



Pope Resources
A Limited Partnership

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NEWS RELEASE

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Nasdaq:POPEZ

May 11, 2001

POPE RESOURCES REPORTS FIRST QUARTER LOSS OF \$0.4 MILLION

Pope Resources (Nasdaq:POPEZ) reported a net loss of \$0.4 million, or nine cents per diluted ownership unit, on revenues of \$10.8 million for the first quarter ending March 31, 2001. This is after a special charge of \$1.25 million, or 28 cents per diluted ownership unit. Before the special charge, net income was \$0.8 million or 18 cents per diluted ownership unit. This compares to net income of \$2.4 million, or 52 cents per diluted ownership unit, on revenues of \$13.4 million, for the same period in 2000.

“First quarter results, relative to 2000, are largely a function of significantly lower harvest volumes, the \$1.25 million special charge associated with our Port Ludlow real estate assets, and improved results from our timberland management and forestry consulting segment,” explained Allen E. Symington, Chairman and CEO. “At the end of 2000, we recorded a significant writedown of Port Ludlow assets to adjust book values of these assets to their estimated realizable value in anticipation of their sale. As the sale process has moved toward closing, negotiations with the purchaser resulted in price concessions, which in turn necessitated an additional writedown in the first quarter. We expect the closing of this transaction to occur near the end of May 2001.”

“Log sales revenues were \$3.1 million less than in the prior year principally due to timber harvests that were 37% lower than last year’s levels. With weaker domestic and export log prices, we decided not to concentrate as high a proportion of our annual harvest in the first quarter as we did in 2000. This reduction in harvest, when coupled with lower log prices, resulted in a decline in net income of \$2.2 million in our fee timber segment.”

“Some of this decrease between quarters in fee timber income was offset by a \$0.9 million improvement in results from our timberland management and forestry consulting segment, which enjoyed both revenue growth of \$0.3 million and a strong improvement in operating margins.”

“First quarter results also reflect general and administrative cost savings of \$0.6 million, based on early implementation of a portion of a broad corporate restructuring program announced in December 2000.”

“We took a significant step towards implementing our future business direction on March 29, 2001, when we closed on a \$55 million acquisition of 44,000 acres of timberland in southwest Washington from Plum Creek Timber, Inc. This acquisition increases our fee ownership by over 60% and our timber inventory by over 200 million board feet. This acquisition was financed with a \$30 million timber mortgage, a \$17 million revolving line of credit, and cash on hand. The balance sheet as of March 31, 2001 reflects this significant addition to our asset base.”

Pope Resources, a publicly traded limited partnership, owns or manages over 600,000 acres of timberland and development property in Washington, Oregon, California, and British Columbia and provides forestry consulting and timberland investment management services to third-party owners and managers of timberland.

CONSOLIDATED BALANCE SHEETS

Pope Resources
March 31, 2001 and December 31, 2000

(Thousands)

	2001 (Unaudited)	2000
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,932	\$ 9,882
Accounts receivable	1,815	1,933
Work in progress	2,087	1,504
Current portion of contracts receivable	115	490
Prepaid expenses and other	613	555
Assets held for sale	<u>17,635</u>	<u>18,790</u>
Total current assets	<u>24,197</u>	<u>33,154</u>
Properties and equipment at cost:		
Land and land improvements	18,785	9,899
Roads and timber (net of accumulated depletion)	57,665	12,394
Buildings and equipment (net of accumulated depreciation)	<u>4,549</u>	<u>3,847</u>
	<u>80,999</u>	<u>26,140</u>
Other assets:		
Contracts receivable, net of current portion	1,081	1,167
Loan fees and other	<u>530</u>	<u>396</u>
	<u>1,611</u>	<u>1,563</u>
	<u>\$ 106,807</u>	<u>\$ 60,857</u>
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	\$ 937	\$ 761
Accrued liabilities	1,786	2,449
Environmental remediation	1,759	1,870
Current portion of long-term debt	10,951	442
Minority interest	169	128
Deposits	<u>547</u>	<u>446</u>
Total current liabilities	<u>16,149</u>	<u>6,096</u>
Long-term debt, net of current portion	49,238	12,801
Deferred profit	601	680
Partners' capital	<u>40,819</u>	<u>41,280</u>
	<u>\$ 106,807</u>	<u>\$ 60,857</u>

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Pope Resources

Three Months Ended March 31, 2001 and 2000

(Thousands, except per unit data)

	Three Months Ended March 31,	
	<u>2001</u>	<u>2000</u>
Revenues	\$ 10,805	\$ 13,449
Cost of sales	(2,969)	(4,005)
Operating expenses	(6,160)	(4,625)
Selling general and administrative expenses	<u>(1,614)</u>	<u>(2,343)</u>
Income from operations	<u>62</u>	<u>2,476</u>
Other income (expense):		
Interest expense	(304)	(310)
Interest income	<u>151</u>	<u>91</u>
	(153)	(219)
Income before income taxes and minority interest	(91)	2,257
Income tax provision	<u>(222)</u>	<u>113</u>
Income before minority interest	(313)	2,370
Minority interest	<u>(104)</u>	<u>(3)</u>
Net income	<u>\$ (417)</u>	<u>\$ 2,367</u>
Allocable to general partners	\$ (6)	\$ 31
Allocable to limited partners	<u>(411)</u>	<u>2,336</u>
	<u>\$ (417)</u>	<u>\$ 2,367</u>
Earnings per unit:		
Basic	<u>\$ (0.09)</u>	<u>\$ 0.52</u>
Diluted	<u>\$ (0.09)</u>	<u>\$ 0.52</u>
Weighted average units outstanding:		
Basic	<u>4,528</u>	<u>4,528</u>
Diluted	<u>4,528</u>	<u>4,532</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Pope Resources

Three Months Ended March 31, 2001 and 2000

(Thousands)	<u>2001</u>	<u>2000</u>
Net cash flows from operating activities	\$ 364	\$ 1,735
Cash flows from investing activities:		
Capital expenditures	(389)	(1,024)
Acquisition of Columbia Tree	(54,611)	-
Acquisition of Port Ludlow Resorts	<u>(222)</u>	<u>-</u>
Net cash used in investing activities	<u>(55,222)</u>	<u>(1,024)</u>
Cash flows from financing activities:		
Cash distributions to unitholders	-	(452)
Minority interest distribution	(40)	(212)
Repayment of long-term debt	(52)	(89)
Proceeds from debt financing	<u>47,000</u>	<u>-</u>
Net cash used in financing activities	<u>46,908</u>	<u>(753)</u>
Net increase in cash and cash equivalents	(7,950)	(42)
Cash and cash equivalents at beginning of year	<u>9,882</u>	<u>4,922</u>
Cash and cash equivalents at end of the nine-month period	\$ <u><u>1,932</u></u>	\$ <u><u>4,880</u></u>