

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1996

OR

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

FOR THE TRANSITION PERIOD FROM ..... TO .....

COMMISSION FILE NUMBER 1-6780

RAYONIER INC.

Incorporated in the State of North Carolina  
I.R.S. Employer Identification Number 13-2607329

1177 Summer Street, Stamford, Connecticut 06905-5529  
(Principal Executive Office)

Telephone Number: (203) 348-7000

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

YES  NO

As of August 6, 1996, there were 29,469,322 Common Shares of the Registrant  
outstanding.

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## RAYONIER INC.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

The following unaudited financial statements reflect, in the opinion of Rayonier Inc. (Rayonier or the Company), all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results of operations, the financial position and the cash flows for the periods presented. Certain reclassifications have been made to the prior year's financial statements to conform to current year presentation. For a full description of accounting policies, please refer to Notes to Consolidated Financial Statements in the 1995 Annual Report on Form 10-K.

RAYONIER INC. AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED INCOME  
(UNAUDITED)  
(THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
SALES	\$ 296,667	\$ 313,564	\$ 590,647	\$ 599,396
Costs and expenses				
Cost of sales	254,787	252,213	480,461	476,257
Selling and general expenses	9,398	9,426	18,241	17,813
Other operating income, net	(467)	(1,766)	(896)	(3,209)
	263,718	259,873	497,806	490,861
OPERATING INCOME	32,949	53,691	92,841	108,535
Interest expense	(7,097)	(8,773)	(14,243)	(17,308)
Interest and miscellaneous income, net	1,473	999	2,961	1,667
Minority interest	(7,549)	(7,272)	(16,537)	(16,572)
Income before income taxes	19,776	38,645	65,022	76,322
Provision for income taxes	(4,372)	(12,307)	(18,141)	(24,835)
NET INCOME	\$ 15,404	\$ 26,338	\$ 46,881	\$ 51,487
NET INCOME PER COMMON SHARE	\$ 0.51	\$ 0.88	\$ 1.56	\$ 1.72
Weighted average Common Shares outstanding	30,030,479	29,955,149	30,060,476	29,895,951

RAYONIER INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
(THOUSANDS OF DOLLARS)

ASSETS

	June 30, 1996	December 31, 1995
	-----	-----
<b>CURRENT ASSETS</b>		
Cash and short-term investments	\$ 4,813	\$ 10,932
Accounts receivable, less allowance for doubtful accounts of \$4,394 and \$4,420	138,039	128,478
Inventories		
Finished goods	63,047	71,307
Work in process	21,351	25,681
Raw materials	41,793	44,350
Manufacturing and maintenance supplies	30,780	28,740
Total inventories	----- 156,971	----- 170,078
Timber stumpage	31,198	49,464
Other current assets	22,703	15,412
Deferred income taxes	13,243	15,208
Total current assets	----- 366,967	----- 389,572
<b>OTHER ASSETS</b>	47,752	47,239
<b>TIMBER STUMPAGE</b>	34,940	29,396
<b>TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION</b>	483,244	476,463
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land, buildings, machinery and equipment	1,358,027	1,292,059
Less - accumulated depreciation	617,492	586,796
	----- 740,535	----- 705,263
	-----	-----
	\$ 1,673,438	\$ 1,647,933
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 89,326	\$ 102,938
Bank loans and current maturities	2,929	3,040
Accrued taxes	20,050	9,941
Accrued payroll and benefits	18,041	26,554
Accrued interest	5,166	5,268
Other current liabilities	36,370	39,943
Current reserves for dispositions	16,116	16,047
Total current liabilities	----- 187,998	----- 203,731
<b>DEFERRED INCOME TAXES</b>	163,245	160,574
<b>LONG-TERM DEBT</b>	461,972	446,696
<b>NON-CURRENT RESERVES FOR DISPOSITIONS</b>	19,292	23,542
<b>OTHER NON-CURRENT LIABILITIES</b>	26,519	25,204
<b>MINORITY INTEREST</b>	21,386	18,815
<b>SHAREHOLDERS' EQUITY</b>		
Common Shares, 60,000,000 shares authorized, 29,510,389 and 29,653,278 shares issued and outstanding	152,977	159,032
Retained earnings	640,049	610,339
	----- 793,026	----- 769,371
	-----	-----
	\$ 1,673,438	\$ 1,647,933
	=====	=====

RAYONIER INC. AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED CASH FLOWS  
(UNAUDITED)  
(THOUSANDS OF DOLLARS)

	Six Months Ended June 30,	
	1996	1995
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 46,881	\$ 51,487
Non-cash items included in income		
Depreciation, depletion and amortization	46,687	47,238
Deferred income taxes	4,024	7,912
Increase in other non-current liabilities	1,315	2,679
Change in accounts receivable, inventories and accounts payable	(10,066)	(60,371)
Decrease in current timber stumpage	18,266	268
Increase in other current assets	(7,291)	(2,904)
Decrease in accrued liabilities	(2,079)	(10,112)
Change in reserves for dispositions	(2,500)	(2,533)
	95,237	33,664
<b>INVESTING ACTIVITIES</b>		
Capital expenditures, net of sales and retirements of \$671 and \$713	(88,740)	(68,332)
Expenditures for dispositions, net of tax benefits of \$612 and \$2,165	(1,069)	(3,654)
Change in timber stumpage and other assets	(6,057)	(1,087)
	(95,866)	(73,073)
<b>FINANCING ACTIVITIES</b>		
Issuance of debt	17,200	50,773
Repayments of debt	(2,035)	(201)
Dividends	(17,170)	(14,808)
(Repurchase) issuance of Common Shares	(6,056)	858
Increase (decrease) in minority interest	2,571	(1,037)
	(5,490)	35,585
<b>CASH AND SHORT-TERM INVESTMENTS</b>		
Decrease during the period	(6,119)	(3,824)
Balance, beginning of period	10,932	9,178
	\$ 4,813	\$ 5,354
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest	\$ 15,210	\$ 16,755
Income taxes, net of refunds	\$ 6,900	\$ 19,251

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The sales and operating income of Rayonier's business segments for the three and six months ended June 30, 1996 and 1995 were as follows (thousands of dollars):

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	1996 -----	1995 -----	1996 -----	1995 -----
<b>SALES</b>				
<b>TIMBER AND WOOD PRODUCTS</b>				
Log trading and merchandising	\$ 92,965	\$ 121,301	\$ 160,757	\$ 201,302
Timberlands management and stumpage	41,192	37,508	90,941	87,661
Wood products	27,129	19,409	47,767	34,532
Intrasegment eliminations	(3,158)	(5,564)	(8,287)	(9,748)
	-----	-----	-----	-----
Total Timber and Wood Products	158,128	172,654	291,178	313,747
	-----	-----	-----	-----
<b>SPECIALTY PULP PRODUCTS</b>				
Chemical cellulose	95,499	82,423	200,143	166,029
Fluff and specialty paper pulps	43,856	64,933	101,738	132,093
	-----	-----	-----	-----
Total Specialty Pulp Products	139,355	147,356	301,881	298,122
	-----	-----	-----	-----
Intersegment eliminations	(816)	(6,446)	(2,412)	(12,473)
	-----	-----	-----	-----
Total sales	\$ 296,667	\$ 313,564	\$ 590,647	\$ 599,396
	=====	=====	=====	=====
<b>OPERATING INCOME</b>				
Timber and Wood Products	\$ 32,466	\$ 35,747	\$ 69,649	\$ 78,501
Specialty Pulp Products	4,035	20,374	29,175	35,647
Corporate and other	(3,693)	(3,330)	(6,189)	(5,501)
Intersegment eliminations	141	900	206	(112)
	-----	-----	-----	-----
Total operating income	\$ 32,949	\$ 53,691	\$ 92,841	\$ 108,535
	=====	=====	=====	=====

RESULTS OF OPERATIONS

SALES AND OPERATING INCOME

Sales of \$297 million for the second quarter of 1996 were \$17 million or 5 percent lower than the second quarter of 1995 due primarily to lower log trading and merchandising sales in the Pacific Rim. Operating income of \$33 million was \$21 million or 39 percent lower than last year's second quarter due to lower fluff pulp pricing and continued weakness in Asian wood markets which affected pricing for logs. Sales for the six months ended June 30, 1996 of \$591 million were \$9 million or 1 percent lower than the prior year, and operating income of \$93 million decreased \$16 million or 14 percent from the prior year.

## Timber and Wood Products

Timber and Wood Products' sales in the second quarter were \$158 million, down \$15 million from the 1995 second quarter. Operating income for the quarter of \$32 million was down \$3 million from the prior year. Sales for the six month period were \$291 million, down \$23 million from the same period of 1995, with operating income of \$70 million down \$9 million from the prior year. The declines were due to lower log and stumpage prices reflecting continued softness in Asian markets.

Log trading and merchandising sales and operating income, which include the Company's New Zealand log sales, declined from the 1995 second quarter due to weakness in Asian markets which pushed prices down for U.S. domestic and export logs. In New Zealand, volume was down compared to last year's second quarter and pricing was slightly lower, due to continued weak export markets.

Timberlands management and stumpage sales improved from the second quarter of 1995 reflecting higher volume which was mostly offset by lower stumpage prices contracted during weak 1995-96 timber and wood markets. By midyear, customers in the Northwest had cut about two-thirds of the anticipated annual harvest at prices higher than the Company expects to realize in the second half of 1996. Wood products results improved significantly from a year ago due to improved lumber markets and lower log costs.

## Specialty Pulp Products

Sales of Specialty Pulp Products were \$139 million, down \$8 million from last year's second quarter, and operating income declined \$16 million as a result of lower fluff pulp pricing. Shipments remained strong even though the Company's Port Angeles, Washington, mill took market down time.

Specialty Pulp Products sales for the first half of 1996 were \$302 million, up \$4 million from the prior period reflecting higher volume. Operating income declined \$6 million to \$29 million in 1996 reflecting lower fluff pulp prices largely offset by higher chemical cellulose prices. Fluff pulp prices declined significantly in the first six months of 1996 stabilizing late in the second quarter.

The Company is undertaking a comprehensive study to help develop long-term strategies to enhance profitability and reduce the cyclicality of its specialty pulp business. The study will focus on potential growth opportunities, new end uses and the cost competitiveness of each of the pulp mills.

## Intersegment

Six month intersegment sales of \$2 million in 1996 were less than the comparable 1995 amount due to lower stumpage sales from the Timber and Wood Products segment to the Specialty Pulp Products segment.

## OTHER ITEMS

As previously announced, the Company's results for 1996 are expected to be below last year's results. Fluff pulp pricing bottomed out in the second quarter of 1996 and appears to be on a modest upward trend with price increases announced for the third quarter. Some of this initial price move will be offset by moderate reductions in second half prices for chemical cellulose pulps, which lag the commodity pulp cycle. In the Timber and Wood Products segment, weak Asian markets will likely result in lower demand and prices for export logs and timber in the second half of 1996.

The Company's Form 10-K for 1995 referred to federal environmental regulations governing air and water discharges that were proposed in 1993. In July 1996, the U.S. Environmental Protection Agency announced that it anticipates that technologies other than those which formed the basis of the proposed water regulations will be used to establish the final regulations for dissolving pulp mills. The agency said that it would await the results of studies being undertaken by the Company and other manufacturers of chemical cellulose pulps before proposing final regulations. The Company now expects that its costs to comply with these regulations will probably be less than previously estimated with implementation required at later dates than originally projected.

Interest expense was \$14 million for the first half of 1996, \$3 million favorable to 1995, reflecting a lower average debt level, lower interest rates and higher capitalized interest expense.

Minority interest in the earnings of Rayonier's subsidiary, Rayonier Timberlands, L.P. (RTLPL) was relatively flat to the first half of 1995, reflecting higher Northwest U.S. stumpage volume offset by lower Southeast U.S. stumpage volume and lower prices in

both regions. The minority participation in the earnings of RTLP will change from approximately 24 percent to approximately 1 percent effective January 1, 2001.

The effective tax rate for the first half of 1996 was 27.9 percent compared to 32.5 percent in the 1995 first half. The change reflects 1996 recognition of a tax asset related to a prior year transaction following resolution of various uncertainties related to its realization.

#### NET INCOME

Net income for the second quarter was \$15 million or \$0.51 per Common Share, down \$11 million or \$0.37 per Common Share from 1995. Net income for the six months ended June 30, 1996 was \$47 million or \$1.56 per Common Share, down \$5 million or \$0.16 per Common Share.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities of \$95 million for the first six months of 1996 increased from \$34 million in 1995 as a result of reduced working capital requirements. EBITDA (defined as earnings from continuing operations before non-recurring items, interest expense, income taxes and depreciation, depletion and amortization) for the first six months of 1996 of \$126 million decreased \$15 million from the comparable period of 1995. Cash from operations and new debt financed capital expenditures of \$89 million, dividends of \$17 million and the repurchase of Common Shares of \$7 million. Second quarter ending debt of \$465 million was \$15 million greater than year-end debt. The Company's debt-to-total-capital-ratio at June 30, 1996 was 37 percent, the same level as at year-end 1995.

During the first quarter of 1996, the Company began a common share repurchase program to minimize the dilutive effect on earnings per share of its employee incentive stock plans. The number of shares that may be repurchased each year is limited to the greater of 1.5 percent of the Company's outstanding shares or the number of incentive stock shares issued to employees during the year. The Company expects to repurchase approximately 300,000 to 450,000 shares in 1996. In the first six months, 191,700 shares were repurchased at an average cost of \$36.03 per share with a total cost of approximately \$7 million.

The Company has unsecured credit facilities totaling \$300 million, which are used for direct borrowings and as support for \$115 million of outstanding commercial paper. As of June 30, 1996, the Company had \$185 million of available borrowings under its revolving credit facilities. In addition, through currently effective shelf registration statements filed with the Securities and Exchange Commission, the Company may offer up to \$141 million of new public debt securities. The Company believes that internally generated funds combined with available external financing will enable Rayonier to fund capital expenditures, share repurchases, working capital and other liquidity needs for the foreseeable future.

## ITEM 3. SELECTED OPERATING DATA

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	1996 ----	1995 ----	1996 ----	1995 ----
TIMBER AND WOOD PRODUCTS				
Log sales				
North America - millions of board feet	83	108	134	168
New Zealand - thousands of cubic meters	427	465	856	852
Other - millions of board feet	3	4	9	6
Timber harvest				
Northwest U.S. - millions of board feet	53	42	114	88
Southeast U.S. - thousands of short green tons	537	476	1,107	1,148
New Zealand - thousands of cubic meters	291	324	548	604
Lumber sold - millions of board feet	73	53	134	94
Intercompany sales				
Logs - millions of board feet	2	10	4	11
Northwest U.S. timber stumpage - millions of board feet	4	10	13	17
Southeast U.S. timber stumpage - thousands of short green tons	28	37	76	202
SPECIALTY PULP PRODUCTS				
Pulp sales				
Chemical cellulose sales - thousands of metric tons	100	103	211	208
Fluff and specialty paper pulp sales - thousands of metric tons	91	81	173	174
Production as a percent of capacity	85.7%	89.9%	89.6%	95.3%
SELECTED SUPPLEMENTAL INFORMATION (thousands of dollars)				
New Zealand - Sales	\$25,709 =====	\$28,794 =====	\$ 51,005 =====	\$ 53,076 =====
New Zealand - Operating Income	\$ 1,984 =====	\$ 3,714 =====	\$ 3,404 =====	\$ 7,407 =====

## PART II. OTHER INFORMATION

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of the Company was held on May 17, 1996. At that meeting, three directors were elected as follows (there were no broker non-votes with respect to the election of directors):

	Votes For -----	Votes Withheld -----
Directors of Class II, Term Expires in 1999:		
William J. Alley	26,538,261	79,477
Paul G. Kirk, Jr.	26,250,342	367,396
Gordon I. Ulmer	26,546,950	70,788

## ITEM 5. OTHER INFORMATION

On July, 19, 1996, W. Lee Nutter was elected President and Chief Operating Officer and a director of the Company. On the same date, Ronald M. Gross's title was changed to Chairman and Chief Executive Officer.

William J. Alley, a director of the Company, died on July 26, 1996.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Exhibit Index.

(b) Rayonier Inc. did not file a report on Form 8-K during the quarter covered by this report.

## SIGNATURE

Pursuant to the requirements of Section 13 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.

RAYONIER INC. (Registrant)  
-----

BY KENNETH P. JANETTE  
-----

Kenneth P. Janette  
Vice President and Corporate Controller  
(Chief Accounting Officer)

August 13, 1996

## EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	LOCATION -----
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
3.1	Amended and restated articles of incorporation	No amendments
3.2	By-laws	No amendments
4.1	Amendment No. 1, dated as of June 16, 1995, to the \$100 million 364-day Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Filed herewith
4.2	Amendment No. 2, dated as of April 12, 1996, to the \$100 million 364-day Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Filed herewith
4.3	Amendment No. 1, dated as of June 16, 1995, to the \$200 million Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Filed herewith
4.4	Amendment No. 2, dated as of April 12, 1996, to the \$200 million Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Filed herewith
4.5	Instruments defining the rights of security holders, including indentures	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission.
10	Material contracts	None
11	Statement re computation of per share earnings	Not required to be filed

EXHIBIT INDEX  
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EXHIBIT NO. -----	DESCRIPTION -----	LOCATION -----
12	Statement re computation of ratios	Filed herewith
15	Letter re unaudited interim financial information	None
18	Letter re change in accounting principles	None
19	Report furnished to security holders	None
22	Published report regarding matters submitted to vote of security holders	None
23	Consents of experts and counsel	None
24	Power of attorney	None
27	Financial data schedule	Filed herewith
99	Additional exhibits	None

AMENDMENT NO. 1 TO THE  
U.S. \$100,000,000  
364-DAY REVOLVING CREDIT AGREEMENT

Dated as of June 16, 1995

AMENDMENT NO. 1 TO THE CREDIT AGREEMENT among Rayonier Inc., a North Carolina corporation (the "Borrower"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Citibank, N.A., as administrative agent (the "Administrative Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders and the Administrative Agent have entered into a Credit Agreement dated as of April 14, 1995, (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(3) The Required Lenders are, on the terms and conditions stated below, willing to grant the request of the Borrower and the Borrower and the Required Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended as follows:

(a) Section 1.01 is amended by adding the following definition in proper alphabetical sequence:

" 'RIFSL' " has the meaning specified in Section 5.02(c)(v).

(b) Section 5.02(c) is amended by deleting the word "and" at the end of subclause (iii) and substituting "," therefor.

(c) Section 5.02(c) is further amended by adding at the end of subclause (iv) before the period thereto, the following:

"and (v) sales from time to time during the period from June 16, 1995 through and including April 12, 1996 of accounts receivables by the Borrower to its indirect wholly owned subsidiary Rayonier International Financial Services Limited ("RIFSL"), provided that (x) RIFSL is at all times during such period an indirect wholly-owned subsidiary of the Borrower and (y) with respect to each such sale (1) the aggregate fair market value of the accounts receivables sold by the Borrower to RIFSL in each such sale shall not exceed \$50,000,000, (2) such sales are for cash and (3) such sales are on terms no less favorable to the Borrower than it would obtain in a comparable arms-length transaction.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written when, and only when, the Administrative Agent shall have received counterparts of this Amendment executed by the Borrower and the Required Lenders or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment.

The effectiveness of this Amendment is conditioned upon the accuracy of the factual matters described herein. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 3. Representations and Warranties of the Borrower. The Borrower represents and warrants that, in accordance with Section 2, on and as of the date this Amendment becomes effective:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina.

(b) The execution, delivery and performance by the Borrower of this Amendment and the Credit Agreement, as amended hereby are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority, regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of this Amendment or the Credit Agreement, as amended hereby.

(d) This Amendment has been duly executed and delivered by the Borrower and is, the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms.

(e) No event has occurred and is continuing that constitutes a Default.

SECTION 4. Reference to and Effect on the Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

RAYONIER INC.

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:

CITIBANK, N.A.  
as Administrative Agent and as Lender

By \_\_\_\_\_  
Name:  
Title:

THE TORONTO-DOMINION BANK

By \_\_\_\_\_  
Name:  
Title:

BANK OF AMERICA NATIONAL  
TRUST AND SAVINGS ASSOCIATION

By \_\_\_\_\_  
Name:  
Title:

THE BANK OF NEW YORK

By \_\_\_\_\_  
Name:  
Title:

THE CHASE MANHATTAN BANK, N.A.

By \_\_\_\_\_  
Name:  
Title:

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

By \_\_\_\_\_  
Name:  
Title:

NATIONSBANK, N.A. (Carolinas)

By \_\_\_\_\_  
Name:  
Title:

THE SUMITOMO BANK, LIMITED  
NEW YORK BRANCH

By \_\_\_\_\_  
Name:  
Title:

TRUST COMPANY BANK

By \_\_\_\_\_  
Name:  
Title:

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

By \_\_\_\_\_  
Name:  
Title:

FLEET BANK, N.A.

By \_\_\_\_\_  
Name:  
Title:

UNITED STATES NATIONAL BANK  
OF OREGON

By \_\_\_\_\_  
Name:  
Title:

AMENDMENT NO. 2 TO THE  
U.S. \$100,000,000  
364-DAY REVOLVING CREDIT AGREEMENT

Dated as of April 12, 1996

AMENDMENT NO. 2 TO THE CREDIT AGREEMENT among Rayonier Inc., a North Carolina corporation (the "Borrower"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Citibank, N.A., as administrative agent (the "Administrative Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders and the Administrative Agent have entered into a Credit Agreement dated as of April 14, 1995, as amended as of June 16, 1995 (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Lenders are, on the terms and conditions stated below, willing to grant the request of the Borrower, and the Borrower and the Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended as follows:

(a) The definition of "Termination Date" in Section 1.01 of the Credit Agreement is amended in full to read as follows:

"'Termination Date' means the earlier of (a) subject to the provisions of Section 8.10, April 11, 1997 and (b) the date of termination in whole of the Commitments pursuant to Section 2.06 or 6.01."

(b) The definition of "Applicable Margin" in Section 1.01 of the Credit Agreement is amended in full to read as follows:

"'Applicable Margin' means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P and Moody's -----	Applicable Margin for Eurodollar Rate Advances -----
Level 1 -----	
BBB+/Baa1 or above	.2550%
Level 2 -----	
BBB/Baa2	.2600%
Level 3 -----	
Less than BBB/Baa2	.3000%"

(c) The definition of "Applicable Percentage" in Section 1.01 of the Credit Agreement is amended in full to read as follows:

"'Applicable Percentage' means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P and Moody's -----	Applicable Percentage -----
Level 1 -----	
BBB+/Baa1 or above	.0700%
Level 2 -----	
BBB/Baa2	.0900%
Level 3 -----	
Less than BBB/Baa2	.1500%"

(d) Section 5.02(c) of the Credit Agreement is amended in full to read as follows:

"Sales, Etc. of Assets. Sell, lease, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets, or grant any option or other right to purchase, lease or otherwise acquire any assets, except (i) as permitted by Section 5.02(b), (ii) any such sale, lease, transfer or disposition that is made in the ordinary course of its business, (iii) any such sale, lease, transfer or disposition by a Subsidiary of the Borrower to the Borrower or to another wholly owned Subsidiary of the Borrower (whether by dissolution, liquidation or otherwise), (iv) any such sale, lease, transfer or disposition to the extent the net book value of any single asset sold, leased, transferred or disposed of from and after April 12, 1996 pursuant to this clause (iv) is less than \$2,000,000, and the aggregate of all such assets sold, leased, transferred or disposed of from and after April 12, 1996 in any given calendar year pursuant to this clause (iv) is less than \$10,000,000, (v) any such sale, lease, transfer or disposition to the extent the net book value of all assets sold, leased, transferred or disposed of from and after April 12, 1996 pursuant to this clause (v) does not exceed the greater of (x) \$164,793,000 and (y) 10% of the Borrower's Consolidated Assets measured as of the last day of the most recent Fiscal Quarter of the Borrower ended on or prior to such date of determination and (vi) sales from time to time during the period from June 16, 1995 through and including April 11, 1997, of accounts receivables by the Borrower to its indirect wholly owned subsidiary Rayonier International Financial Services Limited ("RIFSL"), provided that (x) RIFSL is at all times during such period an indirect wholly-owned subsidiary of the Borrower and (y) with respect to each such sale (1) the aggregate fair market value of the accounts receivables sold by the Borrower to RIFSL in each such sale shall not exceed \$50,000,000, (2) such sales are for cash and (3) such sales are on terms no less favorable to the Borrower than it would obtain in a comparable arms-length transaction."

(e) Schedule 5.02(a) of the Credit Agreement is hereby deleted and replaced in full with the Schedule attached hereto.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective when, and only when, the Administrative Agent shall have received counterparts of this Amendment duly executed by the Borrower and the Lenders or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment and Section 1 hereof shall become effective when, and only when, the Agent shall have additionally received all of the following documents, each such document (unless otherwise specified) dated the date of receipt thereof by the Agent (unless otherwise specified), in form

and substance satisfactory to the Agent (unless otherwise specified) and in sufficient copies for each Lender:

(a) Certified copies of all necessary corporate approvals and any necessary governmental approvals with respect to the matters contemplated by this Amendment.

(b) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Amendment and the other documents to be delivered hereunder.

(c) A favorable opinion of John B. Canning, Corporate Secretary and Associate General Counsel of the Borrower, that this Amendment is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(d) A certificate signed by a duly authorized officer of the Borrower stating that:

(i) The representations and warranties contained in Section 3 are correct on and as of the date of such certificate as though made on and as of such date; and

(ii) No event has occurred and is continuing that constitutes a Default.

The effectiveness of this Amendment is conditioned upon the accuracy of the factual matters described herein. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 3. Representations and Warranties of the Borrower. The Borrower represents and warrants that, in accordance with Section 2, on and as of the date this Amendment becomes effective:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina.

(b) The execution, delivery and performance by the Borrower of this Amendment and the performance by the Borrower of the Credit Agreement, as amended hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority, regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of this Amendment or the performance by the Borrower of the Credit Agreement, as amended hereby.

(d) This Amendment has been duly executed and delivered by the Borrower and is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(e) No event has occurred and is continuing that constitutes a Default.

#### SECTION 4. Reference to and Effect on the Credit Agreement and

the Notes.

(a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 5. Costs, Expenses. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 8.04 of the Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this

Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

RAYONIER INC.

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:

\$9,333,334.50

CITIBANK, N.A.  
as Administrative Agent and as Lender

By \_\_\_\_\_  
Name:  
Title:

\$9,333,334.50

THE TORONTO-DOMINION BANK

By \_\_\_\_\_  
Name:  
Title:

\$8,333,333.00

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By \_\_\_\_\_  
Name:  
Title:

\$8,333,333.00

THE BANK OF NEW YORK

By \_\_\_\_\_  
Name:  
Title:

\$8,333,333.00

THE CHASE MANHATTAN BANK, N.A.

By \_\_\_\_\_  
Name:  
Title:

\$8,333,333.00

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By \_\_\_\_\_  
Name:  
Title:

\$8,333,333.00

NATIONSBANK, N.A., formerly known as Nationsbank, N.A. (Carolinas)

By \_\_\_\_\_  
Name:  
Title:

\$8,333,333.00

THE SUMITOMO BANK, LIMITED  
NEW YORK BRANCH

By \_\_\_\_\_  
Name:  
Title:

\$8,333,333.00

SUNTRUST BANK, ATLANTA, formerly known  
as Trust Company Bank

By \_\_\_\_\_  
Name:  
Title:

\$8,000,000.00

SWISS BANK CORPORATION

By \_\_\_\_\_  
Name:  
Title:

\$5,000,000.00

AUSTRALIA AND NEW ZEALAND BANKING GROUP  
LIMITED

By \_\_\_\_\_  
Name:  
Title:

\$5,000,000.00

FLEET NATIONAL BANK, formerly known as  
Fleet National Bank of Connecticut,  
successor by merger to Fleet Bank, N.A.

By

-----  
Name:  
Title:

\$5,000,000.00

UNITED STATES NATIONAL BANK OF OREGON

By

-----  
Name:  
Title:

\$100,000,000.00

Total of the Commitments

AMENDMENT NO. 1 TO THE  
U.S. \$200,000,000  
REVOLVING CREDIT AGREEMENT

Dated as of June 16, 1995

AMENDMENT NO. 1 TO THE CREDIT AGREEMENT among Rayonier Inc., a North Carolina corporation (the "Borrower"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Citibank, N.A., as administrative agent (the "Administrative Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders and the Administrative Agent have entered into a Credit Agreement dated as of April 14, 1995, (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(3) The Required Lenders are, on the terms and conditions stated below, willing to grant the request of the Borrower and the Borrower and the Required Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended as follows:

(a) Section 1.01 is amended by adding the following definition in proper alphabetical sequence:

" 'RIFSL' " has the meaning specified in Section 5.02(c)(v).

(b) Section 5.02(c) is amended by deleting the word "and" at the end of subclause (iii) and substituting "," therefor.

(c) Section 5.02(c) is further amended by adding at the end of subclause (iv) before the period thereto, the following:

"and (v) sales from time to time during the period from June 16, 1995 through and including June 30, 1996, of accounts receivables by the Borrower to its indirect wholly owned subsidiary Rayonier International Financial Services Limited ("RIFSL"), provided that (x) RIFSL is at all times during such period an indirect wholly-owned subsidiary of the Borrower and (y) with respect to each such sale (1) the aggregate fair market value of the accounts receivables sold by the Borrower to RIFSL in each such sale shall not exceed \$50,000,000, (2) such sales are for cash and (3) such sales are on terms no less favorable to the Borrower than it would obtain in a comparable arms-length transaction.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written when, and only when, the Administrative Agent shall have received counterparts of this Amendment executed by the Borrower and the Required Lenders or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment.

The effectiveness of this Amendment is conditioned upon the accuracy of the factual matters described herein. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 3. Representations and Warranties of the Borrower. The Borrower represents and warrants that, in accordance with Section 2, on and as of the date this Amendment becomes effective:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina.

(b) The execution, delivery and performance by the Borrower of this Amendment and the Credit Agreement, as amended hereby are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority, regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of this Amendment or the Credit Agreement, as amended hereby.

(d) This Amendment has been duly executed and delivered by the Borrower and is, the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms.

(e) No event has occurred and is continuing that constitutes a Default.

SECTION 4. Reference to and Effect on the Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

RAYONIER INC.

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:

CITIBANK, N.A.  
as Administrative Agent and as Lender

By \_\_\_\_\_  
Name:  
Title:

THE TORONTO-DOMINION BANK

By \_\_\_\_\_  
Name:  
Title:

BANK OF AMERICA NATIONAL  
TRUST AND SAVINGS ASSOCIATION

By \_\_\_\_\_  
Name:  
Title:

THE BANK OF NEW YORK

By \_\_\_\_\_  
Name:  
Title:

THE CHASE MANHATTAN BANK, N.A.

By \_\_\_\_\_  
Name:  
Title:

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

By \_\_\_\_\_  
Name:  
Title:

NATIONSBANK, N.A. (Carolinas)

By \_\_\_\_\_  
Name:  
Title:

THE SUMITOMO BANK, LIMITED  
NEW YORK BRANCH

By \_\_\_\_\_  
Name:  
Title:

TRUST COMPANY BANK

By \_\_\_\_\_  
Name:  
Title:

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

By \_\_\_\_\_  
Name:  
Title:

FLEET BANK, N.A.

By \_\_\_\_\_  
Name:  
Title:

UNITED STATES NATIONAL BANK  
OF OREGON

By \_\_\_\_\_  
Name:  
Title:

AMENDMENT NO. 2 TO THE  
U.S. \$200,000,000  
REVOLVING CREDIT AGREEMENT

Dated as of April 12, 1996

AMENDMENT NO. 2 TO THE CREDIT AGREEMENT among Rayonier Inc., a North Carolina corporation (the "Borrower"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Citibank, N.A., as administrative agent (the "Administrative Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders and the Administrative Agent have entered into a Credit Agreement dated as of April 14, 1995, as amended as of June 16, 1995 (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Lenders are, on the terms and conditions stated below, willing to grant the request of the Borrower, and the Borrower and the Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended as follows:

(a) The definition of "Termination Date" in Section 1.01 of the Credit Agreement is amended in full to read as follows:

"'Termination Date' means the earlier of April 12, 2001 and the date of termination in whole of the Commitments pursuant to Section 2.06 or 6.01."

(b) The definition of "Applicable Margin" in Section 1.01 of the Credit Agreement is amended in full to read as follows:

"'Applicable Margin' means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt S&P and Moody's -----	Applicable Margin for Eurodollar Rate Advances -----
Level 1 -----	
A-/A1 or above	.1950%
Level 2 -----	
BBB+/Baa1	.2250%
Level 3 -----	
BBB/Baa2	.2400%
Level 4 -----	
BBB-/Baa3	.3000%
Level 5 -----	
Less than BBB-/Baa3	.5000%"

(c) The definition of "Applicable Percentage" in Section 1.01 of the Credit Agreement is amended in full to read as follows:

"'Applicable Percentage' means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P and Moody's -----	Applicable Percentage -----
Level 1 -----	
A-/A1 or above	.0800%
Level 2 -----	
BBB+/Baa1	.1000%
Level 3 -----	
BBB/Baa2	.1100%
Level 4 -----	
BBB-/Baa3	.1500%
Level 5 -----	
Less than BBB-/Baa3	.2500%"

(d) Section 5.02(c) of the Credit Agreement is amended in full to read as follows:

"Sales, Etc. of Assets. Sell, lease, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets, or grant any option or other right to purchase, lease or otherwise acquire any assets, except (i) as permitted by Section 5.02(b), (ii) any such sale, lease, transfer or disposition that is made in the ordinary course of its business, (iii) any such sale, lease, transfer or disposition by a Subsidiary of the Borrower to the Borrower or to another wholly owned Subsidiary of the Borrower (whether by dissolution, liquidation or otherwise), (iv) any such sale, lease, transfer or disposition to the extent the net book value of any single asset sold, leased, transferred or disposed of from and after April 12, 1996 pursuant to this clause (iv) is less than \$2,000,000, and the aggregate of all such assets sold, leased, transferred or disposed of from and after April 12, 1996 in any given calendar year pursuant to this clause (iv) is less than \$10,000,000, (v) any such sale, lease, transfer or disposition to the extent the net book value of all assets sold, leased, transferred or disposed of from and after April 12, 1996 pursuant to this clause (v) does not exceed the greater of (x) \$164,793,000 and (y) 10% of the Borrower's Consolidated Assets measured as of the last day of the most recent Fiscal Quarter of the Borrower ended on or prior to such date of determination and (vi) sales from time to time during the period from June 16, 1995 through

and including June 30, 1997, of accounts receivables by the Borrower to its indirect wholly owned subsidiary Rayonier International Financial Services Limited ("RIFSL"), provided that (x) RIFSL is at all times during such period an indirect wholly-owned subsidiary of the Borrower and (y) with respect to each such sale (1) the aggregate fair market value of the accounts receivables sold by the Borrower to RIFSL in each such sale shall not exceed \$50,000,000, (2) such sales are for cash and (3) such sales are on terms no less favorable to the Borrower than it would obtain in a comparable arms-length transaction."

(e) Schedule 5.02(a) of the Credit Agreement is hereby deleted and replaced in full with the Schedule attached hereto.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective when, and only when, the Administrative Agent shall have received counterparts of this Amendment duly executed by the Borrower and the Lenders or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment and Section 1 hereof shall become effective when, and only when, the Agent shall have additionally received all of the following documents, each such document (unless otherwise specified) dated the date of receipt thereof by the Agent (unless otherwise specified), in form and substance satisfactory to the Agent (unless otherwise specified) and in sufficient copies for each Lender:

(a) Certified copies of all necessary corporate approvals and any necessary governmental approvals with respect to the matters contemplated by this Amendment.

(b) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Amendment and the other documents to be delivered hereunder.

(c) A favorable opinion of John B. Canning, Corporate Secretary and Associate General Counsel of the Borrower, that this Amendment is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(d) A certificate signed by a duly authorized officer of the Borrower stating that:

(i) The representations and warranties contained in Section 3 are correct on and as of the date of such certificate as though made on and as of such date; and

(ii) No event has occurred and is continuing that constitutes a Default.

The effectiveness of this Amendment is conditioned upon the accuracy of the factual matters described herein. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 3. Representations and Warranties of the Borrower. The Borrower represents and warrants that, in accordance with Section 2, on and as of the date this Amendment becomes effective:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina.

(b) The execution, delivery and performance by the Borrower of this Amendment and the performance by the Borrower of the Credit Agreement, as amended hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority, regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of this Amendment or the performance by the Borrower of the Credit Agreement, as amended hereby.

(d) This Amendment has been duly executed and delivered by the Borrower and is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(e) No event has occurred and is continuing that constitutes a Default.

SECTION 4. Reference to and Effect on the Credit Agreement and the Notes.

(a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 5. Costs, Expenses. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 8.04 of the Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

RAYONIER INC.

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:

\$20,666,665.50

CITIBANK, N.A.  
as Administrative Agent and as Lender

By \_\_\_\_\_  
Name:  
Title:

\$20,666,665.50

THE TORONTO-DOMINION BANK

By \_\_\_\_\_  
Name:  
Title:

\$16,666,667.00

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION

By \_\_\_\_\_  
Name:  
Title:

\$16,666,667.00

THE BANK OF NEW YORK

By

-----  
Name:  
Title:

\$16,666,667.00

THE CHASE MANHATTAN BANK, N.A.

By

-----  
Name:  
Title:

\$16,666,667.00

MORGAN GUARANTY TRUST COMPANY OF  
NEW YORK

By

-----  
Name:  
Title:

\$16,666,667.00

NATIONSBANK, N.A., formerly known as  
Nationsbank, N.A. (Carolinas)

By

-----  
Name:  
Title:

\$16,666,667.00

THE SUMITOMO BANK, LIMITED  
NEW YORK BRANCH

By

-----  
Name:  
Title:

\$16,666,667.00

SUNTRUST BANK, ATLANTA, formerly known  
as Trust Company Bank

By \_\_\_\_\_  
Name:  
Title:

\$12,000,000.00

SWISS BANK CORPORATION

By \_\_\_\_\_  
Name:  
Title:

\$10,000,000.00

AUSTRALIA AND NEW ZEALAND BANKING GROUP  
LIMITED

By \_\_\_\_\_  
Name:  
Title:

\$10,000,000.00

FLEET NATIONAL BANK, formerly known as  
Fleet National Bank of Connecticut,  
successor by merger to Fleet Bank, N.A.

By \_\_\_\_\_  
Name:  
Title:

\$10,000,000.00

UNITED STATES NATIONAL BANK OF OREGON

By \_\_\_\_\_  
Name:  
Title:

\$200,000,000.00

Total of the Commitments

RAYONIER INC. AND SUBSIDIARIES  
RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)  
(THOUSANDS OF DOLLARS)

	Six Months Ended June 30, -----	
	1996 -----	1995 -----
Earnings:		
Net Income	\$ 46,881	\$ 51,487
Add:		
Income Taxes	18,141	24,835
Minority Interest	16,537	16,572
Amortization of Capitalized Interest	982	822
	-----	-----
	82,541	93,716
Adjustments to Earnings for Fixed Charges:		
Interest and Other Financial Charges	14,243	17,308
Interest Factor Attributable to Rentals	722	738
	-----	-----
	14,965	18,046
	-----	-----
EARNINGS AS ADJUSTED	\$ 97,506 =====	\$ 111,762 =====
Fixed Charges:		
Fixed Charges above Capitalized Interest	\$ 14,965 865 -----	\$ 18,046 511 -----
TOTAL FIXED CHARGES	\$ 15,830 =====	\$ 18,557 =====
RATIO OF EARNINGS AS ADJUSTED TO TOTAL FIXED CHARGES	6.16 =====	6.02 =====

5  
1,000

6-MOS

	DEC-31-1996	
	JAN-01-1996	
	JUN-30-1996	4,813
		0
	142,433	
	4,394	
	156,971	
	366,967	
		1,358,027
	617,492	
	1,673,438	
187,998		461,972
	0	
		0
		152,977
		640,049
1,673,438		
		590,647
	590,647	
		480,461
	480,461	
	30,921	
	0	
	14,243	
	65,022	
	18,141	
46,881		
	0	
	0	
		0
	46,881	
	1.56	
	1.56	