

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2004

OR

() TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9035

POPE RESOURCES, A DELAWARE
LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

91-1313292
(IRS Employer
Identification Number)

19245 10th Avenue NE, Poulsbo, WA 98370
Telephone: **(360) 697-6626**
(Address of principal executive offices including zip code)
(Registrant's telephone number including area code)

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

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Securities and Exchange Act of 1934).

Yes No

Partnership units outstanding at March 31, 2004: 4,519,595

Pope Resources
Index to Form 10-Q Filing
For the Quarter Ended March 31, 2004

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PART I — FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS (Unaudited)

Pope Resources
March 31, 2004 and December 31, 2003

(Thousands)

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,358	\$ 10,361
Accounts receivable	3,185	865
Land held for sale	135	135
Current portion of contracts receivable	64	872
Prepaid expenses and other	191	545
	<hr/>	<hr/>
Total current assets	6,933	12,778
	<hr/>	<hr/>
Properties and equipment at cost:		
Land and land improvements	21,749	20,800
Roads and timber (net of accumulated depletion of \$22,806 and \$21,335)	54,903	48,203
Buildings and equipment (net of accumulated depreciation of \$5,603 and \$5,537)	3,169	3,107
	<hr/>	<hr/>
	79,821	72,110
	<hr/>	<hr/>
Other assets:		
Contracts receivable, net of current portion	159	196
Other	1,216	1,224
	<hr/>	<hr/>
	1,375	1,420
	<hr/>	<hr/>
Total assets	\$ 88,129	\$ 86,308
	<hr/>	<hr/>
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	\$ 603	\$ 536
Accrued liabilities	881	1,325
Environmental remediation	100	100
Current portion of long-term debt	1,631	1,631
Minority interest	30	89
Other current liabilities	241	135
	<hr/>	<hr/>

Total current liabilities	3,486	3,816
Long-term debt, net of current portion	34,573	36,114
Other long term liabilities	333	342
Partners' capital	49,737	46,036
Total liabilities and partners' capital	<u>\$ 88,129</u>	<u>\$ 86,308</u>

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the Three Months Ended March 31, 2004 and 2003

(Thousands, except per unit data)

	Three Months Ended March 31,	
	2004	2003
	<u> </u>	<u> </u>
Revenues	\$ 11,732	\$ 7,312
Cost of sales	(4,488)	(2,871)
Operating expenses	(1,758)	(1,710)
General and administrative expenses	(738)	(732)
Income from operations	<u>4,748</u>	<u>1,999</u>
Other income (expense):		
Interest expense	(774)	(791)
Interest income	24	77
	<u>(750)</u>	<u>(714)</u>
Income before income taxes and minority interest	3,998	1,285
Income tax benefit	—	6
Income before minority interest	<u>3,998</u>	<u>1,291</u>
Minority interest	—	—
Net income	<u>\$ 3,998</u>	<u>\$ 1,291</u>
Allocable to general partners	\$ 53	\$ 17
Allocable to limited partners	3,945	1,274
	<u>\$ 3,998</u>	<u>\$ 1,291</u>
Earnings per unit:		
Basic	<u>\$ 0.88</u>	<u>\$ 0.29</u>
Diluted	<u>\$ 0.87</u>	<u>\$ 0.29</u>
Weighted average units outstanding:		
Basic	<u>4,518</u>	<u>4,518</u>
Diluted	<u>4,575</u>	<u>4,518</u>

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Pope Resources
Three Months Ended March 31, 2004 and 2003

(Thousands)	2004	2003
	<u> </u>	<u> </u>
Net income	\$ 3,998	\$ 1,291
Add back non-cash charges:		
Deferred profit	108	27
Depletion	1,471	843
Depreciation and amortization	168	167
Translation gain	—	(9)
Change in working capital accounts:		
Accounts receivable	(2,320)	627
Contracts receivable	845	364
Other current assets	354	(49)
Accounts payable	67	(260)
Accrued liabilities	(444)	(551)
Environmental remediation	(9)	(74)
Restructuring	—	(419)
Other	(13)	(10)
	<u> </u>	<u> </u>
Net cash flows provided by operating activities	4,225	1,947
Cash flows used in investing activities:		
Capital expenditures	(813)	(413)
Timberland acquisition	(8,518)	—
	<u> </u>	<u> </u>
Net cash used in investing activities	(9,331)	(413)
Cash flows used in financing activities:		
Minority interest distribution	(59)	(161)
Repayment of long-term debt	(1,541)	(1,572)
Option exercise	19	—
Unitholder distribution	(316)	(226)
	<u> </u>	<u> </u>
Net cash used in financing activities	(1,897)	(1,959)
Net decrease in cash and cash equivalents	(7,003)	(425)
Cash and cash equivalents at beginning of year	10,361	6,627
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the three-month period	\$ 3,358	\$ 6,202
	<u> </u>	<u> </u>

See accompanying notes to condensed consolidated financial statements.

POPE RESOURCES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2004

- The condensed consolidated financial statements as of March 31, 2004 and December 31, 2003 and for the three-months (quarter) ended March 31, 2004 and March 31, 2003 have been prepared by Pope Resources, A Delaware Limited Partnership (“the Partnership”) pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The financial information for the quarters ended March 31, 2004 and 2003 is unaudited, but, in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments and accruals) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The financial information as of December 31, 2003, is derived from the Partnership’s audited consolidated financial statements and notes thereto for the year ended December 31, 2003, and should be read in conjunction with such financial statements. The results of

operations for the quarter ended March 31, 2004 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year ending December 31, 2004.

2. The financial statements in the Partnership's 2003 annual report on Form 10-K include a summary of significant accounting policies of the Partnership and should be read in conjunction with this Form 10-Q.
3. Basic net earnings per unit are based on the weighted average number of units outstanding during the period. Diluted net earnings per unit are based on the weighted average number of units and dilutive unit options outstanding at the end of the period.

	Quarter Ended March 31,	
	2004	2003
Weighted average units outstanding (in thousands):		
Basic	4,518	4,518
Dilutive effect of unit options	57	—
Diluted	4,575	4,518

Options to purchase 379,100 units at prices ranging from \$9.30 to \$27.88 per unit were outstanding during the quarter ended March 31, 2004. Options to purchase 178,464 units at prices ranging from \$17.40 to \$27.88 were not included in the computation of diluted earnings per unit because the option exercise prices were greater than the average market prices of units during the period.

Options to purchase 339,894 units at prices ranging from \$9.30 to \$27.88 per unit were outstanding during the quarter ended March 31, 2003. Options to purchase 337,404 units at prices ranging from \$10.14 to \$27.88 were not included in the computation of diluted earnings per unit because the option exercise prices were greater than the average market prices of units during the period.

4. 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.

Unit options granted have 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 Black-Scholes 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:

	2004	2003
(In thousands, except per unit amounts)		
Net income as reported	\$ 3,998	\$ 1,291
Add back employee unit based compensation expense recognize	—	—
Subtract proforma compensation expense under SFAS 123	(50)	(63)
Pro forma net income under SFAS No. 123	\$ 3,948	\$ 1,228
As reported:		
Basic	\$ 0.88	\$ 0.29
Diluted	\$ 0.87	\$ 0.29
Proforma earnings per unit:		
Basic	\$ 0.87	\$ 0.27
Diluted	\$ 0.86	\$ 0.27

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

2004	2003
------	------

Expected life	5 years	5 years
Risk-free interest rate	3.97%	3.70%
Dividend yield	1.6%	1.90%
Volatility	57%	44%

5. Supplemental disclosure of cash flow information: Interest paid amounted to approximately \$765,000 and \$807,000 for the quarters ended March 31, 2004 and 2003, respectively.
6. Revenues and operating income by segment for the quarters ended March 31, 2004 and 2003, respectively, are as follows:

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Quarter Ended March 31, (Thousands)	Fee Timber	Timberland Management & Consulting	Real Estate	Other	Consolidated
2004					
Revenues	\$ 11,424	\$ 235	\$ 204	\$ —	\$ 11,863
Eliminations	(13)	(109)	(9)	—	(131)
Revenues	11,411	126	195	—	11,732
Cost of sales	(4,482)	—	(6)	—	(4,488)
Operating expenses	(890)	(568)	(431)	(738)	(2,627)
Eliminations	92	38	1	—	131
Operating expenses	(798)	(530)	(430)	(738)	(2,496)
Income (loss) from operations	6,052	(333)	(233)	(738)	4,748
Eliminations	79	(71)	(8)	—	—
Income (loss) from operations	\$ 6,131	\$ (404)	\$ (241)	\$ (738)	\$ 4,748
2003					
Revenues	\$ 6,788	\$ 536	\$ 162	\$ —	\$ 7,486
Eliminations	(13)	(152)	(9)	—	(174)
Revenues	6,775	384	153	—	7,312
Cost of sales	(2,865)	—	(6)	—	(2,871)
Operating expenses	(897)	(539)	(445)	(735)	(2,616)
Eliminations	143	26	2	3	174
Operating expenses	(754)	(513)	(443)	(732)	(2,442)
Income (loss) from operations	3,026	(3)	(289)	(735)	1,999
Eliminations	130	(126)	(7)	3	—
Income (loss) from operations	\$ 3,156	\$ (129)	\$ (296)	\$ (732)	\$ 1,999

There was one significant change to segment assets in the first quarter of 2004 with the acquisition of 3,300 acres of timberland, which resulted in an \$8.5 million shift from Other to Fee Timber.

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ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains a number of projections and statements about our expected financial condition, operating results, and business plans and objectives. These statements reflect our management's estimates based on our current goals, in light of management's expectations about future developments. Statements about expectations and future performance are "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Because these statements describe our goals, objectives and anticipated performance, they are inherently uncertain, and some or all of these statements may not come to pass. Accordingly, you should not interpret these statements as promises that we will perform at a given level or that we will take any or all of the actions we currently expect to take. Our future actions, as well as our actual performance, will vary from our current expectations, and under various circumstances these variations may be material and adverse. Some of the factors that may cause our actual operating results and financial condition to fall short of our expectations are set forth in the part of this report entitled "Risks and Uncertainties" below and other factors discussed in our annual report on Form 10-K for the fiscal year ended December 31, 2003. Other issues that may have an adverse and material impact on our business, operating results and financial condition include environmental and land use regulations that limit our ability to harvest timber and develop property and economic conditions that affect consumer demand for our products and the prices we receive for them, and those other risks and uncertainties discussed in our other filings with the Securities and Exchange Commission. The forward looking statements in this report are accurate as of the date of the report, and we cannot undertake to update these statements as our business operations and environment change.

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

EXECUTIVE OVERVIEW

Pope Resources, A Delaware Limited Partnership ("we" or the "Partnership"), was organized in October 1985 as a result of a spin-off by Pope & Talbot, Inc. ("P&T"). Pope Resources is engaged in three primary businesses. The first, and by far most significant, segment in terms of owned assets and operations is the Fee Timber segment. Operations in this segment consist of growing timber to be harvested as logs for sale to export and domestic manufacturers. The second most significant business in terms of total assets owned is the development and sale of real estate. Real Estate activities primarily take the form of securing permits and entitlements for unimproved land and then realizing that land's value by selling large parcels to buyers who will take the land further up the value chain, either to home buyers or commercial property operators or lessors. Since these land projects span multiple years, the Real Estate segment may incur losses for multiple years until a major project is sold, which then results in operating income. Our third business is providing timberland-related services to third parties. These services may take the form of large-scale timberland management, forestry consulting, or acquisition or disposition services.

Management's major opportunity and challenge is to profitably grow our revenue base. We have added almost 44,000 acres over the last three years to our timberland portfolio with the most recent addition of 3,300 acres coming in January 2004. Our real estate challenges center around how and when to "harvest" a parcel of land and capture the optimum value increment through sale. Regarding our third-

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party timberland services, we are without a major client contract in early 2004 for the first time in six years and are diligently seeking to secure income opportunities for this segment.

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RESULTS OF OPERATIONS

The following table reconciles and compares key revenue and cost elements that determined net income realized for each of the three-month periods ended March 31, 2004 to March 31, 2003, respectively. In addition to the table's detailed numeric analysis, the explanatory text that follows the table describes many of these changes by business segment.

QUARTER TO QUARTER COMPARISONS (Amounts in \$000's except per unit data)

Q1 2004 vs. Q1 2003

	Total	Per Diluted Unit
	_____	_____
Net income:		
1st Quarter 2004	\$ 3,998	\$ 0.87
1st Quarter 2003	1,291	0.29

Variance	\$	2,707	\$	0.58
Detail of earnings variance:				
Fee Timber:				
Log price realizations (A)	\$	916	\$	0.20
Log volumes (B)		2,566		0.56
Timberland sale income		(43)		(0.01)
Depletion		(628)		(0.14)
Other Fee Timber		164		0.03
Timberland Management & Consulting:				
Management fee changes		(53)		(0.01)
Other Timberland Mgmt & Consulting		(222)		(0.05)
Real Estate		55		0.01
General & administrative costs		(6)		—
Interest expense		17		—
Other (taxes, minority int., interest inc.)		(59)		(0.01)
Total change in earnings	\$	2,707	\$	0.58

(A) Price variance allocated based on changes in price using the lower period volume.

(B) Volume variance allocated based on change in sales volume and the average log sales price for the prior period less variance in log production costs.

Fee Timber

Fee Timber revenues are earned primarily from the harvest and sale of logs from the Partnership's 115,000 acres of fee timberland located in western Washington and, to a lesser extent, from the sale of gravel and leases of cellular communication tower sites on our properties. Revenue from the sales of timberland tracts will also appear periodically in results for this segment. Our Fee Timber revenues are driven primarily by the volume of timber harvested, which we ordinarily express in terms of millions of board feet, or "MMBF", and by the average prices realized on log sales, which we express in dollars per thousand board feet, or "MBF".

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When discussing our Fee Timber operations current results are compared to both the last completed quarter and the comparable quarter from the prior year. Both of these comparisons are made to help the reader gain an understanding of the trends in market price and harvest volumes that affect Fee Timber results of operations. Revenues and operating income for the Fee Timber segment for the quarters ended March 31, 2004, December 31, 2003 and March 31, 2003 are as follows:

Quarter Ended:	Log Sales	Mineral, Cell Tower & Other	Total Fee Timber Revenues	Operating Income
March 31, 2004	\$ 11.0 million	\$ 0.4 million	\$ 11.4 million	\$ 6.1 million
December 31, 2003	3.3 million	0.5 million	3.8 million	1.2 million
March 31, 2003	6.5 million	0.3 million	6.8 million	3.2 million

Fluctuations in total Fee Timber revenues and operating income between Quarter 1 2004 and Quarter 4 2003 and Quarter 1 2004 and Quarter 1 2003 are as follows:

Quarterly changes	Total Fee Timber Revenues	Operating Income
Q-1 2004 and Q-4 2003	\$ 7.6 million	\$ 4.9 million
Q-1 2004 and Q-1 2003	4.6 million	2.9 million

The increase in revenues and operating income for the current quarter from both prior periods is due to an increase in timber harvest and average log price realized. Log volume harvested for the quarter ended March 31, 2004 has increased 186% and 55% from the quarters ended December 31, 2003 and March 31, 2003, respectively. The increase in harvest volume is due to two factors. First, the January 2004 acquisition of 3,300 acres from Plum Creek Timber Company enabled us to increase our annual harvest. This acquisition contained a large component of merchantable timber that will result in an increase to our annual harvest in 2004 and 2005 to 58 MMBF per year (vs. 45 MMBF in 2003). Cash flow resulting from this incremental harvest from the acquired lands will serve to

offset a large portion of the purchase price. Second, log prices have increased in the first part of 2004 from those realized over the last few years. As a result, management has accelerated a portion of the annual harvest into the first half of the year to take advantage of these strong prices. This pattern follows a similar trend during 2003, when management front-loaded our timber harvest into the first two fiscal quarters.

The Partnership harvested the following log volumes from its fee timberlands for the quarter ended March 31, 2004, December 31, 2003, and March 31, 2003:

	31-March-04	Quarter Ended 31-Dec-03	31-March-03
Log sale volumes (MBF):			
Export	5,624	654	1,430
Domestic	11,690	4,893	9,287
Pulp	2,633	1,267	1,679
Hardwoods	405	303	770
	<hr/>	<hr/>	<hr/>
Total	20,352	7,117	13,166
	<hr/>	<hr/>	<hr/>

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Through March 31, 2004 we have harvested 35% of our planned annual harvest (versus 29% for the comparable period in the prior year). The decision to front-load the annual harvest was based upon the relatively strong market for logs experienced in the first quarter of 2004. Weighted average log prices for the current quarter are 16% and 9% above the quarters ended December 31, 2003 and March 31, 2003, respectively. The Partnership realized the following log prices from its fee timberlands for the quarters ended March 31, 2004, December 31, 2003, and March 31, 2003:

	31-March-04	Quarter Ended 31-Dec-03	31-March-03
Average price realizations (per MBF):			
Export	\$ 659	\$ 595	\$ 592
Domestic	554	502	524
Pulp	221	223	235
Hardwoods	558	630	531
Overall	540	467	495

We sell our logs to domestic mills and to log brokers that resell our logs to Japanese customers and, when export conditions allow, to the Korean and Chinese log markets. Prices paid by these log brokers are dependent upon the export market for logs but are generally purchased for a premium to prices paid by domestic customers. In the current quarter, export prices have increased 11% from both the fourth and first quarters of 2003. The increase in prices paid for export log volume is due to both the weakening dollar and improvement in the Japanese economy. Both of these factors have resulted in an increase in demand for export log volume. The proportion of first quarter 2004 overall log volume sold to the export market has increased to 28% from 9% and 11% for the quarters ended December 31, and March 31, 2003, respectively. The cyclical improvement in the export market is a welcome change from the last few years but should be taken in context with the structural changes that management still believes have changed the export market for logs. Increased competition from logs supplied by lower cost regions and greater use of alternative building materials have diminished the price premium we have historically been able to obtain for logs sold to the export market. As such, we anticipate that export log prices will moderate over the next couple of quarters and we do not expect this same proportion of our harvest to go to export markets in the remaining quarters of this year.

Domestic log prices for the quarter ended March 31, 2004 were 10% and 6% higher than the fourth and first quarters in 2003, respectively. This improvement in domestic log prices is attributed to the strong housing market in the U.S. combined with both an improvement in the export market for logs and a lumber mill strike in British Columbia. Improved prices in the export market impact the domestic market for logs by diverting log volume from the domestic market to the export market, thus decreasing domestic log supplies. The lumber mill strike in British Columbia decreased the amount of lumber exported from Canada to the U.S., thus boosting the pricing power of domestic mills, which resulted in an increase in domestic lumber prices. The presence of both these factors (stronger log export market and B.C. mill strike) in the first quarter of the year, when some log producers already have seasonal difficulty producing large quantities of logs due to weather conditions, provided an up-tick in prices on which we were able to capitalize.

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Pulp log volumes were 2.6 MMBF, 1.3 MMBF, and 1.7 MMBF for the quarters ended March 31, 2004, December 31, 2003, and March 31, 2003, respectively. The average price realized per MBF on pulp logs was \$221,

\$223, and \$235, for the quarters ended March 31, 2004, December 31, 2003 and March 31, 2003, respectively. Pulp prices have not changed significantly from the fourth quarter of 2003 and have dropped 6% from the first quarter of 2003. Pulp prices fluctuate due to local pulp inventories, which appear to have increased recently as a by-product of unusually active harvest activities for this time of the year. This elevated level of harvest activities in our operating area is in response to the aforementioned strong log prices.

Cost of Sales

Cost of sales for the Fee Timber segment consists of two components, harvest costs and depletion expense. Harvest costs represent the direct costs incurred to manufacture trees into logs and deliver those logs to their point of sale. Depletion expense represents the cost of acquiring or growing the timber harvested and is calculated using a depletion rate developed from an accumulation of the cost of the timber, divided by the estimated volume of merchantable timber available for harvest. The depletion rate is then applied to the volume harvested to calculate depletion expense. Fee Timber cost of sales for the quarters ended March 31, 2004, December 31, 2003, and March 31, 2003, respectively were:

Quarter Ended:	Harvest and Haul Costs	Depletion Expense	Total
March 31, 2004	\$ 3.0 million	\$ 1.5 million	\$ 4.5 million
December 31, 2003	1.1 million	0.5 million	1.6 million
March 31, 2003	2.1 million	0.8 million	2.9 million

Quarter Ended:	Harvest and Haul Costs per MBF	Depletion Expense per MBF	Total
March 31, 2004	\$ 148	\$ 72	\$ 220
December 31, 2003	164	64	228
March 31, 2003	154	64	218

Harvest and haul costs, depletion expense, and total cost of sales have increased in the first quarter of 2004 relative to both the fourth and first quarters of 2003 due to the increase in harvest volume. Harvest costs vary based upon the physical site characteristics of acres harvested during the year. For example, sites that are not readily accessible, or are located on a steep hillside, are more expensive to harvest. Furthermore, haul costs vary based upon the distance between the harvest area and the mill customer’s location. For the quarter ended March 31, 2004, harvest costs have decreased relative to the fourth quarter of 2003 due to a higher proportion of total harvest from the Hood Canal tree farm. This tree farm is generally at lower elevations with gentler terrain than the Columbia tree farm, which results in a lower average cost of harvest. Average harvest costs are expected to increase for the remainder of the year as Columbia begins harvesting a larger proportion of the aggregate harvest. Harvest and haul costs per MBF in the current quarter are consistent with the first quarter of 2003.

The rate applied to harvest volume to calculate depletion expense is calculated annually in January and does not normally change during the year. Depletion expense per MBF has increased in 2004 relative to 2003 due to the aforementioned January 2004 timberland acquisition.

Operating Expenses

Fee Timber operating expenses for the quarter ended March 31, 2004, December 31, 2003, and March 31, 2003 were \$798,000, \$947,000, and \$754,000, respectively. Operating expenses are down from the fourth quarter of 2003 due to the timing of silviculture and road maintenance projects. The increase in operating expenses for the current quarter compared to first quarter 2003 is due to road maintenance and silviculture costs. Road maintenance costs are expected to increase for the next few years due to new state regulations surrounding road maintenance and abandonment.

Timberland Management & Consulting

Revenues and operating loss for the Timberland Management & Consulting segment for the quarters ended March 31, 2004 and 2003 were as follows:

Quarter Ended:	Revenues	Operating Loss
March 31, 2004	\$ 0.1 million	\$ 0.4 million

Revenues for the quarter ended March 31, 2004 was \$258,000 lower than the comparable period in 2003. Operating loss for the current quarter was \$275,000 higher than the comparable period in 2003. The decrease in revenues and operating results is due to the lack of a major timberland management client for the first time since 1998. In the fourth quarter of 2003 we completed a four-year property disposition assignment for a timberland management client. Management is currently working on the launch of a private equity timber fund as well as pursuing other large-scale timberland management opportunities to replace this lost revenue.

Operating Expenses

Timberland Management & Consulting operating expenses for the quarters ended March 31, 2004 and 2003 were \$530,000 and \$513,000, respectively. Operating expenses in the first quarter of 2004 include \$70,000 of bad debt expense due to the write-down of a receivable from a former customer of our closed timberland consulting operation in British Columbia. The receivable is from a large forest products company in British Columbia that is currently working its way through bankruptcy. We have \$20,000 of the receivable remaining on our balance sheet following the write-down, which represents our current estimate of the realizable value from this receivable.

Real Estate

The Partnership's Real Estate segment consists primarily of residential and commercial property rents and of revenue from the sale of land to developers or investors. The Partnership's real estate holdings are located in Pierce, Kitsap, and Jefferson Counties in Washington State.

Revenues and operating loss for the Real Estate segment for the quarters ended March 31, 2004 and 2003 are as follows:

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Quarter Ended:	Revenues	Operating loss
March 31, 2004	\$ 0.2 million	\$ 0.2 million
March 31, 2003	0.2 million	0.3 million

Current period revenues primarily represent rent earned on residential and commercial leases at Port Gamble. The operating loss includes costs incurred while management pursues zoning and development entitlements to maximize value from the Partnership's 2,600-acre portfolio of land investments. The current status of these pursuits is described below.

At our development property in Gig Harbor, Washington we are working on plans and permits for a water tank and access improvements to the commercial portion of the property. Our first closing on this property is expected in early 2005 to Costco Wholesale Corporation for up to 20 acres of the 320-acre site.

Management is also working to sell 205 acres of the 248-acre Hansville property. This portion of the Hansville property has preliminary plat approval for 89 residential lots. A closing on this property is targeted for later in 2004. Separately, we are working on the preliminary approvals for a large residential lot plat that we expect to begin marketing later in 2004. Lastly, we are working with Kitsap County on the sale of between 400 and 430 acres near Kingston, Washington for a regional park and recreational area.

Cost of Sales

Real Estate cost of sales for both of the three-month periods ended March 31, 2004 and 2003, respectively, were \$6,000. Cost of sales in the Real Estate segment for the remainder of 2004 is expected to consist of costs associated with the aforementioned land sales.

Operating Expenses

Real Estate operating expenses were consistent for the three-month periods ended March 31, 2004 and 2003 at \$430,000 and \$443,000, respectively. While overall operating expenses in our Real Estate segment were stable, there were offsetting increases and decreases pertaining to specific properties. Expenses associated with our property at Gig Harbor declined as costs for that project are now being capitalized. This decrease in expenses was offset by an increase in repair and maintenance costs at the Port Gamble townsite that will in turn enable us to increase rental and event revenue earned from that location.

Environmental Remediation

The Partnership has accrued liabilities for environmental cleanup of \$283,000 and \$292,000 as of March 31, 2004 and December 31, 2003, respectively. The environmental liability at March 31, 2004 includes \$100,000 that the Partnership expects to expend in the next 12 months and \$183,000 thereafter. The accrual represents estimated environmental remediation costs in and around the townsite of Port Gamble, Washington. Port Gamble is a historic town that was owned by Pope & Talbot (P&T) until 1985 when the townsite and other assets were spun off into the Partnership. The townsite included a lumber mill that operated until 1995 and was dismantled by the end of 1996. P&T continued to lease the millsite until January 2002, when a settlement agreement was signed between the Partnership and P&T that divided the responsibility for paying for environmental remediation costs in Port Gamble.

Activity in the Environmental Remediation liability is detailed as follows:

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	Balances at the Beginning of the Period	Additions to Accrual	Expenditures for Remediation	Balances at the End of the Period
Year Ended December 31, 2000	\$ 120,000	\$ 1,956,000	\$ 206,000	\$ 1,870,000
Year Ended December 31, 2001	1,870,000	—	461,000	1,409,000
Year Ended December 31, 2002	1,409,000	730,000	1,510,000	629,000
Year Ended December 31, 2003	629,000	—	337,000	292,000
Quarter ended March 31, 2004	292,000	—	9,000	283,000

General and Administrative (G&A)

General and administrative expenses were consistent for the quarter ended March 31, 2004 and 2003 at \$738,000 and \$732,000, respectively. We expect to end 2004 with total G&A expenses consistent with the prior year of \$2.8 million.

Interest Income and Expense

Interest income for the three-month period ended March 31, 2004 declined to \$24,000 from \$77,000 for the period ended March 31, 2003. The decline in interest income is due to the reduction in the principal balance of the note receivable from Port Ludlow Associates, which carried an annual interest rate of 10%. This note was paid off in March of 2004. Therefore, we expect interest income to decline further during the balance of the year. Interest expense for the three-month periods ended March 31, 2004 and 2003 was \$774,000 and \$791,000, respectively. Our debt consists primarily of mortgage debt with a fixed interest rate. The decrease in interest expense is the result of our annual principal payments made at the end of the first quarter on that debt.

Income Tax

Pope Resources is a limited partnership and is therefore not subject to corporate income tax. Taxable income/loss is reported to unitholders each year on a Form K-1 for inclusion in each unitholder's tax return. Pope Resources does have subsidiaries that are corporations and are subject to income tax.

For the quarter ended March 31, 2004 the Partnership recorded no tax expense or benefit as compared to a \$6,000 tax benefit for the comparable period in the prior year.

Supplemental Segment Information

The following table provides comparative operating information for the Partnership's segments:

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	SEGMENT INFORMATION		
	(all amounts in \$000's)		
	Three months ended		
	31-Mar-04	31-Mar-03	31-Dec-03
Revenues:			
Fee Timber	\$ 11,411	\$ 6,775	\$ 3,809
Timberland Management & Consulting (TM&C)	126	384	1,350
Real Estate	195	153	520
Total	11,732	7,312	5,679

EBITDDA:			
Fee Timber	7,633	4,030	1,717
TM&C	(382)	(109)	736
Real Estate	(218)	(277)	(195)
General & administrative	(646)	(635)	(691)
	<hr/>	<hr/>	<hr/>
Total	6,387	3,009	1,567
Depreciation, depletion and amortization:			
Fee Timber	1,502	874	481
TM&C	22	20	19
Real Estate	23	19	23
General & administrative	92	97	94
	<hr/>	<hr/>	<hr/>
Total	1,639	1,010	617
Operating income (loss):			
Fee Timber	6,131	3,156	1,236
TM&C	(404)	(129)	717
Real Estate	(241)	(296)	(218)
General & administrative	(738)	(732)	(738)
	<hr/>	<hr/>	<hr/>
Total	\$ 4,748	\$ 1,999	\$ 997
	<hr/>	<hr/>	<hr/>

* EBITDDA= Earnings before interest, income tax, depletion, depreciation, and amortization. The Company considers earnings (net income or loss) before interest expense, income taxes, depreciation, depletion and amortization (EBITDDA) to be a relevant and meaningful indicator of liquidity and earnings performance commonly used by investors, financial analysts and others in evaluating companies in its industry and, as such, has provided this information in addition to the generally accepted accounting principle-based presentation of net income or loss.

Analysis of Operating Income

The following table sets forth expenses as a percentage of revenues for the quarter ended March 31, 2004 and 2003:

	Quarter ended March 31,	
	2004	2003
Revenues	100%	100%
Cost of sales	38	40
Operating expenses	15	23
General and administrative expenses	6	10
	<hr/>	<hr/>
Operating income	41%	27%
	<hr/>	<hr/>

Cost of sales includes the cost of purchasing and producing tangible goods for sale. In addition to depletion associated with timber production levels, cost of sales for the Partnership will fluctuate due to the mix of revenue between the sale of tangible goods and revenue generated from providing services. Cost of sales as a percentage of revenues decreased 2% to 38% for the quarter ended March 31, 2004 from 40% in the comparable period in 2003. The decrease in cost of sales as a percentage of revenues results from an improvement in gross margin realized in the fee timber segment of 3% to 61% in the first quarter of 2004 from 58% in the comparable period in prior year. The improvement in gross margin is a function of the increase in weighted average price realized and a decrease in harvest and haul expenses on a per MBF basis. The improvement in gross margin was offset partially by the increase in Fee Timber revenue as a percentage of total revenue. Fee Timber represented 97% of total revenues in the first quarter of 2004, while in the first quarter of 2003, Fee Timber revenue represented 93% of total revenues. Since cost of sales represents a large portion of the total costs generated by the Fee Timber segment, an increase in the proportion of revenues generated by the Fee Timber business generally leads to an increase in cost of sales as a percentage of revenues. In the case of the current quarter the increase in gross margin earned by Fee Timber was enough to outweigh the increase in Fee Timber as percentage of total revenues.

Operating expenses consist of salary and other costs directly attributable to revenue-generating activity. As a percentage of revenues, operating expenses have decreased 8% to 15% for the quarter ended March 31, 2004 from 23% for the comparable period in 2003. The decrease in operating expenses as a percentage of revenues is due to the decrease in the Partnership operations attributable to timberland management and consulting activities. The revenues earned from these activities do not generate cost of sale type expenses but do require a relatively high level of operating expenses for the personnel required to perform the services. When these activities decrease as a percentage of total operations, operating expenses decrease as a percentage of revenues

G&A expenses decreased 4% to 6% for the quarter ended March 31, 2004 from 10% for the comparable period in 2003. General and administrative expenses on a raw dollar basis remained consistent between the two periods while revenues increased 60%.

Liquidity and Capital Resources

We ordinarily finance our operations using funds from operations and, where appropriate in management's assessment, bank lines of credit. Funds generated from operations and externally through financing are expected to provide the required resources for the Partnership's capital expenditures. The Partnership's debt-to-total capitalization ratio was 42% at March 31, 2004. Management considers its capital resources to be adequate for its current plans and does not anticipate any significant changes in its debt-to-total capitalization ratio over the next 12 months. We do not currently have a line of credit since we believe our current cash position together with forecasted cash flows over the next few months are adequate to cover immediate and known financing needs.

We are currently working on locating investors for ORM Timber Fund I, L.P. Pope Resources has agreed to invest 10% of the fund's invested capital, which is expected to be around \$50 million. Once the fund is fully subscribed and suitable timber properties are identified and brought under contract for purchase by the fund, we will invest the 10% of equity capital that is expected to total approximately \$5 million.

Management's current plan is to harvest approximately 38 million board feet more of timber over the remaining nine months of 2004 for a total fiscal 2004 harvest of 58 million board feet. Since harvest plans are based on demand and pricing, actual harvesting may vary subject to management's ongoing review.

In the first quarter of 2004, cash generated by operations totaled \$4.2 million and overall cash and cash equivalents decreased \$7.0 million. Cash used in investing activities totaled \$9.3 million, which was composed of \$8.5 million for a timberland acquisition, \$312,000 for reforestation and road building, \$285,000 of capitalizable costs on the development property at Gig Harbor, and \$216,000 of other miscellaneous capital additions. Cash used in financing activities totaled \$1.9 million consisting of \$1.5 million of debt payments, \$316,000 of distributions to unitholders, a minority interest payment of \$60,000, netted against \$19,000 cash received from the exercise of employee unit options.

In the first quarter of 2003, cash generated by operating activities totaled \$1.9 million and overall cash and cash equivalents decreased \$425,000 from December 31, 2002. Cash used in investing activities for the quarter ended March 31, 2003 totaled \$413,000 and consisted of reforestation expenditures and capital improvements to buildings at the Port Gamble townsite. Cash used in financing activities included a mortgage principal payment of \$1.6 million, a unitholder distribution of \$226,000 and a minority interest payment of \$161,000. The minority interest payment is that payment made to Pope MGP for its portion of the income earned from the Investor Portfolio Management Business.

Seasonality

Fee Timber. The Partnership owns 115,000 acres of timberland in Washington State. Our timber acreage is concentrated in two non-contiguous tree farms: the 71,000 acre Hood Canal tree farm located in Kitsap, Jefferson, Mason Counties on the eastern side of Washington's Olympic Peninsula, and the 42,000 acre Columbia tree farm located in Cowlitz, Clark, Lewis, Skamania, and Pierce counties on the western side of Washington's Cascade mountain range.

The Hood Canal tree farm is concentrated at low elevations, which permits us to harvest trees year-round. Generally, we concentrate our harvests from this tree farm in the winter and spring when supply, and thus competition, is typically lower and, accordingly, when we can expect to receive higher prices. With the acquisition of the Columbia tree farm in 2001 management expected a decrease in the seasonality of Fee Timber operations as the Columbia tree farm is at higher elevations where harvest activities are only possible in the summer months. In practice, over the last two years our harvest has tended to be more front loaded as log prices have been relatively strong in the first half of the year leading management to front load the harvest plan. In future quarters, management expects quarterly harvest volume to be affected by both local market conditions for logs and weather conditions.

Timberland Management & Consulting. Timberland Management & Consulting operations are not significantly seasonal.

Real Estate. While Real Estate results are not expected to be seasonal, the nature of the activities in this segment will likely result in large non-recurring transactions that may have large positive or negative impacts on

revenues and operating income of the Partnership. Moreover, we expect to continue to see some seasonal fluctuations in this segment because of the effects of weather on Pacific Northwest development generally.

Risks and Uncertainties

Our business is subject to a number of risks and uncertainties, any one or more of which could impact our operating results and financial condition materially and adversely. Some of these risks are discussed in greater detail below, arranged according to business segment. In addition, we face a number of risks that affect our business generally. The Partnership competes against much larger companies in each of its business segments. These larger competitors may have access to larger amounts of capital and significantly greater economies of scale. Land ownership carries with it the risk of incurring liabilities due to accidents that take place on the land and previously undiscovered environmental contamination. The Partnership endeavors to maintain adequate accruals to reflect the cost of remediating known environmental contamination and other liabilities resulting from land ownership, however these estimates may prove to be inadequate as additional information is discovered. A more thorough discussion of the risks and uncertainties that may affect our business is contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2003, and in our various other filings with the Securities and Exchange Commission. You should review these risks in deciding whether to invest in Partnership units, and you should recognize that those factors are not an exhaustive list of risks that could cause us to deviate from management's expectations. Readers also are cautioned that, in reviewing these risk factors, the factors contained in this report and in our other SEC filings are effective as of the date the filing was made, and we cannot undertake to update those disclosures.

Fee Timber

Fee Timber revenues are generated primarily through the sale of softwood logs to both domestic mills and third-party intermediaries that resell to the export market. The markets for these products are significantly affected by fluctuations in U.S. and Japanese economies, as well as by the foreign currency exchange rate between the Japanese yen and the U.S. dollar. Despite the strong prices experienced in the current quarter, over the last few years the Partnership has seen the price of logs erode in the Japanese market as competing logs and lumber from regions outside of the U.S. and engineered wood products have gradually gained market acceptance.

The domestic market for logs in the Puget Sound region has been impacted by imported lumber from Canada and decreased demand for lumber as engineered wood products have gained market acceptance in the U.S. These factors have had the effect of concentrating mill ownership with larger mill operators and decreasing the number of mills operating in the Puget Sound region. If this trend continues, decreases in local demand for logs may decrease our profitability.

Our ability to grow and harvest timber can be significantly impacted by legislation, regulations or court rulings that restrict or stop forest practices. Restrictions on logging, planting, road building, fertilizing, managing competing vegetation and other activities can significantly increase the cost or reduce available inventory thereby reducing income.

Timberland Management & Consulting

The Timberland Management & Consulting segment is currently operating without a major timberland management client for the first time since 1998. Management is working to expand our customer base through market outreach efforts.

Representative of those efforts is our renewed focus on the Investor Portfolio Management Business ("IPMB"), which is a component of our Timberland Management & Consulting segment. However, unlike many other components of our business, which relate solely or primarily to real estate and timber operations, this line of business carries risks relating to the offer and sale of securities, and to the management of investment operations, including potential liability to investors if we are determined to have made material misstatements or omissions to those investors, potential accusations that we have breached fiduciary duties to other limited partners, and similar types of investor action. Moreover, litigation of shareholder-related matters can be expensive and time consuming, and if brought, would likely distract management from their focus on ordinary operating activities.

Real Estate

The value of our real estate investments is subject to changes in the economic and regulatory environment, as well as various land use regulations and development risks, including the ability to obtain the necessary permits and zoning variances that would allow us to maximize our revenues from our real estate investments. Our real estate investments are long-term in nature, which raises the risk that unforeseen changes in the economy or laws surrounding development activities may have an adverse affect on our investments. Moreover, these investments often are highly illiquid and thus may not generate cash flow if and when needed to support our other operations.

Capital Expenditures and Commitments

Total capital expenditures in 2004 (excluding the \$8.5 million January 2004 timberland acquisition) are currently expected to be approximately \$4.4 million, of which \$813,000 has been expended through March 31, 2004. The \$4.4 million expected year-end amount of capital expenditures includes \$1.8 million of expenditures related to the Real Estate project at Gig Harbor. The actual pace of these expected expenditures will depend on how quickly we are able to get approval from the City of Gig Harbor on our planned infrastructure improvements at the site. The Partnership expects that the funds for these expenditures will be generated internally through operations and externally through financing.

Cost of Compliance with Government Regulation

Compliance with laws, regulations and demands usually involves capital expenditures as well as operating costs. The Partnership cannot easily quantify future amounts of capital expenditures required to comply with these laws, regulations and demands, or the effects on operating costs, because in some instances compliance standards have not been developed or have not become final or definitive. Accordingly, at this time the Partnership has not quantified any future capital requirements to comply with any new regulations being developed by the United States or Canadian regulatory agencies.

Litigation

The Partnership may from time to time be a defendant in lawsuits arising in the ordinary course of business. As of March 31, 2004 and as of the date of this report, there was no litigation pending or, to management's knowledge, threatened that, if determined adversely to the Partnership, would have a material adverse effect on the Partnership's business, operating results or financial condition.

ACCOUNTING MATTERS

Critical Accounting Policies and Estimates

Management believes its most critical accounting policies and estimates include those related to management's calculation of timber depletion and liabilities related to matters such as environmental remediation, and potential asset impairments. In relation to liabilities, potential impairments and other estimated charges, it is management's policy to conduct ongoing reviews of significant accounting policies and assumptions used in the preparation of the financial results of the Partnership. The assumptions used are tested against available and relevant information and reviewed with subject-matter experts for consistency and reliability. During the preparation of financial results, tests are conducted to ascertain that the net book carrying values of assets are not in excess of fair values. These tests use current market information, if available, or other generally accepted valuation methods, such as future cash flows. When the use of estimates is necessary, an exact answer is unlikely, and therefore, the reporting within a range of likely outcomes is used in the preparation of the financial statements. Tests are also applied in order to be reasonably assured that liabilities are properly reflected on the records of the Partnership and that the notes to the financial statements are prepared in a fashion that informs readers of possible outcomes and risks associated with the conduct of business.

Depletion: Depletion represents the cost of timber harvested and is charged to operations by applying a depletion rate to volume harvested during the period. The depletion rate is calculated on January 1st of each year by dividing the Partnership's cost of merchantable timber by the volume of merchantable timber. Merchantable timber is defined as timber that is equal to or greater than 40 years of age. To calculate the depletion rate the Partnership has determined that a combined pool representing costs and volume of both the Hood Canal and Columbia tree farms is the most appropriate method to use.

Inventory volumes take into account the applicable state and federal regulatory limits on timber harvests as applied to the Partnership's properties, including the new Forests and Fish law that supplements Washington State's forest practice regulations to provide for expanded riparian management zones, wildlife leave trees, and other harvest restrictions. Timber inventory volume is accounted for by the Partnership's standing timber inventory system, which utilizes annual statistical sampling of the timber (cruising) with annual adjustments made for estimated growth and the depletion of areas harvested.

The standing inventory system is subject to two processes each year to monitor accuracy. The first is the annual cruise process and the second is a comparison of (a) volume actually extracted by harvest to (b) inventory in the standing inventory system at the time of the harvest. A "cruise" represents a physical measurement of timber on a specific set of acres. The cruise process is completed when the physical measurement totals are compared to the inventory in the standing inventory system. Only productive acres with timber that is at least 20 years old are selected to cruise. The Partnership cruised 20% of its productive acres with 20 year old or greater timber in both 2002 and 2003 and plans to continue to cruise 20% for at least the next few years. Specific acres are first selected for cruising with a bias towards those acres that have gone the longest without a cruise and, second, with a bias towards those acres that have been growing the longest. As the cruise is being performed, only those trees with a breast height diameter (approximately 4.5 feet from the ground) of at least 6 inches are measured for inclusion in the inventory.

A 5% change in estimated timber inventory volume would have changed 2003 depletion expense by \$152,000.

Environmental remediation: The environmental remediation liability represents estimated payments to be made to remedy and monitor certain areas in and around the townsite of Port Gamble. Port Gamble is a historic town that was owned and operated by P&T, a related party, until 1985 when the townsite and other assets were spun off to the Partnership. P&T continued to operate the townsite until 1996 and leased the mill site at Port Gamble through January 2002, at which point P&T signed an agreement with the Partnership dividing the responsibility for environmental remediation of Port Gamble between the two parties.

The environmental remediation liability on the Partnership's books is based upon an estimate of the Partnership's portion of the clean-up costs under this agreement with P&T. During 2002 the environmental liability increased \$730,000 as a result of costs to complete the Partnership's share exceeding the original estimate. While the majority of the Partnership's portion of the clean up efforts is complete, there remains the possibility that the remaining remediation or monitoring activities may exceed estimates, resulting in an additional environmental remediation charge. Management will continue to monitor the remaining liability against estimates to complete to determine if an adjustment to the environmental remediation liability is necessary to accurately represent management's estimate of remaining cost to complete the project.

Deferred tax assets: The Partnership has a United States subsidiary corporation that has \$1.0 million of deferred tax assets as of December 31, 2003. The majority of this balance represents net operating loss carryforwards resulting from the liquidation of our subsidiary in Canada. Management evaluates the likelihood of earning taxable income to absorb net operating loss carryforwards each reporting period to determine if deferred tax assets are likely to be utilized.

Item 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of March 31, 2004, the Partnership had \$36.2 million of fixed rate debt outstanding with a fair value of approximately \$40.2 million based on the current interest rates for similar financial instruments. A change in the interest rate on fixed rate debt will affect the fair value of the debt, whereas a change in the interest rate on variable rate debt will affect interest expense and cash flows. A hypothetical 1% change in prevailing interest rates would change the fair value of the Partnership's fixed-rate long-term debt obligations by \$1.7 million.

Item 4

CONTROLS AND PROCEDURES

The Partnership's management maintains an adequate system of internal controls to promote the timely identification and reporting of material, relevant information. Those controls include (1) requiring executive management and all managers in accounting roles to sign and adhere to a Code of Conduct and (2) implementation of a confidential hotline for employees to contact the Audit Committee directly with financial reporting concerns. Additionally the Partnership's senior management team meets regularly to discuss significant transactions and events affecting the Partnership's operations. The Partnership's President & CEO and V.P. & CFO lead these meetings and consider whether topics discussed represent information that should be disclosed under generally accepted accounting principles and the rules of the SEC. The Board of Directors of the Partnership's general partner includes an Audit Committee. The Audit Committee reviews the earnings release and all reports on Form 10-Q and 10-K prior to their filing. The Audit Committee is responsible for hiring the Partnership's external auditors and meets with those auditors at least four times each year.

The Partnership's President & CEO and V.P. & CFO are responsible for establishing and maintaining disclosure controls and procedures. They have designed such controls to ensure that others make all material information known to them within the organization. Management regularly evaluates ways to improve internal controls.

As of the end of the period covered by the quarterly report on Form 10-Q our executive officers completed an evaluation of the disclosure controls and procedures and have determined them to be functioning properly and effectively. They did not discover any significant deficiencies or material weaknesses within the controls and

procedures that required modification. There were no significant changes in the Partnership's internal controls over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II

Item 1: Legal Proceedings

From time to time, the Partnership may be subject to legal proceedings and claims that may have a material adverse impact on its business. Management is not aware of any current legal proceedings or claims that will have, individually or in the aggregate, a material adverse impact on its business, prospects, financial condition or results of operations.

Item 2: Changes in Securities and Use of Proceeds

(a) – (e) None

Item 3: Defaults upon Senior Securities

None

Item 4: Submission of Matters to a Vote of Security Holders

None

Item 5: Other Information

(a) None

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(b) There have been no material changes in the procedures for shareholders of the Partnership's general partner to nominate directors to the board.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

- | | |
|-------|---|
| 10.73 | Change in Control Agreement-David L. Nunes, President and CEO |
| 10.74 | Change in Control Agreement-Thomas M. Ringo, V.P. and CFO |
| 10.75 | Change in Control Agreement-John T. Shea, Director Business Development |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a). |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a). |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (furnished with this report in accordance with SEC Rel. No. 33-8238). |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (furnished with this report in accordance with SEC Rel. No. 33-8238). |

(b) Forms 8-K.

On April 21, 2004, the Partnership filed a report on form 8-K reporting earnings for the quarter ended March 31, 2004.

On February 2, 2004, the Partnership files a report on Form 8-K reporting earnings for the quarter and year ended December 31, 2003.

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SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 30, 2004.

POPE RESOURCES,
A Delaware Limited Partnership

By: POPE MGP, Inc.
Managing General Partner

By: /s/ David L. Nunes
David L. Nunes
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Thomas M. Ringo
Thomas M. Ringo
Vice President and CFO
(Principal Accounting and Financial Officer)

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

**RESOLUTIONS OF THE HUMAN RESOURCE COMMITTEE
OF THE BOARD OF DIRECTORS**

RE: REVISED CHANGE IN CONTROL SEVERANCE AGREEMENTS

WHEREAS, the Committee deems it advisable at this time to adopt a change in control severance program for selected senior executives of the Company and its affiliates; now, therefore, it is hereby

RESOLVED that the Company be, and the Company hereby is, authorized to enter into change in control severance agreements (the "New Agreements") with those key executives of the Company and its affiliates that are specifically selected and approved from time to time by the Human Resources Committee. The New Agreements shall not generally and comprehensively displace the existing severance policies and practices of the Company for and with respect to the executives who enter into them, and the existing policies and practices shall continue to apply in any situation that does not qualify as a change in control termination event according to the terms of the New Agreements. In any circumstance in which a terminated executive is entitled to receive benefits pursuant to the terms of a New Agreement, however, such benefits received by the terminated executive pursuant to the New Agreement shall be the sole and exclusive severance benefit to which such terminated executive shall be entitled, unless otherwise provided by further resolution of this Committee. Each executive entering into an approved change in control agreement with the Company shall receive the following benefits should his or her employment terminate (other than for cause) within eighteen (18) months following certain changes in control or ownership of the Company:

- **Severance Payment.** The executive will be entitled to a cash severance payment in an aggregate amount equal to (i) two (2) times base salary plus (ii) his or her target bonus for the fiscal year of the Company in which such termination occurs.
- **Option Acceleration.** Each of the executive's outstanding options will automatically accelerate so that each such option will become fully vested and immediately exercisable for the total number of Units at the time subject to that option.
- **Health Care Coverage.** The Company will, at its expense, provide the executive and his or her eligible dependents with continued health care coverage under the Company's medical/dental plan for up to an additional eighteen (18) months following his or her termination date.

However, the severance payment otherwise payable to the terminated executive shall be subject to reduction to the extent necessary to assure that the total severance benefits provided to the terminated executive will not result in any excess parachute payments under Internal Revenue Code Section 280G (determined as if such Section were applicable to such payments, notwithstanding the technical inapplicability of such Section to the severance payment).

FURTHER RESOLVED, that the remaining terms and conditions of the severance benefits hereby authorized shall be as substantially set forth in the form severance agreement attached to these resolutions as Exhibit A.

FINALLY RESOLVED that each officer of the Company be, and each such officer hereby is, authorized and directed, for and on behalf of the Company, to take all action and to prepare, execute and deliver all documents which such officer deems necessary or advisable in order to implement the revised change in control severance program hereby authorized, including (without limitation) the preparation, execution and delivery of the form severance agreement in such final form as he deems advisable.

April 13, 2004

Mr. David L. Nunes
President & Chief Executive Officer

Dear David:

We are pleased to inform you that the Board of Directors of Pope MGP, Inc., the General Partner of Pope Resources (the “Company”), has recently authorized and approved a special severance benefit program for you and other key executives. The purpose of this letter agreement is to set forth the terms and conditions of your benefit package and to explain the limitations which will govern the overall value of your benefits.

This program is intended to be available to selected executives who are employed by the Company or any affiliate of the Company. Subsequent references to the “Company” in this letter shall be deemed to include affiliates, to the extent required by context, when they pertain directly to your own employment relationship, but references to the “Company” that do not pertain directly to that employment relationship shall be deemed to refer exclusively to Pope Resources and not to any affiliate.

Your severance benefits will become payable in the event your employment terminates involuntarily within a specified time period following certain changes in ownership or control of the Company. To understand the full scope of your severance benefits, you should familiarize yourself with the definitional provisions of Part One of this letter agreement. The benefits comprising your severance package are detailed in Part Two, and the dollar limitations on the overall value of your benefit package are specified in Part Three. Part Four deals with ancillary matters affecting your severance arrangement. In any circumstance in which severance benefits become payable to you pursuant to this letter agreement, those benefits will be your sole and exclusive severance benefits to be paid to you by the Company as a result of your termination, and you will not be entitled to severance benefits under any other policy or program of the Company, unless the Board of Directors shall specifically approve such other severance benefits at that time.

PART ONE — DEFINITIONS

For purposes of this letter agreement, the following definitions will be in effect:

Andrews Family means Emily T. Andrews, her parents, and Adolphus Andrews, Jr., and their lineal descendants, any present or former spouse of such persons, any lineal descendants of such spouses or former spouses, any estate of any of the foregoing persons, any trust in which the foregoing persons collectively have all of the beneficial interests as income beneficiaries or remaindermen, and any corporation, partnership, or other entity in which any one or more of such persons or entities own all of the interests.

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Assets means all or substantially all of the assets of the Company and its affiliates, as they shall be held by the Company and its affiliates from time to time, including the assets of all divisions, segments, and business units in existence at such time.

Average Compensation means the average of your W-2 wages from the Company for the five (5) calendar years (or such fewer number of calendar years of employment with the Company) completed immediately prior to the calendar year in which the Change of Control is effected. Any W-2 wages for a partial year of employment will be annualized, in accordance with the frequency which such wages are paid during such partial year, before inclusion in your Average Compensation. If any of your compensation from the Company during such five (5)-year or shorter period was not included in your W-2 wages for U.S. income tax purposes, either because you were not a U.S. citizen or resident or because such compensation was excludible from income as foreign earned income under Code Section 911, then such compensation will nevertheless be included in your Average Compensation to the same extent as if it were part of your W-2 wages.

Base Salary means the annual rate of base salary in effect for you immediately prior to the Change in Control or (if greater) the annual rate of base salary in effect at the time of your Involuntary Termination.

Change in Control means:

(i) any event or circumstance that results in persons other than Controlling Persons collectively being In Control of MGP and/or EGP unless, prior to the occurrence of such event or circumstance, the Assets shall have been transferred exclusively to Controlling Persons and/or to entities of which Controlling Persons collectively are In Control; or

(ii) an event or circumstance that results in MGP and/or EGP collectively ceasing to act as the sole General Partners and the Managing General Partner of the Company and to have the sole and exclusive right to direct, manage, and conduct the business of the Company unless, prior to the occurrence of such event or circumstance, the Assets shall have been transferred exclusively to Controlling Persons and/or to entities of which Controlling Persons collectively are In Control; or

(iii) the Transfer of the Assets to any person or persons who are not Controlling Persons and/or to any entity or entities of which Controlling Persons collectively are not In Control; or

(iv) any merger or consolidation in which Controlling Persons collectively are not In Control of the surviving or resulting entity unless, prior to the occurrence of such event or circumstance, the Assets shall have been transferred exclusively to Controlling Persons and/or to entities of which Controlling Persons collectively are In Control; or

(v) the dissolution and/or liquidation of the Company that results in ownership or control of the Assets by any persons who are not Controlling Persons and/or by any entity or entities of which Controlling Persons collectively are not In Control.

Code means the Internal Revenue Code of 1986, as amended.

Controlling Persons means members of the Andrews Family and members of the Pope Family, collectively.

EGP means Pope EGP, a Delaware corporation and a standby general partner of the Company.

Fair Market Value means, with respect to any Units subject to any of your Options, the closing selling price per Unit on the date in question, as reported on the Nasdaq National Market System. If there is no reported sale of Units on such date, then the closing selling price on the Nasdaq National Market System on the next preceding day for which there does exist such quotation will be determinative of Fair Market Value.

Health Care Coverage means the continued health care coverage to which you and your eligible dependents may become entitled under Part Two of this letter agreement upon the Involuntary Termination of your employment.

In Control means owning, and having the present and continuing right to exercise control over, a majority of the voting power of, and right to exercise control over management of, any entity, which right is not subject to any material limitations, qualifications, or exceptions (whether temporary or permanent) in excess of those applicable on the date of this letter agreement to the interests of the Controlling Persons in MGP and EGP.

Involuntary Termination means the termination of your employment with the Company:

- involuntarily upon your discharge or dismissal (other than a Termination for Cause), or
- voluntarily upon your resignation following (I) a change in your position with the Company which materially reduces your duties or level of responsibility, (II) a 20% or more reduction in your level of compensation (including base salary, fringe benefits and target bonus under any incentive performance plan) or (III) a change in your place of employment which is more than fifty (50) miles from your place of employment prior to the Change in Control, provided and only if such change or reduction is effected without your written concurrence.

In no event shall an Involuntary Termination be deemed to occur should your employment terminate by reason of your death or disability.

MGP means Pope MGP, Inc., a Delaware corporation and the Managing General Partner of the Company.

Option means any option granted to you under the Plan which is outstanding at the time of the Change in Control or upon your subsequent Involuntary Termination.

Option Parachute Payment means, with respect to any Option, the portion of that Option deemed to be a parachute payment under Code Section 280G and the Treasury Regulations issued thereunder. The portion of such Option which is categorized as an Option Parachute Payment will be calculated in accordance with the valuation provisions established under Code Section 280G and the applicable Treasury Regulations and will include an appropriate dollar adjustment to reflect the lapse of your obligation to remain in the Company's employ as a condition to the vesting of the accelerated installment. In no event, however, will the Option Parachute Payment attributable to any Option (or accelerated installment) exceed the spread (the excess of the Fair Market Value of the accelerated option Units over the option exercise price payable for those Units) existing at the time of acceleration.

Other Parachute Payment means any payment in the nature of compensation (other than the benefits to which you become entitled under Part Two of this letter agreement) which are made to you in connection with the Change in Control and which accordingly qualify as parachute payments within the meaning of Code Section 280G(b)(2) and the Treasury Regulations issued thereunder. Your Other Parachute Payment will include (without limitation) the Present Value, measured as of the Change in Control, of the aggregate Option Parachute Payment attributable to your Options (if any).

Partnership Agreement means the Amended and Restated Limited Partnership Agreement of Pope Resources, A Delaware Limited Partnership, as amended through the date of this letter agreement and as hereafter amended or restated at any time.

Plan means (i) the Company's Unit Option Plan adopted in 1997, as amended or restated from time to time, and (ii) any successor equity incentive plan subsequently implemented by the Company.

Pope Family means the lineal descendants or spouses of George A. Pope, Jr. and Harriet Brownell, any present or former spouse of such persons, any lineal descendants of such spouses or former spouses, any estate of any of the foregoing persons, any trust in which the foregoing persons collectively have all of the beneficial interests as income beneficiaries or remaindermen, and any corporation, partnership, or other entity in which any one or more of such persons or entities own all of the interests.

Present Value means the value, determined as of the date of the Change in Control, of any payment in the nature of compensation to which you become entitled in connection with the Change in Control or the subsequent Involuntary Termination of your employment, including (without limitation) the Option Parachute Payment attributable to your Options and your Severance Payment under Part Two of this letter agreement. The Present Value of each such payment shall be determined in accordance with the provisions of Code Section 280G(d)(4), utilizing a discount rate equal to one hundred twenty percent (120%) of the applicable Federal rate in effect at the time of such determination, compounded semi-annually to the effective date of the Change in Control.

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Severance Payment means the severance payment to which you may become entitled under Part Two in the event of your Involuntary Termination following a Change in Control; subject, however, to the dollar limitations of Part Three.

Termination for Cause means a termination of your employment occasioned by reason of your having engaged in fraud or in any other intentional misconduct adversely affecting the business reputation of the Company in a material manner.

Transfer shall mean the sale, transfer, or disposition of all or substantially all of the Assets in a single transaction or group of related transactions, but shall not include the sale, transfer, or disposition of any of the Assets in the ordinary course of business.

Unit means a unit of interest in the Company acquired or issued pursuant to the Partnership Agreement.

PART TWO — CHANGE IN CONTROL BENEFITS

Upon the Involuntary Termination of your employment within eighteen (18) months following a Change in Control, you will become entitled to receive the special severance benefits provided in this Part Two.

1. Severance Payment.

If your Involuntary Termination occurs within the first eighteen (18) months after the Change in Control, then you will be entitled to a Severance Payment in an aggregate amount equal to (i) two (2) times your Base Salary plus (ii) your target bonus for the fiscal year of the Company in which such Involuntary Termination occurs. The Severance Payment will be made to you in a lump sum payment within ninety (90) days after your Involuntary Termination.

The Severance Payment will be subject to the Company's collection of applicable federal and state income and employment withholding taxes.

In the event your employment terminates by reason of your death or disability or your Termination for Cause, you will not be entitled to receive any Severance Payment or other benefits under this letter agreement.

2. Option Acceleration.

Your outstanding Options will (to the extent not then otherwise fully exercisable) automatically accelerate to the extent so provided in the Plan so that each such accelerated Option will become fully vested and immediately exercisable for the total number of Units at the time subject to that Option. Each such accelerated Option, together with all your other vested Options, will remain exercisable for fully-vested Units until the earlier of (i) the expiration date of the original option term for such Option or (ii) the end of the one (1) year period measured from the date of your Involuntary Termination (notwithstanding any provisions of the Plan that would provide for only a 90-day period).

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3. Additional Benefits.

a. Health Care Coverage.

The Company will, at its expense, provide you and your eligible dependents with continued health care coverage under the Company's medical/dental plan until the earlier of (i) eighteen (18) months after the date of your Involuntary Termination or (ii) the first date that the you are covered under another employer's health benefit program which provides substantially the same level of benefits without exclusion for pre-existing medical conditions. The coverage so provided you and your eligible dependents will be in full and complete satisfaction of the continued health care coverage to which you or your eligible dependents would otherwise, at your own expense, be entitled under Code Section 4980B by reason of your termination of employment, and neither you nor your eligible dependents will accordingly be entitled to any additional period of health care coverage under Code Section 4980B as a result of your termination of employment.

b. Unpaid Benefits

You will receive an immediate lump sum payment of all unpaid vacation days which you have accrued through the date of your Involuntary Termination.

PART THREE — LIMITATION ON BENEFITS

1. Parachute Limit.

Except to the limited extent (if any) provided under Paragraph 4(a) below, the aggregate Present Value (measured as of the Change in Control) of the benefits to which you become entitled under Part Two at the time of your Involuntary Termination (namely the Severance Payment, the Option Parachute Payment attributable to your Options and your Health Care Continuation) will in no event exceed in amount the difference between (i) 2.99 times your Average Compensation and (ii) the Present Value, measured as of the Change in Control, of all Other Parachute Payments to which you are entitled.

Accordingly, except as otherwise provided under Paragraph 4(a) below, your Options will not accelerate and no Severance Payment will be made to you pursuant to this letter agreement, to the extent the Present Value as of the Change in Control of (I) the aggregate Option Parachute Payment attributable to your Options plus (II) your Severance Payment plus (III) your Health Care Continuation would, when added to the Present Value of your Other Parachute Payments, exceed 2.99 times your Average Compensation (the "Parachute Limit").

2. Resolution Procedure.

For purposes of the foregoing Parachute Limit, the following provisions will be in effect:

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a. In the event there is any disagreement between you and the Company as to whether one or more payments to which you become entitled in connection with either the Change in Control or your subsequent Involuntary Termination constitute Option Parachute Payments or Other Parachute Payments or as to the determination of the Present Value thereof, such dispute will be resolved as follows:

(i) In the event temporary, proposed or final Treasury Regulations in effect at the time under Code Section 280G (or applicable judicial decisions) specifically address the status of any such payment or the method of valuation therefore, the characterization afforded to such payment by the Regulations (or such decisions) will, together with the applicable valuation methodology, be controlling.

(ii) In the event Treasury Regulations (or applicable judicial decisions) do not address the status of any payment in dispute, the matter will be submitted for resolution to independent counsel mutually acceptable to you and the Company ("Independent Counsel"). The resolution reached by Independent Counsel will be final and controlling; provided, however, that if in the judgment of Independent Counsel the status of the payment in dispute can be resolved through the obtainment of a private letter ruling from the Internal Revenue Service, a formal and proper request for such ruling will be prepared and submitted by Independent Counsel, and the determination made by the Internal Revenue Service in the issued ruling will be controlling. All expenses incurred in connection with the retention of Independent Counsel and (if applicable) the preparation and submission of the ruling request shall be shared equally by you and the Company.

(iii) In the event Treasury Regulations (or applicable judicial decisions) do not address the appropriate valuation methodology for any payment in dispute, the Present Value thereof will, at the Independent Counsel's election, be determined through an independent third-party appraisal, and the expenses incurred in obtaining such appraisal shall be shared equally by you and the Company.

3. Status of Benefits.

a. No Severance Payment will be made to you under Part Two of this letter agreement until the Present Value of the Option Parachute Payment attributable to your Options has been determined and the status of any payments in dispute under Paragraph 2 above has been resolved in accordance therewith. However, you will

be permitted to exercise your Options at any time during the one (1) year (or shorter) period immediately following your Involuntary Termination.

b. Once the requisite determinations under Paragraph 2 have been made, then to the extent the aggregate Present Value, measured as of the Change in Control, of (1) the Option Parachute Payment attributable to your Options (or installments thereof) plus (2) your Severance Payment would, when added to the Present Value of all your Other Parachute Payments exceed the Parachute Limit, your Severance Payment will be accordingly reduced.

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4. Overriding Limitations.

a. Notwithstanding any provision to the contrary set forth in the preceding provisions of this Part Three, the aggregate Present Value of your Severance Payment and the Option Parachute Payment attributable to your Options will not be reduced below that amount (if any) which, when added to the Present Value of all the Other Parachute Payment to which you are entitled, would nevertheless qualify as reasonable compensation for past services within the standards established under Code Section 280G(b)(4)(B).

b. The limitations of this Part Three will in all events be interpreted in such manner as to avoid the imposition of excise taxes under Code Section 4999, and the disallowance of deductions under Code Section 280G(a), with respect to any of the benefits paid pursuant to Part Two of this letter agreement. This provision will apply as if Code Section 4999 and Code Section 280G(a) and the related provisions of the Code and Treasury Regulations are applicable to this Agreement and to payments to be made to you as a result of your Involuntary Termination following a Change of Control, notwithstanding the technical inapplicability of such law and regulations to the Company as a result of its organization and structure, and all provisions of this Agreement shall be construed, interpreted, and applied as if such laws and regulations were applicable.

PART FOUR — MISCELLANEOUS PROVISIONS

1. Termination for Cause.

Should your termination of employment constitute a Termination for Cause, then the Company will only be required to pay you (i) any unpaid compensation earned for services previously rendered through the date of such termination and (ii) any accrued but unpaid vacation benefits or sick days, and no benefits will be payable to you under Part Two of this letter agreement.

2. Death.

Should you die before receipt of one or more Severance Payment to which you become entitled under Part Two of this letter agreement, then those payment or payments will be made to the executors or administrators of your estate. Should you die before you exercise all your outstanding Options, then such Options may be exercised, within twelve (12) months after your death, by the executors or administrators of your estate or by persons to whom the Options are transferred pursuant to your will or in accordance with the laws of inheritance. In no event, however, may any such Option be exercised after the specified expiration date of the option term.

3. General Creditor Status.

The payments and benefits to which you become entitled hereunder will be paid, when due, from the general assets of the Company, and no trust fund, escrow arrangement or other segregated account will be established as a funding vehicle for such payment. Accordingly, your right (or the right of the personal representatives or beneficiaries of your estate) to receive any payments or benefits hereunder will at all times be that of a general creditor of the Company and will have no priority over the claims of other general creditors.

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4. Indemnification.

The indemnification provisions for Officers and Directors under the Company Bylaws will (to the maximum extent permitted by law) be extended to you, during the period following your Involuntary Termination, with respect to any and all matters, events or transactions occurring or effected during your employment with the Company.

5. Miscellaneous.

This letter agreement will be binding upon the Company, its successors and assigns (including, without limitation, the surviving entity in any Change in Control) and is to be construed and interpreted under the laws of

the State of Washington. This letter may only be amended by written instrument signed by you and an authorized officer of the Company. If any provision of this letter agreement as applied to you or the Company or to any circumstance should be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the invalidity of that provision will in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court, the application of any other provision of this letter agreement, or the enforceability or invalidity of this letter agreement as a whole. Should any provision of this letter agreement become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision will be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken and the remainder of this letter agreement will continue in full force and effect.

6. No Employment or Service Contract.

Nothing in this letter agreement is intended to provide you with any right to continue in the employ of the Company for any period of specific duration or interfere with or otherwise restrict in any way your rights or the rights of the Company (or any subsidiary), which rights are hereby expressly reserved by each, to terminate your employment at any time for any reason whatsoever, with or without cause.

7. Attorney Fees.

In the event legal proceeding should be initiated by you or by the Company with respect to any controversy, claim or dispute relating to the interpretation or application of the provisions of this letter agreement or any benefits payable hereunder, the prevailing party in such proceedings will be entitled to recover from the losing party reasonable attorney fees and costs incurred in connection with such proceedings or in the enforcement or collection of any judgment or award rendered in such proceedings. For purposes of this provision, the prevailing party means the party determined by the court to have most nearly prevailed in the proceedings, even if that party does not prevail in all matters, and does not necessarily mean the party in whose favor the judgment is actually rendered.

Please indicate your acceptance of the foregoing provisions of this employment agreement by signing the enclosed copy of this agreement and returning it to the Company.

**POPE RESOURCES, A DELAWARE
LIMITED PARTNERSHIP**

BY: Thomas M. Ringo

TITLE: Vice President & Chief Financial Officer

ACCEPTANCE

I hereby agree to all the terms and provisions of the foregoing letter agreement governing the special benefits to which I may become entitled in connection with certain changes in control or ownership of the Company.

Signature: David L. Nunes

Dated: April 13, 2004

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

**RESOLUTIONS OF THE HUMAN RESOURCE COMMITTEE
OF THE BOARD OF DIRECTORS**

RE: REVISED CHANGE IN CONTROL SEVERANCE AGREEMENTS

WHEREAS, the Committee deems it advisable at this time to adopt a change in control severance program for selected senior executives of the Company and its affiliates; now, therefore, it is hereby

RESOLVED that the Company be, and the Company hereby is, authorized to enter into change in control severance agreements (the "New Agreements") with those key executives of the Company and its affiliates that are specifically selected and approved from time to time by the Human Resources Committee. The New Agreements shall not generally and comprehensively displace the existing severance policies and practices of the Company for and with respect to the executives who enter into them, and the existing policies and practices shall continue to apply in any situation that does not qualify as a change in control termination event according to the terms of the New Agreements. In any circumstance in which a terminated executive is entitled to receive benefits pursuant to the terms of a New Agreement, however, such benefits received by the terminated executive pursuant to the New Agreement shall be the sole and exclusive severance benefit to which such terminated executive shall be entitled, unless otherwise provided by further resolution of this Committee. Each executive entering into an approved change in control agreement with the Company shall receive the following benefits should his or her employment terminate (other than for cause) within eighteen (18) months following certain changes in control or ownership of the Company:

- **Severance Payment.** The executive will be entitled to a cash severance payment in an aggregate amount equal to (i) two (2) times base salary plus (ii) his or her target bonus for the fiscal year of the Company in which such termination occurs.
- **Option Acceleration.** Each of the executive's outstanding options will automatically accelerate so that each such option will become fully vested and immediately exercisable for the total number of Units at the time subject to that option.
- **Health Care Coverage.** The Company will, at its expense, provide the executive and his or her eligible dependents with continued health care coverage under the Company's medical/dental plan for up to an additional eighteen (18) months following his or her termination date.

However, the severance payment otherwise payable to the terminated executive shall be subject to reduction to the extent necessary to assure that the total severance benefits provided to the terminated executive will not result in any excess parachute payments under Internal Revenue Code Section 280G (determined as if such Section were applicable to such payments, notwithstanding the technical inapplicability of such Section to the severance payment).

FURTHER RESOLVED, that the remaining terms and conditions of the severance benefits hereby authorized shall be as substantially set forth in the form severance agreement attached to these resolutions as Exhibit A.

FINALLY RESOLVED that each officer of the Company be, and each such officer hereby is, authorized and directed, for and on behalf of the Company, to take all action and to prepare, execute and deliver all documents which such officer deems necessary or advisable in order to implement the revised change in control severance program hereby authorized, including (without limitation) the preparation, execution and delivery of the form severance agreement in such final form as he deems advisable.

April 13, 2004

Mr. Thomas M. Ringo
Vice President & Chief Financial Officer

Dear Tom:

We are pleased to inform you that the Board of Directors of Pope MGP, Inc., the General Partner of Pope Resources (the “Company”), has recently authorized and approved a special severance benefit program for you and other key executives. The purpose of this letter agreement is to set forth the terms and conditions of your benefit package and to explain the limitations which will govern the overall value of your benefits.

This program is intended to be available to selected executives who are employed by the Company or any affiliate of the Company. Subsequent references to the “Company” in this letter shall be deemed to include affiliates, to the extent required by context, when they pertain directly to your own employment relationship, but references to the “Company” that do not pertain directly to that employment relationship shall be deemed to refer exclusively to Pope Resources and not to any affiliate.

Your severance benefits will become payable in the event your employment terminates involuntarily within a specified time period following certain changes in ownership or control of the Company. To understand the full scope of your severance benefits, you should familiarize yourself with the definitional provisions of Part One of this letter agreement. The benefits comprising your severance package are detailed in Part Two, and the dollar limitations on the overall value of your benefit package are specified in Part Three. Part Four deals with ancillary matters affecting your severance arrangement. In any circumstance in which severance benefits become payable to you pursuant to this letter agreement, those benefits will be your sole and exclusive severance benefits to be paid to you by the Company as a result of your termination, and you will not be entitled to severance benefits under any other policy or program of the Company, unless the Board of Directors shall specifically approve such other severance benefits at that time.

PART ONE — DEFINITIONS

For purposes of this letter agreement, the following definitions will be in effect:

Andrews Family means Emily T. Andrews, her parents, and Adolphus Andrews, Jr., and their lineal descendants, any present or former spouse of such persons, any lineal descendants of such spouses or former spouses, any estate of any of the foregoing persons, any trust in which the foregoing persons collectively have all of the beneficial interests as income beneficiaries or remaindermen, and any corporation, partnership, or other entity in which any one or more of such persons or entities own all of the interests.

1

Assets means all or substantially all of the assets of the Company and its affiliates, as they shall be held by the Company and its affiliates from time to time, including the assets of all divisions, segments, and business units in existence at such time.

Average Compensation means the average of your W-2 wages from the Company for the five (5) calendar years (or such fewer number of calendar years of employment with the Company) completed immediately prior to the calendar year in which the Change of Control is effected. Any W-2 wages for a partial year of employment will be annualized, in accordance with the frequency which such wages are paid during such partial year, before inclusion in your Average Compensation. If any of your compensation from the Company during such five (5)-year or shorter period was not included in your W-2 wages for U.S. income tax purposes, either because you were not a U.S. citizen or resident or because such compensation was excludible from income as foreign earned income under Code Section 911, then such compensation will nevertheless be included in your Average Compensation to the same extent as if it were part of your W-2 wages.

Base Salary means the annual rate of base salary in effect for you immediately prior to the Change in Control or (if greater) the annual rate of base salary in effect at the time of your Involuntary Termination.

Change in Control means:

(i) any event or circumstance that results in persons other than Controlling Persons collectively being In Control of MGP and/or EGP unless, prior to the occurrence of such event or circumstance, the Assets shall have been transferred exclusively to Controlling Persons and/or to entities of which Controlling Persons collectively are In Control; or

(ii) an event or circumstance that results in MGP and/or EGP collectively ceasing to act as the sole General Partners and the Managing General Partner of the Company and to have the sole and exclusive right to direct, manage, and conduct the business of the Company unless, prior to the occurrence of such event or circumstance, the Assets shall have been transferred exclusively to Controlling Persons and/or to entities of which Controlling Persons collectively are In Control; or

(iii) the Transfer of the Assets to any person or persons who are not Controlling Persons and/or to any entity or entities of which Controlling Persons collectively are not In Control; or

(iv) any merger or consolidation in which Controlling Persons collectively are not In Control of the surviving or resulting entity unless, prior to the occurrence of such event or circumstance, the Assets shall have been transferred exclusively to Controlling Persons and/or to entities of which Controlling Persons collectively are In Control; or

(v) the dissolution and/or liquidation of the Company that results in ownership or control of the Assets by any persons who are not Controlling Persons and/or by any entity or entities of which Controlling Persons collectively are not In Control.

Code means the Internal Revenue Code of 1986, as amended.

Controlling Persons means members of the Andrews Family and members of the Pope Family, collectively.

EGP means Pope EGP, a Delaware corporation and a standby general partner of the Company.

Fair Market Value means, with respect to any Units subject to any of your Options, the closing selling price per Unit on the date in question, as reported on the Nasdaq National Market System. If there is no reported sale of Units on such date, then the closing selling price on the Nasdaq National Market System on the next preceding day for which there does exist such quotation will be determinative of Fair Market Value.

Health Care Coverage means the continued health care coverage to which you and your eligible dependents may become entitled under Part Two of this letter agreement upon the Involuntary Termination of your employment.

In Control means owning, and having the present and continuing right to exercise control over, a majority of the voting power of, and right to exercise control over management of, any entity, which right is not subject to any material limitations, qualifications, or exceptions (whether temporary or permanent) in excess of those applicable on the date of this letter agreement to the interests of the Controlling Persons in MGP and EGP.

Involuntary Termination means the termination of your employment with the Company:

- involuntarily upon your discharge or dismissal (other than a Termination for Cause), or
- voluntarily upon your resignation following (I) a change in your position with the Company which materially reduces your duties or level of responsibility, (II) a 20% or more reduction in your level of compensation (including base salary, fringe benefits and target bonus under any incentive performance plan) or (III) a change in your place of employment which is more than fifty (50) miles from your place of employment prior to the Change in Control, provided and only if such change or reduction is effected without your written concurrence.

In no event shall an Involuntary Termination be deemed to occur should your employment terminate by reason of your death or disability.

MGP means Pope MGP, Inc., a Delaware corporation and the Managing General Partner of the Company.

Option means any option granted to you under the Plan which is outstanding at the time of the Change in Control or upon your subsequent Involuntary Termination.

Option Parachute Payment means, with respect to any Option, the portion of that Option deemed to be a parachute payment under Code Section 280G and the Treasury Regulations issued thereunder. The portion of such Option which is categorized as an Option Parachute Payment will be calculated in accordance with the valuation provisions established under Code Section 280G and the applicable Treasury Regulations and will include an appropriate dollar adjustment to reflect the lapse of your obligation to remain in the Company's employ as a condition to the vesting of the accelerated installment. In no event, however, will the Option Parachute Payment attributable to any Option (or accelerated installment) exceed the spread (the excess of the Fair Market Value of the accelerated option Units over the option exercise price payable for those Units) existing at the time of acceleration.

Other Parachute Payment means any payment in the nature of compensation (other than the benefits to which you become entitled under Part Two of this letter agreement) which are made to you in connection with the Change in Control and which accordingly qualify as parachute payments within the meaning of Code Section 280G(b)(2) and the Treasury Regulations issued thereunder. Your Other Parachute Payment will include (without limitation) the Present Value, measured as of the Change in Control, of the aggregate Option Parachute Payment attributable to your Options (if any).

Partnership Agreement means the Amended and Restated Limited Partnership Agreement of Pope Resources, A Delaware Limited Partnership, as amended through the date of this letter agreement and as hereafter amended or restated at any time.

Plan means (i) the Company's Unit Option Plan adopted in 1997, as amended or restated from time to time, and (ii) any successor equity incentive plan subsequently implemented by the Company.

Pope Family means the lineal descendants or spouses of George A. Pope, Jr. and Harriet Brownell, any present or former spouse of such persons, any lineal descendants of such spouses or former spouses, any estate of any of the foregoing persons, any trust in which the foregoing persons collectively have all of the beneficial interests as income beneficiaries or remaindermen, and any corporation, partnership, or other entity in which any one or more of such persons or entities own all of the interests.

Present Value means the value, determined as of the date of the Change in Control, of any payment in the nature of compensation to which you become entitled in connection with the Change in Control or the subsequent Involuntary Termination of your employment, including (without limitation) the Option Parachute Payment attributable to your Options and your Severance Payment under Part Two of this letter agreement. The Present Value of each such payment shall be determined in accordance with the provisions of Code Section 280G(d)(4), utilizing a discount rate equal to one hundred twenty percent (120%) of the applicable Federal rate in effect at the time of such determination, compounded semi-annually to the effective date of the Change in Control.

4

Severance Payment means the severance payment to which you may become entitled under Part Two in the event of your Involuntary Termination following a Change in Control; subject, however, to the dollar limitations of Part Three.

Termination for Cause means a termination of your employment occasioned by reason of your having engaged in fraud or in any other intentional misconduct adversely affecting the business reputation of the Company in a material manner.

Transfer shall mean the sale, transfer, or disposition of all or substantially all of the Assets in a single transaction or group of related transactions, but shall not include the sale, transfer, or disposition of any of the Assets in the ordinary course of business.

Unit means a unit of interest in the Company acquired or issued pursuant to the Partnership Agreement.

PART TWO — CHANGE IN CONTROL BENEFITS

Upon the Involuntary Termination of your employment within eighteen (18) months following a Change in Control, you will become entitled to receive the special severance benefits provided in this Part Two.

1. Severance Payment.

If your Involuntary Termination occurs within the first eighteen (18) months after the Change in Control, then you will be entitled to a Severance Payment in an aggregate amount equal to (i) two (2) times your Base Salary plus (ii) your target bonus for the fiscal year of the Company in which such Involuntary Termination occurs. The Severance Payment will be made to you in a lump sum payment within ninety (90) days after your Involuntary Termination.

The Severance Payment will be subject to the Company's collection of applicable federal and state income and employment withholding taxes.

In the event your employment terminates by reason of your death or disability or your Termination for Cause, you will not be entitled to receive any Severance Payment or other benefits under this letter agreement.

2. Option Acceleration.

Your outstanding Options will (to the extent not then otherwise fully exercisable) automatically accelerate to the extent so provided in the Plan so that each such accelerated Option will become fully vested and immediately exercisable for the total number of Units at the time subject to that Option. Each such accelerated Option, together with all your other vested Options, will remain exercisable for fully-vested Units until the earlier of (i) the expiration date of the original option term for such Option or (ii) the end of the one (1) year period measured from the date of your Involuntary Termination (notwithstanding any provisions of the Plan that would provide for only a 90-day period).

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3. Additional Benefits.

a. Health Care Coverage.

The Company will, at its expense, provide you and your eligible dependents with continued health care coverage under the Company's medical/dental plan until the earlier of (i) eighteen (18) months after the date of your Involuntary Termination or (ii) the first date that the you are covered under another employer's health benefit

program which provides substantially the same level of benefits without exclusion for pre-existing medical conditions. The coverage so provided you and your eligible dependents will be in full and complete satisfaction of the continued health care coverage to which you or your eligible dependents would otherwise, at your own expense, be entitled under Code Section 4980B by reason of your termination of employment, and neither you nor your eligible dependents will accordingly be entitled to any additional period of health care coverage under Code Section 4980B as a result of your termination of employment.

b. Unpaid Benefits

You will receive an immediate lump sum payment of all unpaid vacation days which you have accrued through the date of your Involuntary Termination.

PART THREE — LIMITATION ON BENEFITS

1. Parachute Limit.

Except to the limited extent (if any) provided under Paragraph 4(a) below, the aggregate Present Value (measured as of the Change in Control) of the benefits to which you become entitled under Part Two at the time of your Involuntary Termination (namely the Severance Payment, the Option Parachute Payment attributable to your Options and your Health Care Continuation) will in no event exceed in amount the difference between (i) 2.99 times your Average Compensation and (ii) the Present Value, measured as of the Change in Control, of all Other Parachute Payments to which you are entitled.

Accordingly, except as otherwise provided under Paragraph 4(a) below, your Options will not accelerate and no Severance Payment will be made to you pursuant to this letter agreement, to the extent the Present Value as of the Change in Control of (I) the aggregate Option Parachute Payment attributable to your Options plus (II) your Severance Payment plus (III) your Health Care Continuation would, when added to the Present Value of your Other Parachute Payments, exceed 2.99 times your Average Compensation (the "Parachute Limit").

2. Resolution Procedure.

For purposes of the foregoing Parachute Limit, the following provisions will be in effect:

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a. In the event there is any disagreement between you and the Company as to whether one or more payments to which you become entitled in connection with either the Change in Control or your subsequent Involuntary Termination constitute Option Parachute Payments or Other Parachute Payments or as to the determination of the Present Value thereof, such dispute will be resolved as follows:

(i) In the event temporary, proposed or final Treasury Regulations in effect at the time under Code Section 280G (or applicable judicial decisions) specifically address the status of any such payment or the method of valuation therefore, the characterization afforded to such payment by the Regulations (or such decisions) will, together with the applicable valuation methodology, be controlling.

(ii) In the event Treasury Regulations (or applicable judicial decisions) do not address the status of any payment in dispute, the matter will be submitted for resolution to independent counsel mutually acceptable to you and the Company ("Independent Counsel"). The resolution reached by Independent Counsel will be final and controlling; provided, however, that if in the judgment of Independent Counsel the status of the payment in dispute can be resolved through the obtainment of a private letter ruling from the Internal Revenue Service, a formal and proper request for such ruling will be prepared and submitted by Independent Counsel, and the determination made by the Internal Revenue Service in the issued ruling will be controlling. All expenses incurred in connection with the retention of Independent Counsel and (if applicable) the preparation and submission of the ruling request shall be shared equally by you and the Company.

(iii) In the event Treasury Regulations (or applicable judicial decisions) do not address the appropriate valuation methodology for any payment in dispute, the Present Value thereof will, at the Independent Counsel's election, be determined through an independent third-party appraisal, and the expenses incurred in obtaining such appraisal shall be shared equally by you and the Company.

3. Status of Benefits.

a. No Severance Payment will be made to you under Part Two of this letter agreement until the Present Value of the Option Parachute Payment attributable to your Options has been determined and the status of any payments in dispute under Paragraph 2 above has been resolved in accordance therewith. However, you will be permitted to exercise your Options at any time during the one (1) year (or shorter) period immediately following your Involuntary Termination.

b. Once the requisite determinations under Paragraph 2 have been made, then to the extent the aggregate Present Value, measured as of the Change in Control, of (1) the Option Parachute Payment attributable to your Options (or installments thereof) plus (2) your Severance Payment would, when added to the Present Value of all your Other Parachute Payments exceed the Parachute Limit, your Severance Payment will be accordingly reduced.

4. Overriding Limitations.

a. Notwithstanding any provision to the contrary set forth in the preceding provisions of this Part Three, the aggregate Present Value of your Severance Payment and the Option Parachute Payment attributable to your Options will not be reduced below that amount (if any) which, when added to the Present Value of all the Other Parachute Payment to which you are entitled, would nevertheless qualify as reasonable compensation for past services within the standards established under Code Section 280G(b)(4)(B).

b. The limitations of this Part Three will in all events be interpreted in such manner as to avoid the imposition of excise taxes under Code Section 4999, and the disallowance of deductions under Code Section 280G(a), with respect to any of the benefits paid pursuant to Part Two of this letter agreement. This provision will apply as if Code Section 4999 and Code Section 280G(a) and the related provisions of the Code and Treasury Regulations are applicable to this Agreement and to payments to be made to you as a result of your Involuntary Termination following a Change of Control, notwithstanding the technical inapplicability of such law and regulations to the Company as a result of its organization and structure, and all provisions of this Agreement shall be construed, interpreted, and applied as if such laws and regulations were applicable.

PART FOUR — MISCELLANEOUS PROVISIONS

1. Termination for Cause.

Should your termination of employment constitute a Termination for Cause, then the Company will only be required to pay you (i) any unpaid compensation earned for services previously rendered through the date of such termination and (ii) any accrued but unpaid vacation benefits or sick days, and no benefits will be payable to you under Part Two of this letter agreement.

2. Death.

Should you die before receipt of one or more Severance Payment to which you become entitled under Part Two of this letter agreement, then those payment or payments will be made to the executors or administrators of your estate. Should you die before you exercise all your outstanding Options, then such Options may be exercised, within twelve (12) months after your death, by the executors or administrators of your estate or by persons to whom the Options are transferred pursuant to your will or in accordance with the laws of inheritance. In no event, however, may any such Option be exercised after the specified expiration date of the option term.

3. General Creditor Status.

The payments and benefits to which you become entitled hereunder will be paid, when due, from the general assets of the Company, and no trust fund, escrow arrangement or other segregated account will be established as a funding vehicle for such payment. Accordingly, your right (or the right of the personal representatives or beneficiaries of your estate) to receive any payments or benefits hereunder will at all times be that of a general creditor of the Company and will have no priority over the claims of other general creditors.

4. Indemnification.

The indemnification provisions for Officers and Directors under the Company Bylaws will (to the maximum extent permitted by law) be extended to you, during the period following your Involuntary Termination, with respect to any and all matters, events or transactions occurring or effected during your employment with the Company.

5. Miscellaneous.

This letter agreement will be binding upon the Company, its successors and assigns (including, without limitation, the surviving entity in any Change in Control) and is to be construed and interpreted under the laws of the State of Washington. This letter may only be amended by written instrument signed by you and an authorized officer of the Company. If any provision of this letter agreement as applied to you or the Company or to any circumstance should be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason,

the invalidity of that provision will in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court, the application of any other provision of this letter agreement, or the enforceability or invalidity of this letter agreement as a whole. Should any provision of this letter agreement become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision will be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken and the remainder of this letter agreement will continue in full force and effect.

6. No Employment or Service Contract.

Nothing in this letter agreement is intended to provide you with any right to continue in the employ of the Company for any period of specific duration or interfere with or otherwise restrict in any way your rights or the rights of the Company (or any subsidiary), which rights are hereby expressly reserved by each, to terminate your employment at any time for any reason whatsoever, with or without cause.

7. Attorney Fees.

In the event legal proceeding should be initiated by you or by the Company with respect to any controversy, claim or dispute relating to the interpretation or application of the provisions of this letter agreement or any benefits payable hereunder, the prevailing party in such proceedings will be entitled to recover from the losing party reasonable attorney fees and costs incurred in connection with such proceedings or in the enforcement or collection of any judgment or award rendered in such proceedings. For purposes of this provision, the prevailing party means the party determined by the court to have most nearly prevailed in the proceedings, even if that party does not prevail in all matters, and does not necessarily mean the party in whose favor the judgment is actually rendered.

Please indicate your acceptance of the foregoing provisions of this employment agreement by signing the enclosed copy of this agreement and returning it to the Company.

**POPE RESOURCES, A DELAWARE
LIMITED PARTNERSHIP**

BY: David L. Nunes

TITLE: President & Chief Executive Officer

ACCEPTANCE

I hereby agree to all the terms and provisions of the foregoing letter agreement governing the special benefits to which I may become entitled in connection with certain changes in control or ownership of the Company.

Signature: Thomas M. Ringo

Dated: April 13, 2004

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

**RESOLUTIONS OF THE HUMAN RESOURCE COMMITTEE
OF THE BOARD OF DIRECTORS**

RE: REVISED CHANGE IN CONTROL SEVERANCE AGREEMENTS

WHEREAS, the Committee deems it advisable at this time to adopt a change in control severance program for selected senior executives of the Company and its affiliates; now, therefore, it is hereby

RESOLVED that the Company be, and the Company hereby is, authorized to enter into change in control severance agreements (the "New Agreements") with those key executives of the Company and its affiliates that are specifically selected and approved from time to time by the Human Resources Committee. The New Agreements shall not generally and comprehensively displace the existing severance policies and practices of the Company for and with respect to the executives who enter into them, and the existing policies and practices shall continue to apply in any situation that does not qualify as a change in control termination event according to the terms of the New Agreements. In any circumstance in which a terminated executive is entitled to receive benefits pursuant to the terms of a New Agreement, however, such benefits received by the terminated executive pursuant to the New Agreement shall be the sole and exclusive severance benefit to which such terminated executive shall be entitled, unless otherwise provided by further resolution of this Committee. Each executive entering into an approved change in control agreement with the Company shall receive the following benefits should his or her employment terminate (other than for cause) within eighteen (18) months following certain changes in control or ownership of the Company:

- Severance Payment. The executive will be entitled to a cash severance payment in an aggregate amount equal to (i) two (2) times base salary plus (ii) his or her target bonus for the fiscal year of the Company in which such termination occurs.
- Option Acceleration. Each of the executive's outstanding options will automatically accelerate so that each such option will become fully vested and immediately exercisable for the total number of Units at the time subject to that option.
- Health Care Coverage. The Company will, at its expense, provide the executive and his or her eligible dependents with continued health care coverage under the Company's medical/dental plan for up to an additional eighteen (18) months following his or her termination date.

However, the severance payment otherwise payable to the terminated executive shall be subject to reduction to the extent necessary to assure that the total severance benefits provided to the terminated executive will not result in any excess parachute payments under Internal Revenue Code Section 280G (determined as if such Section were applicable to such payments, notwithstanding the technical inapplicability of such Section to the severance payment).

FURTHER RESOLVED, that the remaining terms and conditions of the severance benefits hereby authorized shall be as substantially set forth in the form severance agreement attached to these resolutions as Exhibit A.

FINALLY RESOLVED that each officer of the Company be, and each such officer hereby is, authorized and directed, for and on behalf of the Company, to take all action and to prepare, execute and deliver all documents which such officer deems necessary or advisable in order to implement the revised change in control severance program hereby authorized, including (without limitation) the preparation, execution and delivery of the form severance agreement in such final form as he deems advisable.

April 13, 2004

Mr. John T. Shea
Director Business Development

Dear John:

We are pleased to inform you that the Board of Directors of Pope MGP, Inc., the General Partner of Pope Resources (the “Company”), has recently authorized and approved a special severance benefit program for you and other key executives. The purpose of this letter agreement is to set forth the terms and conditions of your benefit package and to explain the limitations which will govern the overall value of your benefits.

This program is intended to be available to selected executives who are employed by the Company or any affiliate of the Company. Subsequent references to the “Company” in this letter shall be deemed to include affiliates, to the extent required by context, when they pertain directly to your own employment relationship, but references to the “Company” that do not pertain directly to that employment relationship shall be deemed to refer exclusively to Pope Resources and not to any affiliate.

Your severance benefits will become payable in the event your employment terminates involuntarily within a specified time period following certain changes in ownership or control of the Company. To understand the full scope of your severance benefits, you should familiarize yourself with the definitional provisions of Part One of this letter agreement. The benefits comprising your severance package are detailed in Part Two, and the dollar limitations on the overall value of your benefit package are specified in Part Three. Part Four deals with ancillary matters affecting your severance arrangement. In any circumstance in which severance benefits become payable to you pursuant to this letter agreement, those benefits will be your sole and exclusive severance benefits to be paid to you by the Company as a result of your termination, and you will not be entitled to severance benefits under any other policy or program of the Company, unless the Board of Directors shall specifically approve such other severance benefits at that time.

PART ONE — DEFINITIONS

For purposes of this letter agreement, the following definitions will be in effect:

Andrews Family means Emily T. Andrews, her parents, and Adolphus Andrews, Jr., and their lineal descendants, any present or former spouse of such persons, any lineal descendants of such spouses or former spouses, any estate of any of the foregoing persons, any trust in which the foregoing persons collectively have all of the beneficial interests as income beneficiaries or remaindermen, and any corporation, partnership, or other entity in which any one or more of such persons or entities own all of the interests.

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Assets means all or substantially all of the assets of the Company and its affiliates, as they shall be held by the Company and its affiliates from time to time, including the assets of all divisions, segments, and business units in existence at such time.

Average Compensation means the average of your W-2 wages from the Company for the five (5) calendar years (or such fewer number of calendar years of employment with the Company) completed immediately prior to the calendar year in which the Change of Control is effected. Any W-2 wages for a partial year of employment will be annualized, in accordance with the frequency which such wages are paid during such partial year, before inclusion in your Average Compensation. If any of your compensation from the Company during such five (5)-year or shorter period was not included in your W-2 wages for U.S. income tax purposes, either because you were not a U.S. citizen or resident or because such compensation was excludible from income as foreign earned income under Code Section 911, then such compensation will nevertheless be included in your Average Compensation to the same extent as if it were part of your W-2 wages.

Base Salary means the annual rate of base salary in effect for you immediately prior to the Change in Control or (if greater) the annual rate of base salary in effect at the time of your Involuntary Termination.

Change in Control means:

(i) any event or circumstance that results in persons other than Controlling Persons collectively being In Control of MGP and/or EGP unless, prior to the occurrence of such event or circumstance, the Assets shall have been transferred exclusively to Controlling Persons and/or to entities of which Controlling Persons collectively are In Control; or

(ii) an event or circumstance that results in MGP and/or EGP collectively ceasing to act as the sole General Partners and the Managing General Partner of the Company and to have the sole and exclusive right to direct, manage, and conduct the business of the Company unless, prior to the occurrence of such event or circumstance, the Assets shall have been transferred exclusively to Controlling Persons and/or to entities of which Controlling Persons collectively are In Control; or

(iii) the Transfer of the Assets to any person or persons who are not Controlling Persons and/or to any entity or entities of which Controlling Persons collectively are not In Control; or

(iv) any merger or consolidation in which Controlling Persons collectively are not In Control of the surviving or resulting entity unless, prior to the occurrence of such event or circumstance, the Assets shall have been transferred exclusively to Controlling Persons and/or to entities of which Controlling Persons collectively are In Control; or

(v) the dissolution and/or liquidation of the Company that results in ownership or control of the Assets by any persons who are not Controlling Persons and/or by any entity or entities of which Controlling Persons collectively are not In Control.

Code means the Internal Revenue Code of 1986, as amended.

Controlling Persons means members of the Andrews Family and members of the Pope Family, collectively.

EGP means Pope EGP, a Delaware corporation and a standby general partner of the Company.

Fair Market Value means, with respect to any Units subject to any of your Options, the closing selling price per Unit on the date in question, as reported on the Nasdaq National Market System. If there is no reported sale of Units on such date, then the closing selling price on the Nasdaq National Market System on the next preceding day for which there does exist such quotation will be determinative of Fair Market Value.

Health Care Coverage means the continued health care coverage to which you and your eligible dependents may become entitled under Part Two of this letter agreement upon the Involuntary Termination of your employment.

In Control means owning, and having the present and continuing right to exercise control over, a majority of the voting power of, and right to exercise control over management of, any entity, which right is not subject to any material limitations, qualifications, or exceptions (whether temporary or permanent) in excess of those applicable on the date of this letter agreement to the interests of the Controlling Persons in MGP and EGP.

Involuntary Termination means the termination of your employment with the Company:

- involuntarily upon your discharge or dismissal (other than a Termination for Cause), or
- voluntarily upon your resignation following (I) a change in your position with the Company which materially reduces your duties or level of responsibility, (II) a 20% or more reduction in your level of compensation (including base salary, fringe benefits and target bonus under any incentive performance plan) or (III) a change in your place of employment which is more than fifty (50) miles from your place of employment prior to the Change in Control, provided and only if such change or reduction is effected without your written concurrence.

In no event shall an Involuntary Termination be deemed to occur should your employment terminate by reason of your death or disability.

MGP means Pope MGP, Inc., a Delaware corporation and the Managing General Partner of the Company.

Option means any option granted to you under the Plan which is outstanding at the time of the Change in Control or upon your subsequent Involuntary Termination.

Option Parachute Payment means, with respect to any Option, the portion of that Option deemed to be a parachute payment under Code Section 280G and the Treasury Regulations issued thereunder. The portion of such Option which is categorized as an Option Parachute Payment will be calculated in accordance with the valuation provisions established under Code Section 280G and the applicable Treasury Regulations and will include an appropriate dollar adjustment to reflect the lapse of your obligation to remain in the Company's employ as a condition to the vesting of the accelerated installment. In no event, however, will the Option Parachute Payment attributable to any Option (or accelerated installment) exceed the spread (the excess of the Fair Market Value of the accelerated option Units over the option exercise price payable for those Units) existing at the time of acceleration.

Other Parachute Payment means any payment in the nature of compensation (other than the benefits to which you become entitled under Part Two of this letter agreement) which are made to you in connection with the Change in Control and which accordingly qualify as parachute payments within the meaning of Code Section 280G(b)(2) and the Treasury Regulations issued thereunder. Your Other Parachute Payment will include (without limitation) the Present Value, measured as of the Change in Control, of the aggregate Option Parachute Payment attributable to your Options (if any).

Partnership Agreement means the Amended and Restated Limited Partnership Agreement of Pope Resources, A Delaware Limited Partnership, as amended through the date of this letter agreement and as hereafter amended or restated at any time.

Plan means (i) the Company's Unit Option Plan adopted in 1997, as amended or restated from time to time, and (ii) any successor equity incentive plan subsequently implemented by the Company.

Pope Family means the lineal descendants or spouses of George A. Pope, Jr. and Harriet Brownell, any present or former spouse of such persons, any lineal descendants of such spouses or former spouses, any estate of any of the foregoing persons, any trust in which the foregoing persons collectively have all of the beneficial interests as income beneficiaries or remaindermen, and any corporation, partnership, or other entity in which any one or more of such persons or entities own all of the interests.

Present Value means the value, determined as of the date of the Change in Control, of any payment in the nature of compensation to which you become entitled in connection with the Change in Control or the subsequent Involuntary Termination of your employment, including (without limitation) the Option Parachute Payment attributable to your Options and your Severance Payment under Part Two of this letter agreement. The Present Value of each such payment shall be determined in accordance with the provisions of Code Section 280G(d)(4), utilizing a discount rate equal to one hundred twenty percent (120%) of the applicable Federal rate in effect at the time of such determination, compounded semi-annually to the effective date of the Change in Control.

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Severance Payment means the severance payment to which you may become entitled under Part Two in the event of your Involuntary Termination following a Change in Control; subject, however, to the dollar limitations of Part Three.

Termination for Cause means a termination of your employment occasioned by reason of your having engaged in fraud or in any other intentional misconduct adversely affecting the business reputation of the Company in a material manner.

Transfer shall mean the sale, transfer, or disposition of all or substantially all of the Assets in a single transaction or group of related transactions, but shall not include the sale, transfer, or disposition of any of the Assets in the ordinary course of business.

Unit means a unit of interest in the Company acquired or issued pursuant to the Partnership Agreement.

PART TWO — CHANGE IN CONTROL BENEFITS

Upon the Involuntary Termination of your employment within eighteen (18) months following a Change in Control, you will become entitled to receive the special severance benefits provided in this Part Two.

1. Severance Payment.

If your Involuntary Termination occurs within the first eighteen (18) months after the Change in Control, then you will be entitled to a Severance Payment in an aggregate amount equal to (i) two (2) times your Base Salary plus (ii) your target bonus for the fiscal year of the Company in which such Involuntary Termination occurs. The Severance Payment will be made to you in a lump sum payment within ninety (90) days after your Involuntary Termination.

The Severance Payment will be subject to the Company's collection of applicable federal and state income and employment withholding taxes.

In the event your employment terminates by reason of your death or disability or your Termination for Cause, you will not be entitled to receive any Severance Payment or other benefits under this letter agreement.

2. Option Acceleration.

Your outstanding Options will (to the extent not then otherwise fully exercisable) automatically accelerate to the extent so provided in the Plan so that each such accelerated Option will become fully vested and immediately exercisable for the total number of Units at the time subject to that Option. Each such accelerated Option, together with all your other vested Options, will remain exercisable for fully-vested Units until the earlier of (i) the expiration date of the original option term for such Option or (ii) the end of the one (1) year period measured from the date of your Involuntary Termination (notwithstanding any provisions of the Plan that would provide for only a 90-day period).

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3. Additional Benefits.

a. Health Care Coverage.

The Company will, at its expense, provide you and your eligible dependents with continued health care coverage under the Company's medical/dental plan until the earlier of (i) eighteen (18) months after the date of your Involuntary Termination or (ii) the first date that the you are covered under another employer's health benefit program which provides substantially the same level of benefits without exclusion for pre-existing medical conditions. The coverage so provided you and your eligible dependents will be in full and complete satisfaction of the continued health care coverage to which you or your eligible dependents would otherwise, at your own expense, be entitled under Code Section 4980B by reason of your termination of employment, and neither you nor your eligible dependents will accordingly be entitled to any additional period of health care coverage under Code Section 4980B as a result of your termination of employment.

b. Unpaid Benefits

You will receive an immediate lump sum payment of all unpaid vacation days which you have accrued through the date of your Involuntary Termination.

PART THREE — LIMITATION ON BENEFITS

1. Parachute Limit.

Except to the limited extent (if any) provided under Paragraph 4(a) below, the aggregate Present Value (measured as of the Change in Control) of the benefits to which you become entitled under Part Two at the time of your Involuntary Termination (namely the Severance Payment, the Option Parachute Payment attributable to your Options and your Health Care Continuation) will in no event exceed in amount the difference between (i) 2.99 times your Average Compensation and (ii) the Present Value, measured as of the Change in Control, of all Other Parachute Payments to which you are entitled.

Accordingly, except as otherwise provided under Paragraph 4(a) below, your Options will not accelerate and no Severance Payment will be made to you pursuant to this letter agreement, to the extent the Present Value as of the Change in Control of (I) the aggregate Option Parachute Payment attributable to your Options plus (II) your Severance Payment plus (III) your Health Care Continuation would, when added to the Present Value of your Other Parachute Payments, exceed 2.99 times your Average Compensation (the "Parachute Limit").

2. Resolution Procedure.

For purposes of the foregoing Parachute Limit, the following provisions will be in effect:

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a. In the event there is any disagreement between you and the Company as to whether one or more payments to which you become entitled in connection with either the Change in Control or your subsequent Involuntary Termination constitute Option Parachute Payments or Other Parachute Payments or as to the determination of the Present Value thereof, such dispute will be resolved as follows:

(i) In the event temporary, proposed or final Treasury Regulations in effect at the time under Code Section 280G (or applicable judicial decisions) specifically address the status of any such payment or the method of valuation therefore, the characterization afforded to such payment by the Regulations (or such decisions) will, together with the applicable valuation methodology, be controlling.

(ii) In the event Treasury Regulations (or applicable judicial decisions) do not address the status of any payment in dispute, the matter will be submitted for resolution to independent counsel mutually acceptable to you and the Company ("Independent Counsel"). The resolution reached by Independent Counsel will be final and controlling; provided, however, that if in the judgment of Independent Counsel the status of the payment in dispute can be resolved through the obtainment of a private letter ruling from the Internal Revenue Service, a formal and proper request for such ruling will be prepared and submitted by Independent Counsel, and the determination made by the Internal Revenue Service in the issued ruling will be controlling. All expenses incurred in connection with the retention of Independent Counsel and (if applicable) the preparation and submission of the ruling request shall be shared equally by you and the Company.

(iii) In the event Treasury Regulations (or applicable judicial decisions) do not address the appropriate valuation methodology for any payment in dispute, the Present Value thereof will, at the Independent Counsel's election, be determined through an independent third-party appraisal, and the expenses incurred in obtaining such appraisal shall be shared equally by you and the Company.

3. Status of Benefits.

a. No Severance Payment will be made to you under Part Two of this letter agreement until the Present Value of the Option Parachute Payment attributable to your Options has been determined and the status of any payments in dispute under Paragraph 2 above has been resolved in accordance therewith. However, you will

be permitted to exercise your Options at any time during the one (1) year (or shorter) period immediately following your Involuntary Termination.

b. Once the requisite determinations under Paragraph 2 have been made, then to the extent the aggregate Present Value, measured as of the Change in Control, of (1) the Option Parachute Payment attributable to your Options (or installments thereof) plus (2) your Severance Payment would, when added to the Present Value of all your Other Parachute Payments exceed the Parachute Limit, your Severance Payment will be accordingly reduced.

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4. Overriding Limitations.

a. Notwithstanding any provision to the contrary set forth in the preceding provisions of this Part Three, the aggregate Present Value of your Severance Payment and the Option Parachute Payment attributable to your Options will not be reduced below that amount (if any) which, when added to the Present Value of all the Other Parachute Payment to which you are entitled, would nevertheless qualify as reasonable compensation for past services within the standards established under Code Section 280G(b)(4)(B).

b. The limitations of this Part Three will in all events be interpreted in such manner as to avoid the imposition of excise taxes under Code Section 4999, and the disallowance of deductions under Code Section 280G(a), with respect to any of the benefits paid pursuant to Part Two of this letter agreement. This provision will apply as if Code Section 4999 and Code Section 280G(a) and the related provisions of the Code and Treasury Regulations are applicable to this Agreement and to payments to be made to you as a result of your Involuntary Termination following a Change of Control, notwithstanding the technical inapplicability of such law and regulations to the Company as a result of its organization and structure, and all provisions of this Agreement shall be construed, interpreted, and applied as if such laws and regulations were applicable.

PART FOUR — MISCELLANEOUS PROVISIONS

1. Termination for Cause.

Should your termination of employment constitute a Termination for Cause, then the Company will only be required to pay you (i) any unpaid compensation earned for services previously rendered through the date of such termination and (ii) any accrued but unpaid vacation benefits or sick days, and no benefits will be payable to you under Part Two of this letter agreement.

2. Death.

Should you die before receipt of one or more Severance Payment to which you become entitled under Part Two of this letter agreement, then those payment or payments will be made to the executors or administrators of your estate. Should you die before you exercise all your outstanding Options, then such Options may be exercised, within twelve (12) months after your death, by the executors or administrators of your estate or by persons to whom the Options are transferred pursuant to your will or in accordance with the laws of inheritance. In no event, however, may any such Option be exercised after the specified expiration date of the option term.

3. General Creditor Status.

The payments and benefits to which you become entitled hereunder will be paid, when due, from the general assets of the Company, and no trust fund, escrow arrangement or other segregated account will be established as a funding vehicle for such payment. Accordingly, your right (or the right of the personal representatives or beneficiaries of your estate) to receive any payments or benefits hereunder will at all times be that of a general creditor of the Company and will have no priority over the claims of other general creditors.

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4. Indemnification.

The indemnification provisions for Officers and Directors under the Company Bylaws will (to the maximum extent permitted by law) be extended to you, during the period following your Involuntary Termination, with respect to any and all matters, events or transactions occurring or effected during your employment with the Company.

5. Miscellaneous.

This letter agreement will be binding upon the Company, its successors and assigns (including, without limitation, the surviving entity in any Change in Control) and is to be construed and interpreted under the laws of

the State of Washington. This letter may only be amended by written instrument signed by you and an authorized officer of the Company. If any provision of this letter agreement as applied to you or the Company or to any circumstance should be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the invalidity of that provision will in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court, the application of any other provision of this letter agreement, or the enforceability or invalidity of this letter agreement as a whole. Should any provision of this letter agreement become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision will be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken and the remainder of this letter agreement will continue in full force and effect.

6. No Employment or Service Contract.

Nothing in this letter agreement is intended to provide you with any right to continue in the employ of the Company for any period of specific duration or interfere with or otherwise restrict in any way your rights or the rights of the Company (or any subsidiary), which rights are hereby expressly reserved by each, to terminate your employment at any time for any reason whatsoever, with or without cause.

7. Attorney Fees.

In the event legal proceeding should be initiated by you or by the Company with respect to any controversy, claim or dispute relating to the interpretation or application of the provisions of this letter agreement or any benefits payable hereunder, the prevailing party in such proceedings will be entitled to recover from the losing party reasonable attorney fees and costs incurred in connection with such proceedings or in the enforcement or collection of any judgment or award rendered in such proceedings. For purposes of this provision, the prevailing party means the party determined by the court to have most nearly prevailed in the proceedings, even if that party does not prevail in all matters, and does not necessarily mean the party in whose favor the judgment is actually rendered.

Please indicate your acceptance of the foregoing provisions of this employment agreement by signing the enclosed copy of this agreement and returning it to the Company.

**POPE RESOURCES, A DELAWARE
LIMITED PARTNERSHIP**

BY: David L. Nunes

TITLE: President & Chief Executive Officer

ACCEPTANCE

I hereby agree to all the terms and provisions of the foregoing letter agreement governing the special benefits to which I may become entitled in connection with certain changes in control or ownership of the Company.

Signature: John T. Shea

Dated: April 13, 2004

CERTIFICATIONS

I, David L. Nunes, President and CEO certify that:

1. I have reviewed this Form 10-Q of Pope Resources, A Delaware Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2004

/s/ David L. Nunes
David L. Nunes
President and CEO

CERTIFICATIONS

I, Thomas M. Ringo, VP and CFO certify that:

1. I have reviewed this Form 10-Q of Pope Resources, A Delaware Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2004

/s/ Thomas M. Ringo

Thomas M. Ringo
VP and CFO

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pope Resources on Form 10-Q for the quarter ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, David L. Nunes, Chief Executive Officer of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) of 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ David L. Nunes

David L. Nunes

President and Chief Executive Officer

Pope MGP

April 30, 2004

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pope Resources on Form 10-Q for the quarter ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Thomas M. Ringo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) of 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Thomas M. Ringo

Thomas M. Ringo

Vice President and Chief Financial Officer

April 30, 2004