trail North Naples, FL 33940	1,600,357 (2)	35.4
Units	Emily T. Andrews 600 Montgomery Street 35th Floor San Francisco, CA 94111	557,100 (3)	12.3
Units	Peter T. Pope 1500 S.W. 1st Avenue Portland, OR 97201	314,345 (4)	7.0

(1) Each beneficial owner has sole voting and investment power unless otherwise indicated.

(2) Private Capital Management, Inc. is an investment adviser shown registered under the Investment Advisers Act of 1940. Units are held in various accounts managed by Private Capital Management, Inc. which shares dispositive powers as to those units.

(3) Includes 1,090 units owned by her husband, Adolphus Andrews, Jr. as to which she disclaims beneficial ownership. Also includes a total of 60,000 units held by Pope MGP, Inc. and Pope EGP, Inc., as to which she shares voting and investment power.

(4) Includes 53,420 units held in trust for his children. Also includes a total of 60,000 units held by Pope MGP, Inc., and Pope EGP, Inc., as to which he shares investment and voting power.

MANAGEMENT

As of December 31, 1996, the beneficial ownership of the Partnership units of (I) the general partners, (II) the directors of the Partnership's general partners, and (III) the Partnership's general partners, directors and officers of the Partnership as a group was as follows:

Name	Position and Offices	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Adolphus Andrews, Jr.	Director, Pope MGP, Inc. and Pope EGP, Inc. (3)	557,100 (2)	12.3
Peter T. Pope	Director, Pope MGP, Inc. and Pope EGP, Inc. (5)	314,345 (4)	7.0
Pope EGP, Inc.	Equity General Partner	54,000	1.2
Pope MGP, Inc.	Managing General Partner	6,000	*
Marco Vitulli	Director, Pope MGP, Inc.	1,000	*
Douglas Norberg	Director, Pope MGP, Inc.	3,250	*
Thomas M. Ringo	Senior Vice President Finance, Pope MGP, Inc. and the Partnership	500	*
All general partners, directors and officers of general partners, and officers of the Partnership as a group (11 individuals and 2 partners)		816,195 (6)	18.0

\* Less than 1%

- (1) Each beneficial owner has sole voting and investment power unless otherwise indicated.
- (2) Includes 499,510 units as to which he shares investment and voting power. Also includes units owned by Pope MGP, Inc. or Pope EGP, Inc., as to all of which he disclaims beneficial ownership. See footnote (3) under "Principal Unitholders."
- (3) Mr. Andrews is also Vice President of Pope EGP, Inc.
- (4) See footnote (4) under "Principal Unitholders."
- (5) Mr. Pope is also President of Pope EGP, Inc.
- (6) For this computation, the 60,000 units held by Pope MGP, Inc. and Pope EGP, Inc. are excluded from units beneficially owned by Mr. Pope and Mr. Andrews. All of the outstanding stock of Pope MGP, Inc. and Pope EGP, Inc. is owned by Mr. Pope and Mr. Andrews' wife, Emily T. Andrews.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Partnership Agreement provides that it is a complete defense to any challenge to an agreement or transaction between the Partnership and a general partner, or related person, due to a conflict of interest if, after full disclosure of the material facts as to the agreement or transaction and the interest of the general partner or related person, (1) the transaction is authorized, approved or ratified by a majority of the disinterested directors of the managing general partner, Pope MGP, Inc., or (2) the transaction is authorized by partners of record holding more than fifty percent (50%) of the units held by all partners.

In 1996, the Partnership sold one of its residential homes at Port Ludlow, Washington to Gary F. Tucker, a Director, President, and CEO of Pope MGP, Inc. in connection with his relocation and employment by Pope MGP, Inc. The Partnership holds Mr. Tucker's promissory note for a portion of the purchase price which has a balance of \$271,000, bears interest at 6.48% per annum, requires interest-only payments and matures in 2001.

The Partnership contracts with a relative of Gary F. Tucker to direct the Partnership's outreach acquisitions outreach efforts, which involves the location of potential properties to be included in investor portfolios. During the last fiscal year, the Partnership paid fees totaling \$121,000 for services provided by the individual.



PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES,  
AND REPORTS ON FORM 8-K.

(a) FINANCIAL STATEMENTS

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Financial Statements:	
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Consolidated Statements of Income.....	19
Consolidated Statements of Cash Flows.....	20
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(b) REPORTS ON FORM 8-K.

No reports on Form 8-K were filed during the last quarter of the fiscal year ended December 31, 1998.

(c) EXHIBITS.

- 3.1 Partnership's Certificate of Limited Partnership. (1)
- 3.2 Partnership's Limited Partnership Agreement, dated as of November 7, 1985. (1)
- 3.3 Amendment to Partnership's Limited Partnership Agreement dated December 16, 1986. (2)
- 3.4 Amendment to Partnership's Limited Partnership Agreement dated March 14, 1997. (4)
- 4.1 Specimen Depositary Receipt of Registrant. (1)
- 4.2 Partnership's Limited Partnership Agreement dated as of November 7, 1985 and amended December 16, 1986 (see Exhibits 3.1 and 3.3).
- 9.1 Shareholders Agreement entered into by and among Pope MGP, Inc., Pope EGP, Inc., Peter T. Pope, Emily T. Andrews, P&T, present and future directors of Pope MGP, Inc. and the Partnership, dated as of November 7, 1985 included as Appendix C to the P&T Notice and Proxy Statement filed with the Securities and Exchange Commission on November 12, 1985, a copy of which was filed as Exhibit 28.1 to the Partnership's registration on Form 10 identified in footnote (1) below. (1)
- 10.1 Transfer and Indemnity Agreement between the Partnership and P&T dated as of December 5, 1985. (1)

- 10.2 Management Agreement between the Partnership and P&T dated as of December 5, 1985. (1)
- 10.3 Ground Leases between the Partnership as Lessor and P&T as Lessee dated December 3, 1985. (1)
- 22.1 Subsidiaries of the Partnership (3) and (4)
- 28.1 Certificate of Incorporation of Pope MGP, Inc. (1)
- 28.2 Amendment to Certificate of Incorporation of Pope MGP, Inc. (3)
- 28.3 Bylaws of Pope MGP, Inc. (1)
- 28.4 Certificate of Incorporation of Pope EGP, Inc. (1)
- 28.5 Amendment to Certificate of Incorporation of Pope EGP, Inc. (3)
- 28.6 Bylaws of Pope EGP, Inc. (1)

- (1) Incorporated by reference from the Partnership's registration on Form 10 filed under File No. 1-9035 and declared effective on December 5, 1985.
- (2) Incorporated by reference from the Partnership's annual report on Form 10-K for the fiscal year ended December 31, 1987.
- (3) Incorporated by reference from the Partnership's annual report on Form 10-K for the fiscal year ended December 31, 1988.
- (4) Incorporated by reference from the Partnership's Proxy Statement filed on February 14, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POPE RESOURCES, A Delaware  
Limited Partnership

By POPE MGP, INC.

-----  
Managing General Partner

Date: March 19, 1999

By

-----  
GARY F. TUCKER,  
President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Date: March 19, 1999

By

-----  
GARY F. TUCKER,  
President, Chief Executive Officer  
(principal executive officer),  
Partnership and Pope MGP, Inc.;  
Director, Pope MGP, Inc.

Date: March 19, 1999

By

-----  
THOMAS M. RINGO  
Senior Vice President Finance and  
Client Relations (principal  
financial officer), Partnership and  
Pope MGP, Inc.

Date: March 19, 1999

By

-----  
MEREDITH R. GREEN  
Vice President Finance & Treasurer  
(principal accounting officer),  
Partnership and Pope MGP, Inc.

Date: March 19, 1999  
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By  
-----  
ADOLPHUS ANDREWS, JR.  
Director, Pope MGP, Inc.

Date: March 19, 1999  
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By  
-----  
PETER T. POPE  
Director, Pope MGP, Inc.

Date: March 19, 1999  
-----

By  
-----  
MARCO F. VITULLI  
Director, Pope MGP, Inc.

Date: March 19, 1999  
-----

By  
-----  
DOUGLAS E. NORBERG  
Director, Pope MGP, Inc.



12-MOS	12-MOS	12-MOS
DEC-31-1998	DEC-31-1997	DEC-31-1996
JAN-1-1997	JAN-1-1996	JAN-1-1996
DEC-31-1998	DEC-31-1997	DEC-31-1997
	2,666	3,950
	0	0
	639	680
	0	0
	11,199	10,072
15,483	16,499	57,158
	65,779	
21,778	20,119	
62,706	56,319	
2,798	2,683	
	13,818	14,323
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	0	0
	45,896	38,911
62,706	56,319	
	29,035	25,305
42,952	30,109	10,937
	12,120	
32,589	25,255	
788	1,009	
0	0	
1,406	1,421	
9,358	3,509	
	310	0
8,792	3,509	0
	0	0
	0	0
	0	0
	8,792	3,509
	1.95	.78
	1.94	.78