# UNITED STATES SECURITIES AND EXCHANGE COMMISSION
## Washington, D.C. 20549

# FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015

OR

o 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 No. 13-2607329**

**225 WATER STREET, SUITE 1400**
**JACKSONVILLE, FL 32202**
**(Principal Executive Office)**

**Telephone Number: (904) 357-9100**

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 x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer x | Accelerated filer o |
| Non-accelerated filer o | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

As of May 1, 2015, there were outstanding 126,867,147 Common Shares of the registrant.

# TABLE OF CONTENTS

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**RAYONIER INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**AND COMPREHENSIVE INCOME**
**(Unaudited)**
**(Dollars in thousands, except per share amounts)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **SALES** | $140,305 | $143,187 |
| Costs and Expenses | | |
| Cost of sales | 107,234 | 115,900 |
| Selling and general expenses | 10,898 | 13,237 |
| Other operating income, net (Note 17) | (5,574) | (375) |
| | 112,558 | 128,762 |
| **OPERATING INCOME** | 27,747 | 14,425 |
| Interest expense | (8,544) | (10,675) |
| Interest income and miscellaneous expense, net | (1,494) | (1,011) |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 17,709 | 2,739 |
| Income tax benefit | 471 | 7,596 |
| **INCOME FROM CONTINUING OPERATIONS** | 18,180 | 10,335 |
| **DISCONTINUED OPERATIONS, NET (Note 2)** | | |
| Income from discontinued operations, net of income tax expense of $0 and $15,308 | — | 31,008 |
| **NET INCOME** | 18,180 | 41,343 |
| Less: Net income (loss) attributable to noncontrolling interest | 433 | (83) |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 17,747 | 41,426 |
| **OTHER COMPREHENSIVE (LOSS) INCOME** | | |
| Foreign currency translation adjustment, net of income tax benefit of $343 and $0 | (14,323) | 17,803 |
| New Zealand joint venture cash flow hedges, net of income tax benefit (expense) of $436 and ($501) | (946) | 1,711 |
| Amortization of pension and postretirement plans, net of income tax expense of $158 and $931 | 781 | 2,097 |
| Total other comprehensive (loss) income | (14,488) | 21,611 |
| **COMPREHENSIVE INCOME** | 3,692 | 62,954 |
| Less: Comprehensive (loss) income attributable to noncontrolling interest | (3,791) | 5,425 |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.** | $7,483 | $57,529 |
| **EARNINGS PER COMMON SHARE (Note 3)** | | |
| **BASIC EARNINGS PER SHARE ATTRIBUTABLE TO RAYONIER INC.** | | |
| Continuing Operations | $0.14 | $0.08 |
| Discontinued Operations | — | 0.25 |
| Net Income | $0.14 | $0.33 |
| **DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO RAYONIER INC.** | | |
| Continuing Operations | $0.14 | $0.08 |
| Discontinued Operations | — | 0.24 |
| Net Income | $0.14 | $0.32 |
| | | |
| **Dividends per share** | $0.25 | $0.49 |

See Notes to Consolidated Financial Statements.

Table of Contents

**RAYONIER INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**
**(Dollars in thousands)**

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $139,049 | $161,558 |
| Accounts receivable, less allowance for doubtful accounts of $42 and $42 | 19,960 | 24,018 |
| Inventory (Note 14) | 13,100 | 8,383 |
| Prepaid and other current assets | 18,040 | 19,745 |
| Total current assets | 190,149 | 213,704 |
| **TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION** | 2,073,024 | 2,088,501 |
| **HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT COSTS (NOTE 5)** | 71,952 | 77,433 |
| **PROPERTY, PLANT AND EQUIPMENT** | | |
| Land | 1,833 | 1,833 |
| Buildings | 8,894 | 8,961 |
| Machinery and equipment | 3,530 | 3,503 |
| Construction in progress | 710 | 579 |
| Total property, plant and equipment, gross | 14,967 | 14,876 |
| Less — accumulated depreciation | (8,375) | (8,170) |
| Total property, plant and equipment, net | 6,592 | 6,706 |
| **OTHER ASSETS** | 70,833 | 66,771 |
| **TOTAL ASSETS** | $2,412,550 | $2,453,115 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $22,228 | $20,211 |
| Current maturities of long-term debt | 130,213 | 129,706 |
| Accrued taxes | 12,461 | 11,405 |
| Accrued payroll and benefits | 2,996 | 6,390 |
| Accrued interest | 9,892 | 8,433 |
| Other current liabilities | 19,002 | 25,857 |
| Total current liabilities | 196,792 | 202,002 |
| **LONG-TERM DEBT** | 612,804 | 621,849 |
| **PENSION AND OTHER POSTRETIREMENT BENEFITS (Note 13)** | 33,661 | 33,477 |
| **OTHER NON-CURRENT LIABILITIES** | 21,077 | 20,636 |
| **COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)** | | |
| **SHAREHOLDERS' EQUITY** | | |
| Common Shares, 480,000,000 shares authorized, 126,802,309 and 126,773,097 shares issued and outstanding | 703,588 | 702,598 |
| Retained earnings | 776,827 | 790,697 |
| Accumulated other comprehensive loss | (15,088) | (4,825) |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,465,327 | 1,488,470 |
| Noncontrolling interest | 82,889 | 86,681 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,548,216 | 1,575,151 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $2,412,550 | $2,453,115 |

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
**(Dollars in thousands)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **OPERATING ACTIVITIES** | | |
| Net income | $18,180 | $41,343 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 29,975 | 25,981 |
| Non-cash cost of land sold and real estate development costs recovered upon sale | 3,747 | 3,076 |
| Stock-based incentive compensation expense | 805 | 3,103 |
| Deferred income taxes | (189) | 5,596 |
| Non-cash adjustments to unrecognized tax benefit liability | — | (3,896) |
| Depreciation and amortization from discontinued operations | — | 20,649 |
| Amortization of losses from pension and postretirement plans | 939 | 3,028 |
| Other | 105 | 2,368 |
| Changes in operating assets and liabilities: | | |
| Receivables | 3,544 | (15,950) |
| Inventories | (3,133) | (950) |
| Accounts payable | 2,857 | 13,929 |
| Income tax receivable/payable | (150) | 1,319 |
| All other operating activities | (3,282) | 3,002 |
| Expenditures for dispositions and discontinued operations | — | (2,498) |
| CASH PROVIDED BY OPERATING ACTIVITIES | 53,398 | 100,100 |
| **INVESTING ACTIVITIES** | | |
| Capital expenditures | (13,292) | (34,640) |
| Real estate development costs | (306) | (1,812) |
| Purchase of timberlands | (23,070) | (10,637) |
| Change in restricted cash | (7,071) | 45,312 |
| Other | — | (778) |
| CASH USED FOR INVESTING ACTIVITIES | (43,739) | (2,555) |
| **FINANCING ACTIVITIES** | | |
| Issuance of debt | 12,000 | 31,819 |
| Repayment of debt | (11,371) | (110,000) |
| Dividends paid | (31,667) | (62,545) |
| Proceeds from the issuance of common shares | 546 | 2,027 |
| Repurchase of common shares | (94) | (1,754) |
| Other | — | (678) |
| CASH USED FOR FINANCING ACTIVITIES | (30,586) | (141,131) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | (1,582) | 13 |
| **CASH AND CASH EQUIVALENTS** | | |
| Change in cash and cash equivalents | (22,509) | (43,573) |
| Balance, beginning of year | 161,558 | 199,644 |
| Balance, end of period | $139,049 | $156,071 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| Cash paid during the period: | | |
| Interest (a) | $5,016 | $6,928 |
| Income taxes | 138 | 7,134 |
| Non-cash investing activity: | | |
| Capital assets purchased on account | 2,441 | 17,891 |

(a) Interest paid is presented net of patronage refunds received of $1.3 million for the three months ended March 31, 2015 and $2.1 million for the three months ended March 31, 2014. For additional information on patronage refunds, see Note 13 — Debt in the 2014 Form 10-K.

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 1. BASIS OF PRESENTATION

*Basis of Presentation*

The unaudited consolidated financial statements and notes thereto of Rayonier Inc. and its subsidiaries ("Rayonier" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of management, these financial statements and notes reflect all adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the financial statements and supplementary data included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC (the "2014 Form 10-K").

*Reclassifications*

Certain 2014 amounts have been reclassified to conform to the current presentation, including changes in balance sheet presentation. During the first quarter of 2015, the Company reclassified seeds and seedlings from Inventory and Other Assets to Timber and Timberlands, Net to better reflect the intended use of the assets. Rayonier also reclassified long-term higher and better use ("HBU") timberlands and real estate development costs from Other Assets to a separate balance sheet caption. These adjustments are reflected in the March 31, 2015 and December 31, 2014 Consolidated Balance Sheets. Corresponding changes have also been made to the Consolidated Statements of Cash Flows for both periods presented.

Certain 2014 amounts have also been adjusted for reclassifications of discontinued operations. Rayonier completed the spin-off of its Performance Fibers business on June 27, 2014. Accordingly, the operating results of this business segment are reported as discontinued operations in the Company's Consolidated Statements of Income and Comprehensive Income for the prior-year period. Certain administrative and general costs historically allocated to the Performance Fibers business that remained with Rayonier are reported in continuing operations.

The Consolidated Statement of Cash Flows for March 31, 2014 has not been restated to exclude Performance Fibers cash flows.

See Note 2 — *Discontinued Operations* for additional information regarding the spin-off of the Performance Fibers business.

*New Accounting Standards*

In May 2014, the Financial Accounting Standards Board ("FASB") and International Accounting Standards Board ("IASB") jointly issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, a comprehensive new revenue recognition standard that will supersede current revenue recognition guidance. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to receive in exchange for those goods or services. The guidance provides a unified model to determine when and how revenue is recognized and will require enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In April 2015, the FASB voted for a one-year deferral of the effective date of the new standard, with an option for organizations to adopt early based on the original effective date. If approved, this standard will be effective for Rayonier beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation*, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This standard will be effective for Rayonier's first quarter 2016 Form 10-Q filing and is not expected to have an impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest — Imputation of Interest*. This amendment requires that debt issuance costs be presented in the Balance Sheet as a direct deduction from the carrying amount of the debt liability. This standard will be effective for Rayonier's first quarter 2016 Form 10-Q filing and is not expected to have a material impact on the Company's consolidated financial statements.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

*Subsequent Events*

The Company evaluated events and transactions that occurred after the Balance Sheet date but before the financial statements were issued, and no subsequent events were identified.

## 2. DISCONTINUED OPERATIONS

***Spin-Off of the Performance Fibers Business***

On June 27, 2014, Rayonier completed the tax-free spin-off of its Performance Fibers business and retained its timber, real estate and trading businesses. The spin-off resulted in two independent, publicly-traded companies, with the Performance Fibers business being spun-off to Rayonier shareholders as a newly formed public company named Rayonier Advanced Materials Inc. (“Rayonier Advanced Materials”). On June 27, 2014, the shareholders of record received one share of Rayonier Advanced Materials common stock for every three common shares of Rayonier held as of the close of business on the record date of June 18, 2014.

In connection with the spin-off, Rayonier Advanced Materials distributed $906.2 million in cash to Rayonier from $550 million in Senior Notes issued by Rayonier A.M. Products (a wholly-owned subsidiary of Rayonier Advanced Materials), $325 million in term loans, and $75 million from a revolving credit facility Rayonier Advanced Materials entered into prior to the spin-off. Pursuant to the terms of the Internal Revenue Service spin-off ruling, $75 million of this cash was paid to Rayonier’s shareholders as dividends. Of this $75 million, $63.2 million was paid to shareholders as a special dividend in the third quarter of 2014.

In order to effect the spin-off and govern the Company’s relationship with Rayonier Advanced Materials after the spin-off, Rayonier and Rayonier Advanced Materials entered into a Separation and Distribution Agreement, an Intellectual Property Agreement, a Tax Sharing Agreement, an Employee Matters Agreement and a Transition Services Agreement. See Note 3 — *Discontinued Operations* in the 2014 Form 10-K for further details concerning these agreements.

Rayonier will not have significant continuing involvement in the operations of the Performance Fibers business going forward. Accordingly, the operating results of the Performance Fibers business, formerly disclosed as a separate reportable segment, are classified as discontinued operations in the Company's Consolidated Statements of Income and Comprehensive Income for all periods presented. Certain administrative and general costs historically allocated to the Performance Fibers segment are reported in continuing operations, as required.

The following table summarizes the operating results of the Company's discontinued operations related to the Performance Fibers spin-off for the three months ended March 31, 2014, as presented in "Income from discontinued operations, net" in the Consolidated Statements of Income and Comprehensive Income:

| | Three Months Ended March 31, 2014 |
|---|---|
| Sales | $243,499 |
| Cost of sales and other | (193,864) |
| Transaction expenses | (3,319) |
| Income from discontinued operations before income taxes | 46,316 |
| Income tax expense | (15,308) |
| Income from discontinued operations, net | $31,008 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

In accordance with Accounting Standards Codification ("ASC") 205-20-S99-3, *Allocation of Interest to Discontinued Operations*, the Company elected to allocate interest expense to discontinued operations where the debt is not directly attributed to the Performance Fibers business. Interest expense has been allocated based on a ratio of net assets to be discontinued to the sum of consolidated net assets plus consolidated debt (other than debt directly attributable to the Timber and Real Estate operations). The following table summarizes the interest expense allocated to discontinued operations for the three months ended March 31, 2014:

| | Three Months Ended March 31, 2014 |
|---|---|
| Interest expense allocated to the Performance Fibers business | ($2,295) |

The following table summarizes the depreciation, amortization and capital expenditures of the Company's discontinued operations related to the Performance Fibers business:

| | Three Months Ended March 31, 2014 |
|---|---|
| Depreciation and amortization | $20,649 |
| Capital expenditures | 17,876 |

Pursuant to a Memorandum of Understanding agreement, Rayonier may provide Rayonier Advanced Materials with up to 120,000 tons of hardwood annually through July 30, 2017. Prior to the spin-off, hardwood purchases were intercompany transactions eliminated in consolidation as follows:

| | Three Months Ended March 31, 2014 |
|---|---|
| Hardwood purchases | $2,745 |

(Dollar amounts in thousands unless otherwise stated)

## 3. EARNINGS PER COMMON SHARE

The following table provides details of the calculations of basic and diluted earnings per common share:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2015 | 2014 |
| Income from continuing operations | $18,180 | $10,335 |
| Less: Net income (loss) from continuing operations attributable to noncontrolling interest | 433 | (83) |
| Income from continuing operations attributable to Rayonier Inc. | $17,747 | $10,418 |
| | | |
| Income from discontinued operations, net, attributable to Rayonier Inc. | — | 31,008 |
| | | |
| Net income attributable to Rayonier Inc. | $17,747 | $41,426 |
| | | |
| Shares used for determining basic earnings per common share | 126,614,334 | 126,344,987 |
| Dilutive effect of: | | |
| Stock options | 168,680 | 286,535 |
| Performance and restricted shares | 51,494 | 83,850 |
| Assumed conversion of Senior Exchangeable Notes (a) | 892,885 | 1,063,538 |
| Assumed conversion of warrants (a) | — | 645,583 |
| Shares used for determining diluted earnings per common share | 127,727,393 | 128,424,493 |
| Basic earnings per common share attributable to Rayonier Inc.: | | |
| Continuing operations | $0.14 | $0.08 |
| Discontinued operations | — | 0.25 |
| Net income | $0.14 | $0.33 |
| Diluted earnings per common share attributable to Rayonier Inc.: | | |
| Continuing operations | $0.14 | $0.08 |
| Discontinued operations | — | 0.24 |
| Net income | $0.14 | $0.32 |

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2015 | 2014 |
| Anti-dilutive shares excluded from the computations of diluted earnings per share: | | |
| Stock options, performance and restricted shares | 757,960 | 731,046 |
| Assumed conversion of exchangeable note hedges (a) | 892,885 | 1,063,538 |
| Total | 1,650,845 | 1,794,584 |

(a) Rayonier will not issue additional shares upon future exchange or maturity of the Senior Exchangeable Notes due 2015 (the "2015 Notes") due to offsetting hedges. ASC 260, *Earnings Per Share* requires the assumed conversion of the 2015 Notes to be included in dilutive shares if the average stock price for the period exceeds the strike price, while the assumed conversion of the hedges is excluded since they are anti-dilutive. The full dilutive effect of the 2015 Notes was included for all periods presented.

Rayonier will distribute additional shares upon maturity of the warrants sold in conjunction with the 2015 Notes if the stock price exceeds $28.12 per share. The exchange price on the warrants is lower than periods prior to second quarter 2014 as it has been adjusted to reflect the spin-off of the Performance Fibers business. The warrants were not dilutive for the three months ended March 31, 2015 as the average stock price for the period did not exceed the strike price. For further information, see Note 13 — *Debt* in the 2014 Form 10-K and Note 15 — *Debt* of this Form 10-Q.

## 4. INCOME TAXES

The operations conducted by the Company's Real Estate Investment Trust ("REIT") entities are generally not subject to U.S. federal and state income taxation. Non-REIT qualifying operations are conducted by the Company's taxable REIT subsidiaries. Prior to the June 27, 2014 spin-off of Rayonier Advanced Materials, the Company's taxable REIT subsidiaries ("TRS") operations included the Performance Fibers business. As such, during 2014 and prior periods the income tax benefit from continuing operations was significantly impacted by the TRS businesses. Subsequent to the spin-off, the primary businesses performed in Rayonier's taxable REIT subsidiaries include log trading and certain real estate activities, such as the sale and entitlement of development HBU properties.

***Provision for Income Taxes from Continuing Operations***

The Company's effective tax rate is below the 35 percent U.S. statutory rate due to tax benefits associated with being a REIT. The income tax benefit for the three months ended March 31, 2015 is principally related to the Matariki Forestry Group joint venture (the "New Zealand JV"). The prior year period's benefit was due to losses at Rayonier's taxable operations primarily from interest and general administrative expenses not allowed to be allocated to the discontinued operations of the Performance Fibers business and is not comparable to the current year.

The table below reconciles the U.S. statutory rate to the Company's effective tax rate for each period presented:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| Income tax expense at federal statutory rate | ($6,198) | 35.0 % | ($959) | 35.0 % |
| REIT income and taxable losses | 7,502 | (42.4) | 7,188 | (262.4) |
| Foreign operations | 1,137 | (6.4) | (10) | 0.4 |
| Net operating loss valuation allowance | (1,812) | 10.2 | — | — |
| Other | (158) | 0.9 | 7 | (0.3) |
| Income tax benefit before discrete items | $471 | (2.7)% | $6,226 | (227.3)% |
| Prior period state tax adjustments | — | — | 1,370 | (50.0) |
| Income tax benefit as reported for continuing operations | $471 | (2.7)% | $7,596 | (277.3)% |

(Dollar amounts in thousands unless otherwise stated)

***Provision for Income Taxes from Discontinued Operations***

On June 27, 2014, Rayonier completed the spin-off of its Performance Fibers business. For the three months ended March 31, 2014, income tax expense related to Performance Fibers discontinued operations was $15.3 million. See Note 2 — *Discontinued Operations* for additional information on the spin-off of the Performance Fibers business.

## 5. HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT COSTS

Rayonier continuously assesses potential alternative uses of its timberlands, as some properties may become more valuable for development, residential, recreation or other purposes. The Company periodically transfers, via a sale or contribution from the REIT to TRS, HBU timberlands to enable land-use entitlement, development or marketing activities. The Company also acquires HBU properties in connection with timberland acquisitions. These properties are still managed as timberlands until sold or developed. While the majority of HBU sales involve rural and recreational land, the Company also selectively pursues various land-use entitlements on certain properties for residential, commercial and industrial development in order to enhance the long-term value of such properties. For selected development properties, Rayonier also invests in targeted infrastructure improvements, such as roadways and utilities, to accelerate the marketability and improve the value of such properties.

An analysis of higher and better use timberlands and real estate development costs from December 31, 2014 to March 31, 2015 is shown below:

| | Higher and Better Use Timberlands and Real Estate Development Costs | | |
|---|---|---|---|
| | **Land and Timber** | **Development Costs** | **Total** |
| **Non-current portion at December 31, 2014** | $65,959 | $11,474 | $77,433 |
| Plus: Current portion (a) | 4,875 | 57 | 4,932 |
| **Total Balance at December 31, 2014** | 70,834 | 11,531 | 82,365 |
| Non-cash cost of land sold and real estate development costs recovered upon sale | (3,669) | (4) | (3,673) |
| Timber depletion from harvesting activities | (554) | — | (554) |
| Capitalized real estate development costs (b) | — | 276 | 276 |
| Capital expenditures (silviculture) | 49 | — | 49 |
| Acquisitions | — | — | — |
| Transfers | — | — | — |
| **Total Balance at March 31, 2015** | 66,660 | 11,803 | 78,463 |
| Less: Current portion (a) | (6,173) | (338) | (6,511) |
| **Non-current portion at March 31, 2015** | $60,487 | $11,465 | $71,952 |

(a) The current portion of Higher and Better Use Timberlands and Real Estate Development Costs is recorded in Inventory. See Note 14 — *Inventory* for additional information.

(b) Capitalized real estate development costs for the three months ended March 31, 2015 of $276,000 consisted of $306,000 in cash outflows and a $30,000 change in accrued spending.

## 6. RESTRICTED DEPOSITS

In order to qualify for like-kind exchange (“LKE”) treatment, the proceeds from real estate sales must be deposited with a third-party intermediary. These proceeds are accounted for as restricted cash until a suitable replacement property is acquired. In the event LKE purchases are not completed, the proceeds are returned to the Company after 180 days and reclassified as available cash. As of March 31, 2015 and December 31, 2014, the Company had $13.8 million and $6.7 million, respectively, of proceeds from real estate sales classified as restricted cash in Other Assets, which were deposited with an LKE intermediary.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 7. SHAREHOLDERS' EQUITY

An analysis of shareholders' equity for the three months ended March 31, 2015 and the year ended December 31, 2014 is shown below (share amounts not in thousands):

| | Rayonier Inc. Shareholders' Equity | | | | | |
|---|---|---|---|---|---|---|
| | Common Shares | | Retained Earnings | Accumulated Other Comprehensive Income/(Loss) | Non-controlling Interest | Total Shareholders' Equity |
| | Shares (a) | Amount | | | | |
| **Balance, December 31, 2013** | 126,257,870 | $692,100 | $1,015,209 | ($46,139) | $94,073 | $1,755,243 |
| Net income (loss) | — | — | 99,337 | — | (1,491) | 97,846 |
| Dividends ($2.03 per share) | — | — | (256,861) | — | — | (256,861) |
| Contribution to Rayonier Advanced Materials | — | (301) | (61,318) | 80,749 | — | 19,130 |
| Adjustments to Rayonier Advanced Materials (b) | — | — | (5,670) | (2,556) | — | (8,226) |
| Issuance of shares under incentive stock plans | 561,701 | 5,579 | — | — | — | 5,579 |
| Stock-based compensation | — | 7,869 | — | — | — | 7,869 |
| Tax deficiency on stock-based compensation | — | (791) | — | — | — | (791) |
| Repurchase of common shares | (46,474) | (1,858) | — | — | — | (1,858) |
| Net loss from pension and postretirement plans | — | — | — | (24,147) | — | (24,147) |
| Noncontrolling interest redemption of shares | — | — | — | — | (931) | (931) |
| Foreign currency translation adjustment | — | — | — | (11,526) | (4,321) | (15,847) |
| Joint venture cash flow hedges | — | — | — | (1,206) | (649) | (1,855) |
| **Balance, December 31, 2014** | 126,773,097 | $702,598 | $790,697 | ($4,825) | $86,681 | $1,575,151 |
| Net income | — | — | 17,747 | — | 433 | 18,180 |
| Dividends ($0.25 per share) | — | — | (31,617) | — | — | (31,617) |
| Issuance of shares under incentive stock plans | 32,196 | 546 | — | — | — | 546 |
| Stock-based compensation | — | 805 | — | — | — | 805 |
| Tax deficiency on stock-based compensation | — | (267) | — | — | — | (267) |
| Repurchase of common shares | (2,984) | (94) | — | — | — | (94) |
| Net gain from pension and postretirement plans | — | — | — | 781 | — | 781 |
| Foreign currency translation adjustment | — | — | — | (10,429) | (3,894) | (14,323) |
| Joint venture cash flow hedges | — | — | — | (615) | (331) | (946) |
| **Balance, March 31, 2015** | 126,802,309 | $703,588 | $776,827 | ($15,088) | $82,889 | $1,548,216 |

(a) The Company's common shares are registered in North Carolina and have a $0.00 par value.

(b) Primarily relates to adjustments made to the Rayonier Advanced Materials contribution as income taxes and pension and postretirement plan assets and obligations were finalized.

(Dollar amounts in thousands unless otherwise stated)

## 8. SEGMENT AND GEOGRAPHICAL INFORMATION

On June 27, 2014, the Company spun-off its Performance Fibers business and its operations are shown as discontinued operations for all periods presented. See Note 2 — *Discontinued Operations* for additional information. Effective with the fourth quarter of 2014, the Company realigned its segments considering the economic characteristics of each business unit and the way management now internally evaluates business performance and makes capital allocation decisions. All prior period amounts have been reclassified to reflect the newly realigned segment structure. See Item 2 — *Management's Discussion and Analysis of Financial Condition and Results of Operations — Our Company* for additional information.

Sales between operating segments are made based on estimated fair market value, and intercompany sales, purchases and profits (losses) are eliminated in consolidation. The Company evaluates financial performance based on segment operating income and Adjusted EBITDA. Asset information is not reported by segment, as the company does not produce asset information by segment internally.

Operating income as presented in the Consolidated Statements of Income and Comprehensive Income is equal to segment income. Certain income (loss) items in the Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include gains (losses) from certain asset dispositions, interest income (expense), miscellaneous income (expense) and income tax (expense) benefit, are not considered by management to be part of segment operations.

Segment information for each of the three months ended March 31, 2015 and 2014 were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| **SALES** | **2015** | **2014** |
| Southern Timber | $35,531 | $33,876 |
| Pacific Northwest Timber | 19,154 | 33,038 |
| New Zealand Timber | 41,194 | 37,764 |
| Real Estate | 23,791 | 5,530 |
| Trading | 20,635 | 35,686 |
| Intersegment Eliminations | — | (2,707) |
| Total | $140,305 | $143,187 |

| | Three Months Ended March 31, | |
|---|---|---|
| **OPERATING INCOME** | **2015** | **2014** |
| Southern Timber | $12,413 | $10,493 |
| Pacific Northwest Timber | 2,587 | 12,642 |
| New Zealand Timber | 5,694 | 2,411 |
| Real Estate | 12,582 | 725 |
| Trading | 270 | (412) |
| Corporate and other | (5,799) | (11,434) |
| Total Operating Income | 27,747 | 14,425 |
| Unallocated interest expense and other | (10,038) | (11,686) |
| Total income from continuing operations before income taxes | $17,709 | $2,739 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | Three Months Ended March 31, | |
|---|---|---|
| **DEPRECIATION, DEPLETION AND AMORTIZATION** | **2015** | **2014** |
| Southern Timber | $14,301 | $11,996 |
| Pacific Northwest Timber | 3,790 | 6,297 |
| New Zealand Timber | 8,003 | 6,496 |
| Real Estate | 3,812 | 910 |
| Trading | — | — |
| Corporate and other | 69 | 282 |
| Total | $29,975 | $25,981 |

| | Three Months Ended March 31, | |
|---|---|---|
| **NON-CASH COST OF LAND SOLD AND REAL ESTATE COSTS RECOVERED UPON SALE** | **2015** | **2014** |
| Southern Timber | — | — |
| Pacific Northwest Timber | — | — |
| New Zealand Timber | — | 2,098 |
| Real Estate | 3,747 | 978 |
| Trading | — | — |
| Corporate and other | — | — |
| Total | $3,747 | $3,076 |

## 9. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to market risk related to potential fluctuations in foreign currency exchange rates and interest rates. The Company's New Zealand JV uses derivative financial instruments to mitigate the financial impact of exposure to these risks. The Company also uses derivative financial instruments to mitigate exposure to foreign currency risk due to the translation of the investment in Rayonier's New Zealand-based operations from New Zealand dollars to U.S. dollars.

Accounting for derivative financial instruments is governed by Accounting Standards Codification Topic 815, *Derivatives and Hedging*, ("ASC 815"). In accordance with ASC 815, the Company records its derivative instruments at fair value as either assets or liabilities in the Consolidated Balance Sheets. Changes in the instruments' fair value are accounted for based on their intended use. Gains and losses on derivatives that are designated and qualify for cash flow hedge accounting are recorded as a component of accumulated other comprehensive income ("AOCI") and reclassified into earnings when the hedged transaction materializes. Gains and losses on derivatives that are designated and qualify for net investment hedge accounting are recorded as a component of AOCI and will not be reclassified into earnings until the Company's investment in New Zealand is partially or completely liquidated. The ineffective portion of any hedge as well as changes in the fair value of derivatives not designated as hedging instruments and those which are no longer effective as hedging instruments, are recognized immediately in earnings. The Company's hedge ineffectiveness was immaterial for all periods presented.

*Foreign Currency Exchange and Option Contracts*

The functional currency of Rayonier's wholly owned subsidiary, Rayonier New Zealand Limited ("RNZ") and the New Zealand JV is the New Zealand dollar. The New Zealand JV is exposed to foreign currency risk on export sales and ocean freight payments which are mainly denominated in U.S. dollars. The timber operations of the New Zealand JV are typically hedged 50 percent to 90 percent of its estimated foreign currency exposure with respect to the following three months forecasted sales and purchases, 50 percent to 75 percent of forecasted sales and purchases for the forward three to 12 months and up to 50 percent of the forward 12 to 18 months. Foreign currency exposure from the New Zealand JV's trading operations is typically hedged based on the following three months forecasted sales and purchases. As of March 31, 2015, foreign currency exchange contracts and foreign currency option contracts had maturity dates through July 2016 and September 2016, respectively.

Foreign currency exchange and option contracts hedging foreign currency risk on export sales and ocean freight payments that were entered into subsequent to the Company's acquisition of a majority interest in the New Zealand JV qualify for cash flow hedge accounting. The fair value of foreign currency exchange contracts is determined by a mark-to-market valuation which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. The fair value of foreign currency option contracts is based on a mark-to-market calculation using the Black-Scholes option pricing model.

In December 2014, the Company entered into a foreign currency exchange contract to mitigate the risk of fluctuations in foreign currency exchange rates when translating RNZ's balance sheet to U.S. dollars. This contract hedges a portion of the Company's net investment in New Zealand and qualifies as a net investment hedge. The fair value of the foreign currency exchange contract is determined by a mark-to-market valuation which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. The ineffectiveness of the foreign currency exchange contract is measured using the spot rate method, whereby the change in the fair value of the contract, other than the change attributable to movements in the spot rate, is excluded from the measure of hedge ineffectiveness and is reported directly in earnings. The Company does not expect any ineffectiveness or changes other than those attributable to movements in the spot rate as the critical risks of the forward contract and the net investment in RNZ coincide.

*Interest Rate Swaps*

The Company uses interest rate swaps to manage the New Zealand JV's exposure to interest rate movements on its variable rate debt attributable to changes in the New Zealand Bank bill rate. By converting a portion of these borrowings from floating rates to fixed rates the Company has reduced the impact of interest rate changes on its expected future cash outflows. As of March 31, 2015, the Company's interest rate contracts hedged 81 percent of the New Zealand JV's variable rate debt and had maturity dates through January 2020.

*Fuel Hedge Contracts*

The Company has historically used fuel hedge contracts to manage its New Zealand JV's exposure to changes in New Zealand's domestic diesel prices. Due to the low volume of diesel fuel purchases made by the New Zealand JV in 2013, the Company decided to no longer hedge its diesel fuel purchases effective November 2013. There were no contracts remaining as of December 31, 2014.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

The following table demonstrates the impact of the Company's derivatives on the Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2015 and 2014.

| | Income Statement Location | Three Months Ended March 31, 2015 | 2014 |
|---|---|---|---|
| **Derivatives designated as cash flow hedges:** | | | |
| Foreign currency exchange contracts | Other comprehensive (loss) income | ($700) | $1,487 |
| Foreign currency option contracts | Other comprehensive (loss) income | (681) | 725 |
| **Derivative designated as a net investment hedge:** | | | |
| Foreign currency exchange contract | Other comprehensive (loss) income | 591 | — |
| **Derivatives not designated as hedging instruments:** | | | |
| Foreign currency exchange contracts | Other operating (income) expense | — | 25 |
| Foreign currency option contracts | Other operating (income) expense | — | 7 |
| Interest rate swaps | Interest and miscellaneous (expense) income, net | (1,855) | (1,134) |
| Fuel hedge contracts | Cost of sales (benefit) | — | 317 |

During the next 12 months, the amount of the March 31, 2015 AOCI balance, net of tax, expected to be reclassified into earnings as a result of the maturation of the Company's derivative instruments is a loss of approximately $1.8 million.

The following table contains the notional amounts of the derivative financial instruments recorded in the Consolidated Balance Sheets:

| | Notional Amount March 31, 2015 | December 31, 2014 |
|---|---|---|
| **Derivatives designated as cash flow hedges:** | | |
| Foreign currency exchange contracts | $29,560 | $28,540 |
| Foreign currency option contracts | 99,400 | 79,400 |
| **Derivative designated as a net investment hedge:** | | |
| Foreign currency exchange contract | 26,278 | 27,419 |
| **Derivatives not designated as hedging instruments:** | | |
| Interest rate swaps | 142,101 | 161,968 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

The following table contains the fair values of the derivative financial instruments recorded in the Consolidated Balance Sheets:

| | Location on Balance Sheet | Fair Value Assets / (Liabilities) (a) | |
|---|---|---|---|
| | | March 31, 2015 | December 31, 2014 |
| **Derivatives designated as cash flow hedges:** | | | |
| Foreign currency exchange contracts | Prepaid and other current assets | $87 | $132 |
| | Other assets | 8 | 59 |
| | Other current liabilities | (823) | (272) |
| | Other non-current liabilities | (49) | — |
| Foreign currency option contracts | Prepaid and other current assets | 393 | 299 |
| | Other assets | 390 | 198 |
| | Other current liabilities | (2,176) | (1,439) |
| | Other non-current liabilities | (374) | (196) |
| **Derivative designated as a net investment hedge:** | | | |
| Foreign currency exchange contract | Prepaid and other current assets | 711 | — |
| | Other current liabilities | — | (223) |
| **Derivatives not designated as hedging instruments:** | | | |
| Interest rate swaps | Other current liabilities | (80) | — |
| | Other non-current liabilities | (8,085) | (7,247) |
| **Total derivative contracts:** | | | |
| Prepaid and other current assets | | $1,191 | $431 |
| Other assets | | 398 | 257 |
| Total derivative assets | | 1,589 | 688 |
| Other current liabilities | | (3,079) | (1,934) |
| Other non-current liabilities | | (8,508) | (7,443) |
| Total derivative liabilities | | ($11,587) | ($9,377) |

(a) See Note 10 — *Fair Value Measurements* for further information on the fair value of the Company's derivatives including their classification within the fair value hierarchy.

*Offsetting Derivatives*

Derivative financial instruments are presented at their gross fair values in the Consolidated Balance Sheets. The Company's derivative financial instruments are not subject to master netting arrangements, which would allow the right of offset.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 10. FAIR VALUE MEASUREMENTS

*Fair Value of Financial Instruments*

The Accounting Standards Codification established a three-level hierarchy that prioritizes the inputs used to measure fair value as follows:

*Level 1* — Quoted prices in active markets for identical assets or liabilities.

*Level 2* — Observable inputs other than quoted prices included in Level 1.

*Level 3* — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the carrying amount and estimated fair values of financial instruments held by the Company at March 31, 2015 and December 31, 2014, using market information and what the Company believes to be appropriate valuation methodologies under generally accepted accounting principles:

| | March 31, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| **Asset (liability)** | **Carrying Amount** | **Fair Value** | | **Carrying Amount** | **Fair Value** | |
| | | **Level 1** | **Level 2** | | **Level 1** | **Level 2** |
| Cash and cash equivalents | $139,049 | $139,049 | — | $161,558 | $161,558 | — |
| Restricted cash (a) | 13,759 | 13,759 | — | 6,688 | 6,688 | — |
| Current maturities of long-term debt | (130,213) | — | (150,588) | (129,706) | — | (156,762) |
| Long-term debt | (612,804) | — | (621,605) | (621,849) | — | (628,476) |
| Interest rate swaps (b) | (8,165) | — | (8,165) | (7,247) | — | (7,247) |
| Foreign currency exchange contracts (b) | (66) | — | (66) | (304) | — | (304) |
| Foreign currency option contracts (b) | (1,767) | — | (1,767) | (1,138) | — | (1,138) |

(a) Restricted cash is recorded in “Other Assets” and represents the proceeds from LKE sales deposited with a third-party intermediary.

(b) See Note 9 — *Derivative Financial Instruments and Hedging Activities* for information regarding the Balance Sheet classification of the Company’s derivative financial instruments.

Rayonier uses the following methods and assumptions in estimating the fair value of its financial instruments:

*Cash and cash equivalents and Restricted cash* — The carrying amount is equal to fair market value.

*Debt* — The fair value of fixed rate debt is based upon quoted market prices for debt with similar terms and maturities. The variable rate debt adjusts with changes in the market rate, therefore the carrying value approximates fair value.

*Interest rate swap agreements* — The fair value of interest rate contracts is determined by discounting the expected future cash flows, for each instrument, at prevailing interest rates.

*Foreign currency exchange contracts* — The fair value of foreign currency exchange contracts is determined by a mark-to-market valuation which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

*Foreign currency option contracts* — The fair value of foreign currency option contracts is based on a mark-to-market calculation using the Black-Scholes option pricing model.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 11. GUARANTEES

The Company provides financial guarantees as required by creditors, insurance programs, and various governmental agencies. As of March 31, 2015, the following financial guarantees were outstanding:

| Financial Commitments | Maximum Potential Payment | Carrying Amount of Associated Liability |
|---|---|---|
| Standby letters of credit (a) | $16,685 | $15,000 |
| Guarantees (b) | 2,254 | 43 |
| Surety bonds (c) | 682 | — |
| Total financial commitments | $19,621 | $15,043 |

(a) Approximately $15 million of the standby letters of credit serve as credit support for industrial revenue bonds. The remaining letters of credit support various insurance related agreements, primarily workers' compensation. These letters of credit will expire at various dates during 2015 and will be renewed as required.

(b) In conjunction with a timberland sale and note monetization in 2004, the Company issued a make-whole agreement pursuant to which it guaranteed $2.3 million of obligations of a special-purpose entity that was established to complete the monetization. At March 31, 2015, the Company has a de minimis liability to reflect the fair market value of its obligation to perform under the make-whole agreement.

(c) Rayonier issues surety bonds primarily to secure timber harvesting obligations in the State of Washington and to provide collateral for the Company's workers' compensation self-insurance program in that state. These surety bonds expire at various dates during 2015 and 2016 and are expected to be renewed as required.

## 12. CONTINGENCIES

Following the Company's November 10, 2014 earnings release and filing of the restated interim financial statements for the quarterly periods ended March 31, 2014 and June 30, 2014 (the "November 2014 Announcement"), shareholders of the Company filed five putative class actions against the Company and Paul G. Boynton, Hans E. Vanden Noort, David L. Nunes, and H. Edwin Kiker arising from circumstances described in the November 2014 Announcement, entitled respectively:

- *Sating v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01395; filed November 12, 2014 in the United States District Court for the Middle District of Florida;

- *Keasler v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01398, filed November 13, 2014 in the United States District Court for the Middle District of Florida;

- *Lake Worth Firefighters' Pension Trust Fund v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01403, filed November 13, 2014 in the United States District Court for the Middle District of Florida;

- *Christie v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01429, filed November 21, 2014 in the United States District Court for the Middle District of Florida; and

- *Brown v. Rayonier Inc. et al*, Civil Action No. 1:14-cv-08986, initially filed in the United States District Court for the Southern District of New York and later transferred to the United States District Court for the Middle District of Florida and assigned as Civil Action No. 3:14-cv-01474.

On January 9, 2015, the five securities actions were consolidated into one putative class action entitled *In re Rayonier Inc. Securities Litigation*, Case No. 3:14-cv-01395-TJC-JBT, in the United States District Court for the Middle District of Florida. The plaintiffs alleged that the defendants made false and/or misleading statements in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The plaintiffs sought unspecified monetary damages and attorneys' fees and costs. Two shareholders, the Pension Trust Fund for Operating Engineers and the Lake Worth Firefighters' Pension Trust Fund moved for appointment as lead plaintiff on January 12, 2015, which was granted on February 25, 2015. On April 7, 2015, the plaintiffs filed a Consolidated Class Action Complaint (the "Amended Complaint"). In the Amended Complaint, plaintiffs added allegations as to and added as a defendant N. Lynn Wilson, a former officer of Rayonier. Although the Amended Complaint does not contain any allegations as to David L. Nunes or H. Edwin Kiker, they have not yet been formally dismissed from the case as defendants. Defendants' Motion to Dismiss is due not later than May 15, 2015. The court has set a hearing on the motion for August 25, 2015. At this preliminary stage, the Company cannot determine whether there is a reasonable possibility that a loss has been incurred nor can the range of any potential loss be estimated.

On November 26, 2014, December 29, 2014, January 26, 2015, and February 13, 2015, the Company received separate letters from shareholders requesting that the Company investigate or pursue derivative claims against certain officers and directors related to the November 2014 Announcement. Although these demands do not identify any claims against the Company, the Company could potentially incur certain obligations to advance expenses and provide indemnification to certain current and former officers and directors of the Company. The Company may also incur expenses as a result of any costs arising from the investigation of the claims alleged in the various demands. At this preliminary stage, the ultimate outcome of these matters cannot be predicted, nor can the range of potential expenses the Company may incur as a result of the obligations identified above be estimated.

In November 2014, the Company received a subpoena from the SEC seeking documents related to the Company's amended reports filed with the SEC on November 10, 2014. The Company is cooperating with the SEC and complying with the subpoena. The Company does not currently believe that the investigation will have a material impact on the Company's financial condition, results of operations, or cash flow, but cannot predict the timing or outcome of the SEC investigation.

The Company has also been named as a defendant in various other lawsuits and claims arising in the normal course of business. While the Company has procured reasonable and customary insurance covering risks normally occurring in connection with its businesses, it has in certain cases retained some risk through the operation of self-insurance, primarily in the areas of workers' compensation, property insurance and general liability. These pending lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flow.

(Dollar amounts in thousands unless otherwise stated)

## 13. EMPLOYEE BENEFIT PLANS

The Company has one qualified non-contributory defined benefit pension plan covering a portion of its employees and an unfunded plan that provides benefits in excess of amounts allowable under current tax law in the qualified plan. Currently, the pension plans are closed to new participants. Employee benefit plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause the estimates to change. In the first quarter of 2015, the Company lowered its return on asset assumption from 8.5 percent to 7.7 percent for 2015.

The net pension and postretirement benefit costs that have been recorded are shown in the following table:

| | Pension | | Postretirement | |
|---|---|---|---|---|
| | Three Months Ended March 31, | | Three Months Ended March 31, | |
| | 2015 | 2014 | 2015 | 2014 |
| Components of Net Periodic Benefit Cost | | | | |
| Service cost | $371 | $1,624 | $3 | $179 |
| Interest cost | 830 | 4,683 | 13 | 206 |
| Expected return on plan assets | (1,007) | (6,658) | — | — |
| Amortization of prior service cost | 3 | 292 | — | 4 |
| Amortization of losses | 933 | 2,737 | 3 | 129 |
| Amortization of negative plan amendment | — | — | — | (134) |
| Net periodic benefit cost (a) | $1,130 | $2,678 | $19 | $384 |

(a) Net periodic benefit cost for the three months ended March 31, 2014 includes $2.0 million recorded in “Income from discontinued operations, net” on the Consolidated Statements of Income and Comprehensive Income.

In 2015, the Company has no mandatory pension contribution requirement.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 14. INVENTORY

In the first quarter of 2015, Rayonier reclassified seeds and seedlings from Inventory and Other Assets to Timber and Timberlands, Net to better reflect the intended use of the assets, as discussed at Note 1 — *Basis of Presentation*. As of March 31, 2015 and December 31, 2014, Rayonier's inventory was solely comprised of finished goods, as follows:

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Finished goods inventory | | |
| Real estate inventory (a) | $6,511 | $4,932 |
| New Zealand log inventory | 6,589 | 3,451 |
| Total inventory | $13,100 | $8,383 |

(a) Represents HBU real estate (including capitalized development costs) expected to be sold within 12 months.

## 15. DEBT

As of December 31, 2014, the Senior Exchangeable Notes due 2015 were not exchangeable at the option of the holders for the calendar quarter ended March 31, 2015. According to the indenture, in order for the notes to become exchangeable prior to May 15, 2015, the Company's stock price must exceed 130 percent of the exchange price for 20 trading days during a period of 30 consecutive trading days as of the last day of the quarter. Based upon the average stock price for the 30 trading days ended March 31, 2015, these notes will not become exchangeable until May 15, 2015, the date at which the notes become exchangeable until maturity without the aforementioned condition. The notes mature in August of 2015 and are classified as current maturities of long-term debt as of March 31, 2015.

Net draws of $2 million were made in the first quarter of 2015 on the revolving credit facility. At March 31, 2015, the Company had available borrowings of $180 million under the revolving credit facility, net of $2 million to secure its outstanding letters of credit, and additional draws available of $100 million under the term credit agreement.

As of March 31, 2015, the New Zealand JV had $176 million of long-term variable rate debt maturing in September of 2016. This debt is subject to interest rate risk resulting from changes in the 90-day New Zealand Bank bill rate ("BKBM"). However, the New Zealand JV uses interest rate swaps to manage its exposure to interest rate movements on its bank loan by swapping a portion of these borrowings from floating rates to fixed rates. The notional amount of the outstanding interest rate swap contracts at March 31, 2015 was $142 million, or 81 percent of the variable rate debt. The interest rate swap contracts have maturities extending through January 2020. The periodic interest rate on New Zealand JV debt is BKBM plus 80 basis points with an additional 80 basis point credit line fee. The Company estimates the periodic effective interest rate on New Zealand JV debt to be approximately 6.6% after consideration of interest rate swaps. During the three months ended March 31, 2015, the New Zealand JV paid $1.4 million on its shareholder loan held with the non-controlling interest party. Favorable exchange rate changes resulted in a $9.5 million decrease to the New Zealand JV's debt on a U.S. dollar basis.

There were no other significant changes to the Company's outstanding debt as reported in Note 13 — *Debt* in the 2014 Form 10-K.

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

## 16. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The following table summarizes the changes in AOCI by component for the three months ended March 31, 2015 and the year ended December 31, 2014. All amounts are presented net of tax and exclude portions attributable to noncontrolling interest.

| | Foreign currency translation gains/ (losses) | Net investment hedge of New Zealand JV | New Zealand JV cash flow hedges | Unrecognized components of employee benefit plans | | Total |
|---|---|---|---|---|---|---|
| Balance as of December 31, 2013 | $36,914 | — | ($342) | ($82,711) | | ($46,139) |
| Other comprehensive income/(loss) before reclassifications | (11,381) | (145) | 510 | 47,938 | (a) | 36,922 |
| Amounts reclassified from accumulated other comprehensive loss | — | — | (1,716) | 6,108 | (b) | 4,392 |
| Net other comprehensive income/(loss) | (11,381) | (145) | (1,206) | 54,046 | | 41,314 |
| Balance as of December 31, 2014 | $25,533 | ($145) | ($1,548) | ($28,665) | | ($4,825) |
| Other comprehensive income/(loss) before reclassifications | (11,020) | 591 | (907) | — | | (11,336) |
| Amounts reclassified from accumulated other comprehensive loss | — | — | 292 | 781 | (c) | 1,073 |
| Net other comprehensive income/(loss) | (11,020) | 591 | (615) | 781 | | (10,263) |
| Balance as of March 31, 2015 | $14,513 | $446 | ($2,163) | ($27,884) | | ($15,088) |

(a) Reflects $78 million, net of taxes, of comprehensive income due to the transfer of losses to Rayonier Advanced Materials Pension Plans. This comprehensive income was offset by $30 million, net of taxes, of losses as a result of revaluations required due to the spin-off and at December 31, 2014. See Note 22 — *Employee Benefit Plans* in the 2014 Form 10-K for additional information.

(b) This accumulated other comprehensive income component is comprised of $5 million from the computation of net periodic pension cost and the $1 million write-off of a deferred tax asset related to the revaluation and transfer of liabilities as a result of the spin-off.

(c) This component of other comprehensive income is included in the computation of net periodic pension cost. See Note 13 — *Employee Benefit Plans* for additional information.

The following table presents details of the amounts reclassified in their entirety from AOCI to net income for the three months ended March 31, 2015 and March 31, 2014:

| Details about accumulated other comprehensive income components | Amount reclassified from accumulated other comprehensive income | | Affected line item in the income statement |
|---|---|---|---|
| | March 31, 2015 | March 31, 2014 | |
| Realized loss (gain) on foreign currency exchange contracts | $364 | ($872) | Other operating income, net |
| Realized loss (gain) on foreign currency option contracts | 293 | (107) | Other operating income, net |
| Noncontrolling interest | (230) | 343 | Comprehensive (loss) income attributable to noncontrolling interest |
| Income tax (benefit) expense on loss from foreign currency contracts | (135) | 144 | Income tax benefit |
| Net loss (gain) on cash flow hedges reclassified from accumulated other comprehensive income | $292 | ($492) | |

(Dollar amounts in thousands unless otherwise stated)

## 17. OTHER OPERATING INCOME, NET

Other operating income, net was comprised of the following:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| Lease income, primarily from hunting leases | $4,109 | $3,036 |
| Other non-timber income | 1,364 | 552 |
| Foreign currency losses | (241) | (1,519) |
| Loss on foreign currency exchange contracts | — | (32) |
| Miscellaneous income (expense), net | 342 | (1,662) |
| Total | $5,574 | $375 |

## 18. CONSOLIDATING FINANCIAL STATEMENTS

The condensed consolidating financial information below follows the same accounting policies as described in the consolidated financial statements, except for the use of the equity method of accounting to reflect ownership interests in wholly-owned subsidiaries, which are eliminated upon consolidation, and the allocation of certain expenses of Rayonier Inc. incurred for the benefit of its subsidiaries.

In August 2009, Rayonier TRS Holdings Inc. issued $172.5 million of 4.50% Senior Exchangeable Notes due August 2015. The notes are guaranteed by Rayonier Inc. as the Parent Guarantor and Rayonier Operating Company LLC ("ROC") as the Subsidiary Guarantor. In connection with these exchangeable notes, the Company provides the following condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*.

The subsidiary issuer and subsidiary guarantor are wholly-owned by the Parent Company, Rayonier Inc. The notes are fully and unconditionally guaranteed on a joint and several basis by the guarantor subsidiary and Rayonier Inc.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the Three Months Ended March 31, 2015**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **SALES** | — | — | — | $140,305 | — | $140,305 |
| Costs and Expenses | | | | | | |
| Cost of sales | — | — | — | 107,234 | — | 107,234 |
| Selling and general expenses | — | 4,949 | — | 5,949 | — | 10,898 |
| Other operating income, net | — | — | — | (5,574) | — | (5,574) |
| | — | 4,949 | — | 107,609 | — | 112,558 |
| **OPERATING (LOSS) INCOME** | — | (4,949) | — | 32,696 | — | 27,747 |
| Interest expense | (3,168) | (92) | (2,432) | (2,852) | — | (8,544) |
| Interest and miscellaneous income (expense), net | 1,936 | 837 | (144) | (4,123) | — | (1,494) |
| Equity in income (loss) from subsidiaries | 18,979 | 23,183 | 1,427 | — | (43,589) | — |
| **INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 17,747 | 18,979 | (1,149) | 25,721 | (43,589) | 17,709 |
| Income tax benefit (expense) | — | — | 960 | (489) | — | 471 |
| **NET INCOME (LOSS)** | 17,747 | 18,979 | (189) | 25,232 | (43,589) | 18,180 |
| Less: Net income attributable to noncontrolling interest | — | — | — | 433 | — | 433 |
| **NET INCOME (LOSS) ATTRIBUTABLE TO RAYONIER INC.** | 17,747 | 18,979 | (189) | 24,799 | (43,589) | 17,747 |
| **OTHER COMPREHENSIVE (LOSS) INCOME** | | | | | | |
| Foreign currency translation adjustment | (10,430) | (10,430) | (852) | (14,323) | 21,712 | (14,323) |
| New Zealand joint venture cash flow hedges | (615) | (615) | (615) | (946) | 1,845 | (946) |
| Amortization of pension and postretirement plans, net of income tax | 781 | 781 | 20 | 20 | (821) | 781 |
| Total other comprehensive loss | (10,264) | (10,264) | (1,447) | (15,249) | 22,736 | (14,488) |
| **COMPREHENSIVE INCOME (LOSS)** | 7,483 | 8,715 | (1,636) | 9,983 | (20,853) | 3,692 |
| Less: Comprehensive loss attributable to noncontrolling interest | — | — | — | (3,791) | — | (3,791) |
| **COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO RAYONIER INC.** | $7,483 | $8,715 | ($1,636) | $13,774 | ($20,853) | $7,483 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the Three Months Ended March 31, 2014**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **SALES** | — | — | — | $143,187 | — | $143,187 |
| Costs and Expenses | | | | | | |
| Cost of sales | — | — | — | 115,900 | — | 115,900 |
| Selling and general expenses | — | 2,150 | — | 11,087 | — | 13,237 |
| Other operating expense (income), net | — | 2,375 | — | (2,750) | — | (375) |
| | — | 4,525 | — | 124,237 | — | 128,762 |
| **OPERATING (LOSS) INCOME** | — | (4,525) | — | 18,950 | — | 14,425 |
| Interest expense | (3,193) | (243) | (6,690) | (549) | — | (10,675) |
| Interest and miscellaneous income (expense), net | 2,698 | 814 | (1,047) | (3,476) | — | (1,011) |
| Equity in income from subsidiaries | 41,921 | 46,478 | 31,110 | — | (119,509) | — |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 41,426 | 42,524 | 23,373 | 14,925 | (119,509) | 2,739 |
| Income tax (expense) benefit | — | (603) | 2,824 | 5,375 | — | 7,596 |
| **INCOME FROM CONTINUING OPERATIONS** | 41,426 | 41,921 | 26,197 | 20,300 | (119,509) | 10,335 |
| **DISCONTINUED OPERATIONS, NET** | | | | | | |
| Income from discontinued operations, net of income taxes | — | — | — | 31,008 | — | 31,008 |
| **NET INCOME** | 41,426 | 41,921 | 26,197 | 51,308 | (119,509) | 41,343 |
| Less: Net loss attributable to noncontrolling interest | — | — | — | (83) | — | (83) |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 41,426 | 41,921 | 26,197 | 51,391 | (119,509) | 41,426 |
| **OTHER COMPREHENSIVE INCOME** | | | | | | |
| Foreign currency translation adjustment | 12,894 | 12,893 | 766 | 17,795 | (26,545) | 17,803 |
| New Zealand joint venture cash flow hedges | 1,112 | 1,112 | 1,112 | 1,711 | (3,336) | 1,711 |
| Amortization of pension and postretirement plans, net of income tax | 2,097 | 2,097 | 1,620 | 1,620 | (5,337) | 2,097 |
| Total other comprehensive income | 16,103 | 16,102 | 3,498 | 21,126 | (35,218) | 21,611 |
| **COMPREHENSIVE INCOME** | 57,529 | 58,023 | 29,695 | 72,434 | (154,727) | 62,954 |
| Less: Comprehensive income attributable to noncontrolling interest | — | — | — | 5,425 | — | 5,425 |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.** | $57,529 | $58,023 | $29,695 | $67,009 | ($154,727) | $57,529 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONDENSED CONSOLIDATING BALANCE SHEETS**
**As of March 31, 2015**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | $77,738 | $4,282 | $1,287 | $55,742 | — | $139,049 |
| Accounts receivable, less allowance for doubtful accounts | — | — | 182 | 19,778 | — | 19,960 |
| Inventory | — | — | — | 13,100 | — | 13,100 |
| Prepaid and other current assets | — | 2,075 | 2,120 | 13,845 | — | 18,040 |
| Total current assets | 77,738 | 6,357 | 3,589 | 102,465 | — | 190,149 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | — | 2,073,024 | — | 2,073,024 |
| HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT COSTS | — | — | — | 71,952 | — | 71,952 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 390 | — | 6,202 | — | 6,592 |
| INVESTMENT IN SUBSIDIARIES | 1,465,487 | 1,946,368 | 650,156 | — | (4,062,011) | — |
| INTERCOMPANY NOTES RECEIVABLE | 250,530 | — | 21,713 | — | (272,243) | — |
| OTHER ASSETS | 2,667 | 16,538 | 1,516 | 50,112 | — | 70,833 |
| **TOTAL ASSETS** | $1,796,422 | $1,969,653 | $676,974 | $2,303,755 | ($4,334,254) | $2,412,550 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | — | $1,809 | $31 | $20,388 | — | $22,228 |
| Current maturities of long-term debt | — | — | 130,213 | — | — | 130,213 |
| Accrued taxes | — | 11 | — | 12,450 | — | 12,461 |
| Accrued payroll and benefits | — | 1,282 | — | 1,714 | — | 2,996 |
| Accrued interest | 6,095 | (8) | 1,047 | 33,468 | (30,710) | 9,892 |
| Other current liabilities | — | 788 | (69) | 18,283 | — | 19,002 |
| Total current liabilities | 6,095 | 3,882 | 131,222 | 86,303 | (30,710) | 196,792 |
| LONG-TERM DEBT | 325,000 | — | 33,759 | 254,045 | — | 612,804 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 34,345 | — | (684) | — | 33,661 |
| OTHER NON-CURRENT LIABILITIES | — | 6,623 | — | 14,454 | — | 21,077 |
| INTERCOMPANY PAYABLE | — | 459,316 | — | (201,620) | (257,696) | — |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,465,327 | 1,465,487 | 511,993 | 2,068,368 | (4,045,848) | 1,465,327 |
| Noncontrolling interest | — | — | — | 82,889 | — | 82,889 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,465,327 | 1,465,487 | 511,993 | 2,151,257 | (4,045,848) | 1,548,216 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $1,796,422 | $1,969,653 | $676,974 | $2,303,755 | ($4,334,254) | $2,412,550 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONDENSED CONSOLIDATING BALANCE SHEETS**
**As of December 31, 2014**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | $102,218 | $11 | $8,094 | $51,235 | — | $161,558 |
| Accounts receivable, less allowance for doubtful accounts | — | — | 1,409 | 22,609 | — | 24,018 |
| Inventory | — | — | — | 8,383 | — | 8,383 |
| Prepaid and other current assets | — | 2,003 | 6 | 17,736 | — | 19,745 |
| Total current assets | 102,218 | 2,014 | 9,509 | 99,963 | — | 213,704 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | — | 2,088,501 | — | 2,088,501 |
| HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT COSTS | — | — | — | 77,433 | — | 77,433 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 433 | — | 6,273 | — | 6,706 |
| INVESTMENT IN SUBSIDIARIES | 1,463,303 | 1,923,185 | 640,678 | — | (4,027,166) | — |
| INTERCOMPANY NOTES RECEIVABLE | 248,233 | — | 21,500 | — | (269,733) | — |
| OTHER ASSETS | 2,763 | 16,610 | 1,759 | 45,639 | — | 66,771 |
| **TOTAL ASSETS** | $1,816,517 | $1,942,242 | $673,446 | $2,317,809 | ($4,296,899) | $2,453,115 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | — | $2,687 | $123 | $17,401 | — | $20,211 |
| Current maturities of long-term debt | — | — | 129,706 | — | — | 129,706 |
| Accrued taxes | — | 11 | — | 11,394 | — | 11,405 |
| Accrued payroll and benefits | — | 3,253 | — | 3,137 | — | 6,390 |
| Accrued interest | 3,047 | (3) | 2,520 | 31,281 | (28,412) | 8,433 |
| Other current liabilities | — | 928 | 145 | 24,784 | — | 25,857 |
| Total current liabilities | 3,047 | 6,876 | 132,494 | 87,997 | (28,412) | 202,002 |
| LONG-TERM DEBT | 325,000 | — | 31,000 | 265,849 | — | 621,849 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 34,161 | — | (684) | — | 33,477 |
| OTHER NON-CURRENT LIABILITIES | — | 6,436 | — | 14,200 | — | 20,636 |
| INTERCOMPANY PAYABLE | — | 431,466 | — | (153,754) | (277,712) | — |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,488,470 | 1,463,303 | 509,952 | 2,017,520 | (3,990,775) | 1,488,470 |
| Noncontrolling interest | — | — | — | 86,681 | — | 86,681 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,488,470 | 1,463,303 | 509,952 | 2,104,201 | (3,990,775) | 1,575,151 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $1,816,517 | $1,942,242 | $673,446 | $2,317,809 | ($4,296,899) | $2,453,115 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**For the Three Months Ended March 31, 2015**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **CASH PROVIDED BY OPERATING ACTIVITIES** | $6,735 | $13,604 | — | $42,105 | ($9,046) | $53,398 |
| **INVESTING ACTIVITIES** | | | | | | |
| Capital expenditures | — | — | — | (13,292) | — | (13,292) |
| Real estate development costs | — | — | — | (306) | — | (306) |
| Purchase of timberlands | — | — | — | (23,070) | — | (23,070) |
| Change in restricted cash | — | — | — | (7,071) | — | (7,071) |
| Investment in Subsidiaries | — | — | (8,807) | — | 8,807 | — |
| CASH USED FOR INVESTING ACTIVITIES | — | — | (8,807) | (43,739) | 8,807 | (43,739) |
| **FINANCING ACTIVITIES** | | | | | | |
| Issuance of debt | — | — | 12,000 | — | — | 12,000 |
| Repayment of debt | — | — | (10,000) | (1,371) | — | (11,371) |
| Dividends paid | (31,667) | — | — | — | — | (31,667) |
| Proceeds from the issuance of common shares | 546 | — | — | — | — | 546 |
| Repurchase of common shares | (94) | — | — | — | — | (94) |
| Intercompany distributions | — | (9,333) | — | 9,094 | 239 | — |
| CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES | (31,215) | (9,333) | 2,000 | 7,723 | 239 | (30,586) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | — | (1,582) | — | (1,582) |
| **CASH AND CASH EQUIVALENTS** | | | | | | |
| Change in cash and cash equivalents | (24,480) | 4,271 | (6,807) | 4,507 | — | (22,509) |
| Balance, beginning of year | 102,218 | 11 | 8,094 | 51,235 | — | 161,558 |
| Balance, end of period | $77,738 | $4,282 | $1,287 | $55,742 | — | $139,049 |

(Dollar amounts in thousands unless otherwise stated)

Table of Contents


**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**For the Three Months Ended March 31, 2014**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **CASH PROVIDED BY OPERATING ACTIVITIES** | $25,931 | $32,794 | — | $68,585 | ($27,210) | $100,100 |
| **INVESTING ACTIVITIES** | | | | | | |
| Capital expenditures | — | (170) | — | (34,470) | — | (34,640) |
| Real estate development costs | — | — | — | (1,812) | — | (1,812) |
| Purchase of timberlands | — | — | — | (10,637) | — | (10,637) |
| Change in restricted cash | — | — | — | 45,312 | — | 45,312 |
| Investment in Subsidiaries | — | — | 69,103 | — | (69,103) | — |
| Other | — | — | — | (778) | — | (778) |
| CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES | — | (170) | 69,103 | (2,385) | (69,103) | (2,555) |
| **FINANCING ACTIVITIES** | | | | | | |
| Issuance of debt | — | — | 30,000 | 1,819 | — | 31,819 |
| Repayment of debt | — | — | (110,000) | — | — | (110,000) |
| Dividends paid | (62,545) | — | — | — | — | (62,545) |
| Proceeds from the issuance of common shares | 2,027 | — | — | — | — | 2,027 |
| Repurchase of common shares | (1,754) | — | — | — | — | (1,754) |
| Intercompany distributions | — | (28,434) | — | (67,879) | 96,313 | — |
| Other | — | — | — | (678) | — | (678) |
| CASH USED FOR FINANCING ACTIVITIES | (62,272) | (28,434) | (80,000) | (66,738) | 96,313 | (141,131) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | — | 13 | — | 13 |
| **CASH AND CASH EQUIVALENTS** | | | | | | |
| Change in cash and cash equivalents | (36,341) | 4,190 | (10,897) | (525) | — | (43,573) |
| Balance, beginning of year | 130,181 | 304 | 10,719 | 58,440 | — | 199,644 |
| Balance, end of period | $93,840 | $4,494 | ($178) | $57,915 | — | $156,071 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

In March 2012, Rayonier Inc. issued $325 million of 3.75% Senior Notes due 2022. In connection with these notes, the Company provides the following condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*.

The subsidiary guarantors, ROC and Rayonier TRS Holdings, Inc., are wholly-owned by the Parent Company, Rayonier, Inc. The notes are fully and unconditionally guaranteed on a joint and several basis by the guarantor subsidiaries.

**CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the Three Months Ended March 31, 2015**

| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| **SALES** | — | — | $140,305 | — | $140,305 |
| Costs and Expenses | | | | | |
| Cost of sales | — | — | 107,234 | — | 107,234 |
| Selling and general expenses | — | 4,949 | 5,949 | — | 10,898 |
| Other operating income, net | — | — | (5,574) | — | (5,574) |
| | — | 4,949 | 107,609 | — | 112,558 |
| **OPERATING (LOSS) INCOME** | — | (4,949) | 32,696 | — | 27,747 |
| Interest expense | (3,168) | (2,524) | (2,852) | — | (8,544) |
| Interest and miscellaneous income (expense), net | 1,936 | 693 | (4,123) | — | (1,494) |
| Equity in income from subsidiaries | 18,979 | 24,799 | — | (43,778) | — |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 17,747 | 18,019 | 25,721 | (43,778) | 17,709 |
| Income tax benefit (expense) | — | 960 | (489) | — | 471 |
| **NET INCOME** | 17,747 | 18,979 | 25,232 | (43,778) | 18,180 |
| Less: Net income attributable to noncontrolling interest | — | — | 433 | — | 433 |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 17,747 | 18,979 | 24,799 | (43,778) | 17,747 |
| **OTHER COMPREHENSIVE (LOSS) INCOME** | | | | | |
| Foreign currency translation adjustment | (10,430) | (10,430) | (14,323) | 20,860 | (14,323) |
| New Zealand joint venture cash flow hedges | (615) | (615) | (946) | 1,230 | (946) |
| Amortization of pension and postretirement plans, net of income tax | 781 | 781 | 20 | (801) | 781 |
| Total other comprehensive loss | (10,264) | (10,264) | (15,249) | 21,289 | (14,488) |
| **COMPREHENSIVE INCOME** | 7,483 | 8,715 | 9,983 | (22,489) | 3,692 |
| Less: Comprehensive loss attributable to noncontrolling interest | — | — | (3,791) | — | (3,791) |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.** | $7,483 | $8,715 | $13,774 | ($22,489) | $7,483 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME For the Three Months Ended March 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **SALES** | — | — | $143,187 | — | $143,187 |
| Costs and Expenses | | | | | |
| Cost of sales | — | — | 115,900 | — | 115,900 |
| Selling and general expenses | — | 2,150 | 11,087 | — | 13,237 |
| Other operating expense (income), net | — | 2,375 | (2,750) | — | (375) |
| | — | 4,525 | 124,237 | — | 128,762 |
| **OPERATING (LOSS) INCOME** | — | (4,525) | 18,950 | — | 14,425 |
| Interest expense | (3,193) | (6,933) | (549) | — | (10,675) |
| Interest and miscellaneous income (expense), net | 2,698 | (233) | (3,476) | — | (1,011) |
| Equity in income from subsidiaries | 41,921 | 51,391 | — | (93,312) | — |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 41,426 | 39,700 | 14,925 | (93,312) | 2,739 |
| Income tax benefit | — | 2,221 | 5,375 | — | 7,596 |
| **INCOME FROM CONTINUING OPERATIONS** | 41,426 | 41,921 | 20,300 | (93,312) | 10,335 |
| **DISCONTINUED OPERATIONS, NET** | | | | | |
| Income from discontinued operations, net of income tax | — | — | 31,008 | — | 31,008 |
| **NET INCOME** | 41,426 | 41,921 | 51,308 | (93,312) | 41,343 |
| Less: Net loss attributable to noncontrolling interest | — | — | (83) | — | (83) |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 41,426 | 41,921 | 51,391 | (93,312) | 41,426 |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| Foreign currency translation adjustment | 12,894 | 12,892 | 17,795 | (25,778) | 17,803 |
| New Zealand joint venture cash flow hedges | 1,112 | 1,112 | 1,711 | (2,224) | 1,711 |
| Amortization of pension and postretirement plans, net of income tax | 2,097 | 2,097 | 1,620 | (3,717) | 2,097 |
| Total other comprehensive income | 16,103 | 16,101 | 21,126 | (31,719) | 21,611 |
| **COMPREHENSIVE INCOME** | 57,529 | 58,022 | 72,434 | (125,031) | 62,954 |
| Less: Comprehensive income attributable to noncontrolling interest | — | — | 5,425 | — | 5,425 |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.** | $57,529 | $58,022 | $67,009 | ($125,031) | $57,529 |

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

CONDENSED CONSOLIDATING BALANCE SHEETS
As of March 31, 2015

| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | $77,738 | $5,569 | $55,742 | — | $139,049 |
| Accounts receivable, less allowance for doubtful accounts | — | 182 | 19,778 | — | 19,960 |
| Inventory | — | — | 13,100 | — | 13,100 |
| Prepaid and other current assets | — | 4,195 | 13,845 | — | 18,040 |
| Total current assets | 77,738 | 9,946 | 102,465 | — | 190,149 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | 2,073,024 | — | 2,073,024 |
| HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT COSTS | — | — | 71,952 | — | 71,952 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 390 | 6,202 | — | 6,592 |
| INVESTMENT IN SUBSIDIARIES | 1,465,487 | 2,084,531 | — | (3,550,018) | — |
| INTERCOMPANY NOTES RECEIVABLE | 250,530 | 21,713 | — | (272,243) | — |
| OTHER ASSETS | 2,667 | 18,054 | 50,112 | — | 70,833 |
| **TOTAL ASSETS** | $1,796,422 | $2,134,634 | $2,303,755 | ($3,822,261) | $2,412,550 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | — | $1,840 | $20,388 | — | $22,228 |
| Current maturities of long-term debt | — | 130,213 | — | — | 130,213 |
| Accrued taxes | — | 11 | 12,450 | — | 12,461 |
| Accrued payroll and benefits | — | 1,282 | 1,714 | — | 2,996 |
| Accrued interest | 6,095 | 1,039 | 33,468 | (30,710) | 9,892 |
| Other current liabilities | — | 719 | 18,283 | — | 19,002 |
| Total current liabilities | 6,095 | 135,104 | 86,303 | (30,710) | 196,792 |
| LONG-TERM DEBT | 325,000 | 33,759 | 254,045 | — | 612,804 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 34,345 | (684) | — | 33,661 |
| OTHER NON-CURRENT LIABILITIES | — | 6,623 | 14,454 | — | 21,077 |
| INTERCOMPANY PAYABLE | — | 459,316 | (201,620) | (257,696) | — |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,465,327 | 1,465,487 | 2,068,368 | (3,533,855) | 1,465,327 |
| Noncontrolling interest | — | — | 82,889 | — | 82,889 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,465,327 | 1,465,487 | 2,151,257 | (3,533,855) | 1,548,216 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $1,796,422 | $2,134,634 | $2,303,755 | ($3,822,261) | $2,412,550 |

(Dollar amounts in thousands unless otherwise stated)

Table of Contents



**CONDENSED CONSOLIDATING BALANCE SHEETS**
**As of December 31, 2014**

| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | $102,218 | $8,105 | $51,235 | — | $161,558 |
| Accounts receivable, less allowance for doubtful accounts | — | 1,409 | 22,609 | — | 24,018 |
| Inventory | — | — | 8,383 | — | 8,383 |
| Prepaid and other current assets | — | 2,009 | 17,736 | — | 19,745 |
| Total current assets | 102,218 | 11,523 | 99,963 | — | 213,704 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | 2,088,501 | — | 2,088,501 |
| HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT COSTS | — | — | 77,433 | — | 77,433 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 433 | 6,273 | — | 6,706 |
| INVESTMENT IN SUBSIDIARIES | 1,463,303 | 2,053,911 | — | (3,517,214) | — |
| INTERCOMPANY NOTES RECEIVABLE | 248,233 | 21,500 | — | (269,733) | — |
| OTHER ASSETS | 2,763 | 18,369 | 45,639 | — | 66,771 |
| **TOTAL ASSETS** | $1,816,517 | $2,105,736 | $2,317,809 | ($3,786,947) | $2,453,115 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | — | $2,810 | $17,401 | — | $20,211 |
| Current maturities of long-term debt | — | 129,706 | — | — | 129,706 |
| Accrued taxes | — | 11 | 11,394 | — | 11,405 |
| Accrued payroll and benefits | — | 3,253 | 3,137 | — | 6,390 |
| Accrued interest | 3,047 | 2,517 | 31,281 | (28,412) | 8,433 |
| Other current liabilities | — | 1,073 | 24,784 | — | 25,857 |
| Total current liabilities | 3,047 | 139,370 | 87,997 | (28,412) | 202,002 |
| LONG-TERM DEBT | 325,000 | 31,000 | 265,849 | — | 621,849 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 34,161 | (684) | — | 33,477 |
| OTHER NON-CURRENT LIABILITIES | — | 6,436 | 14,200 | — | 20,636 |
| INTERCOMPANY PAYABLE | — | 431,466 | (153,754) | (277,712) | — |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,488,470 | 1,463,303 | 2,017,520 | (3,480,823) | 1,488,470 |
| Noncontrolling interest | — | — | 86,681 | — | 86,681 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,488,470 | 1,463,303 | 2,104,201 | (3,480,823) | 1,575,151 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $1,816,517 | $2,105,736 | $2,317,809 | ($3,786,947) | $2,453,115 |

(Dollar amounts in thousands unless otherwise stated)

Table of Contents



| | CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS For the Three Months Ended March 31, 2015 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **CASH PROVIDED BY OPERATING ACTIVITIES** | $6,735 | $13,604 | $42,105 | ($9,046) | $53,398 |
| **INVESTING ACTIVITIES** | | | | | |
| Capital expenditures | — | — | (13,292) | — | (13,292) |
| Real estate development costs | — | — | (306) | — | (306) |
| Purchase of timberlands | — | — | (23,070) | — | (23,070) |
| Change in restricted cash | — | — | (7,071) | — | (7,071) |
| Investment in Subsidiaries | — | (8,807) | — | 8,807 | — |
| CASH USED FOR INVESTING ACTIVITIES | — | (8,807) | (43,739) | 8,807 | (43,739) |
| **FINANCING ACTIVITIES** | | | | | |
| Issuance of debt | — | 12,000 | — | — | 12,000 |
| Repayment of debt | — | (10,000) | (1,371) | — | (11,371) |
| Dividends paid | (31,667) | — | — | — | (31,667) |
| Proceeds from the issuance of common shares | 546 | — | — | — | 546 |
| Repurchase of common shares | (94) | — | — | — | (94) |
| Intercompany distributions | — | (9,333) | 9,094 | 239 | — |
| CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES | (31,215) | (7,333) | 7,723 | 239 | (30,586) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | (1,582) | — | (1,582) |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Change in cash and cash equivalents | (24,480) | (2,536) | 4,507 | — | (22,509) |
| Balance, beginning of year | 102,218 | 8,105 | 51,235 | — | 161,558 |
| Balance, end of period | $77,738 | $5,569 | $55,742 | — | $139,049 |

(Dollar amounts in thousands unless otherwise stated)

| | CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS For the Three Months Ended March 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **CASH PROVIDED BY OPERATING ACTIVITIES** | $25,931 | $32,794 | $68,585 | ($27,210) | $100,100 |
| **INVESTING ACTIVITIES** | | | | | |
| Capital expenditures | — | (170) | (34,470) | — | (34,640) |
| Real estate development costs | — | — | (1,812) | — | (1,812) |
| Purchase of timberlands | — | — | (10,637) | — | (10,637) |
| Change in restricted cash | — | — | 45,312 | — | 45,312 |
| Investment in Subsidiaries | — | 69,103 | — | (69,103) | — |
| Other | — | — | (778) | — | (778) |
| CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | — | 68,933 | (2,385) | (69,103) | (2,555) |
| **FINANCING ACTIVITIES** | | | | | |
| Issuance of debt | — | 30,000 | 1,819 | — | 31,819 |
| Repayment of debt | — | (110,000) | — | — | (110,000) |
| Dividends paid | (62,545) | — | — | — | (62,545) |
| Proceeds from the issuance of common shares | 2,027 | — | — | — | 2,027 |
| Repurchase of common shares | (1,754) | — | — | — | (1,754) |
| Intercompany distributions | — | (28,434) | (67,879) | 96,313 | — |
| Other | — | — | (678) | — | (678) |
| CASH USED FOR FINANCING ACTIVITIES | (62,272) | (108,434) | (66,738) | 96,313 | (141,131) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | 13 | — | 13 |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Change in cash and cash equivalents | (36,341) | (6,707) | (525) | — | (43,573) |
| Balance, beginning of year | 130,181 | 11,023 | 58,440 | — | 199,644 |
| Balance, end of period | $93,840 | $4,316 | $57,915 | — | $156,071 |

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*When we refer to “we,” “us,” “our,” “the Company,” or “Rayonier,” we mean Rayonier Inc. and its consolidated subsidiaries. References herein to “Notes to Financial Statements” refer to the Notes to the Consolidated Financial Statements of Rayonier Inc. included in Item 1 of this Report.*

*This MD&A is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors which may affect future results. Our MD&A should be read in conjunction with our Consolidated Financial Statements included in Item 1 of this report, our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (the “Form 10-K”) and information contained in our subsequent reports filed with the Securities and Exchange Commission (the “SEC”).*

### Forward-Looking Statements

Certain statements in this document regarding anticipated financial outcomes including Rayonier’s earnings guidance, if any, business and market conditions, and outlook, expected dividend rate, expected harvest schedules, timberland acquisitions, sales of non-strategic timberlands, the anticipated benefits of Rayonier’s business strategy, expected availability and access to borrowings, and other similar statements relating to Rayonier’s future events, developments, or financial or operational performance or results, are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as “may,” “will,” “should,” “expect,” “estimate,” “believe,” “intend,” “project,” “anticipate” and other similar language. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. While management believes that these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. The risk factors contained in Item 1A — *Risk Factors* in the Form 10-K and similar discussions included in other reports that we subsequently file with the SEC, among others, could cause actual results or events to differ materially from the Company’s historical experience and those expressed in forward-looking statements made in this document.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward- looking statements except as required by law. You are advised, however, to review any subsequent disclosures the Company makes on related subjects in its subsequent reports filed with the SEC.

### Our Company

We are a leading timberland real estate investment trust (“REIT”) with assets located in some of the most productive timber growing regions in the U.S. and New Zealand. Our revenues, operating income and cash flows are primarily derived from the following core business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading. As of March 31, 2015 we owned or leased under long-term agreements approximately 2.3 million acres of timberlands located in the U.S. South (1.9 million acres) and U.S. Pacific Northwest (368,000 acres). We also have a 65 percent ownership interest in Matariki Forestry Group, a joint venture (“New Zealand JV”), that owns or leases approximately 445,000 acres (303,000 net plantable acres) of New Zealand timberlands.

The Southern Timber, Pacific Northwest Timber and New Zealand Timber segments include all activities related to the harvesting of timber and other non-timber income activities such as the leasing of properties for hunting, mineral extraction and cell towers. The New Zealand Timber segment also reflects any land sales that occur within our New Zealand portfolio.

The Real Estate segment includes all U.S. land sales disaggregated into four sales categories: Improved Development, Unimproved Development, Rural, and Non-Strategic / Timberlands.

The Trading segment includes log trading in New Zealand, conducted by the Company’s New Zealand JV in two core areas of business — managed export services on behalf of third parties and procured logs for export sale by the New Zealand JV.

## Industry and Market Conditions

The demand for timber is directly related to the underlying demand for pulp, paper, lumber and other wood products. The significant majority of timber sold in our Southern Timber segment is consumed domestically. With a higher proportion of pulpwood, our Southern Timber segment relies heavily on downstream markets for pulp and paper, and to a lesser extent wood pellet markets. Our Pacific Northwest segment relies primarily on domestic customers but also exports a significant volume of timber, particularly to China. Both the Southern and Pacific Northwest segments rely on the strength of U.S. lumber markets as well as underlying housing starts. Our New Zealand Timber segment sells timber to domestic New Zealand wood products mills and also exports a significant portion of its volume to markets in China, Korea, and India. In addition to market dynamics in the Pacific Rim, the New Zealand Timber segment is subject to foreign exchange fluctuations, which can impact the competitiveness of its products.

In the first quarter of 2015 in our Southern Timber segment, we continued to see strong pulpwood demand and slowly improving demand and prices for sawtimber. In our Pacific Northwest Timber and New Zealand Timber segments, prices generally declined primarily due to lower demand from China, which also put pressure on domestic pricing in both regions.

For additional information on market conditions impacting our business, see *Results of Operations.*

## Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates. For a full description of our critical accounting policies, see Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* in the 2014 Form 10-K.

## Results of Operations

## Consolidated Results

The following table provides key financial information by segment and on a consolidated basis:

| Financial Information (in millions) | Three Months Ended March 31, 2015 | Three Months Ended March 31, 2014 |
|---|---|---|
| **Sales** | | |
| Southern Timber | $35.5 | $33.9 |
| Pacific Northwest Timber | 19.2 | 33.0 |
| New Zealand Timber | 41.2 | 37.8 |
| Real Estate | | |
| Improved Development | — | — |
| Unimproved Development | 4.8 | 0.1 |
| Rural | 6.8 | 5.1 |
| Non-Strategic / Timberlands | 12.2 | 0.3 |
| Total Real Estate | 23.8 | 5.5 |
| Trading | 20.6 | 35.7 |
| Intersegment Eliminations | — | (2.7) |
| **Total Sales** | $140.3 | $143.2 |
| | | |
| **Operating Income** | | |
| Southern Timber | $12.4 | $10.5 |
| Pacific Northwest Timber | 2.6 | 12.6 |
| New Zealand Timber | 5.7 | 2.4 |
| Real Estate | 12.6 | 0.7 |
| Trading | 0.3 | (0.4) |
| Corporate and other | (5.9) | (11.4) |
| **Operating Income** | 27.7 | 14.4 |
| Interest Expense, Interest Income and Other | (10.0) | (11.7) |
| Income Tax Benefit | 0.5 | 7.6 |
| **Income from Continuing Operations** | 18.2 | 10.3 |
| **Discontinued Operations, Net** | — | 31.0 |
| **Net Income** | 18.2 | 41.3 |
| Less: Net income (loss) attributable to noncontrolling interest | 0.5 | (0.1) |
| **Net Income Attributable to Rayonier Inc.** | $17.7 | $41.4 |
| | | |
| **Adjusted EBITDA (a)** | | |
| Southern Timber | $26.7 | $22.5 |
| Pacific Northwest Timber | 6.4 | 18.9 |
| New Zealand Timber | 13.7 | 11.0 |
| Real Estate | 20.1 | 2.6 |
| Trading | 0.3 | (0.4) |
| Corporate and Other | (5.8) | (11.1) |
| **Total Adjusted EBITDA (a)** | $61.4 | $43.5 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

## Southern Timber

First quarter sales of $35.5 million increased $1.6 million versus the prior year period due to higher harvest volumes and improved pricing. Harvest volumes increased 8% to 1.37 million tons versus 1.27 million tons in the prior year period. Average sawtimber stumpage prices increased 7% to $28.84 per ton versus $27.07 per ton in the prior year period, while pulpwood stumpage prices increased 2% to $18.83 per ton versus $18.55 per ton in the prior year period. The increase in sawtimber prices was driven primarily by wet weather conditions throughout the South. The increase in pulpwood prices was driven primarily by continued strength in pulpwood demand in the company's core markets and wet weather conditions, which were partially offset by the regional harvest mix (i.e., a relatively higher proportion of pulpwood logs harvested in lower-price regions). Overall, weighted average stumpage prices (including hardwood) increased 5% to $21.69 per ton versus $20.72 per ton in the prior year period. Operating income of $12.4 million increased $1.9 million versus the prior year period due to higher volumes ($1.2 million), improved pricing ($0.8 million), and higher non-timber income ($1.5 million), which were partially offset by higher depletion rates ($1.1 million). First quarter Adjusted EBITDA of $26.7 million was $4.2 million above the prior year period.

The following table provides key operating statistics and financial information for the Southern Timber segment:

| | Three Months Ended March 31, | |
|---|---|---|
| **Southern Timber Overview** | **2015** | **2014** |
| **Sales Volume (in thousands of tons)** | | |
| Pine Pulpwood | 905 | 776 |
| Pine Sawtimber | 418 | 387 |
| **Total Pine Volume** | 1,323 | 1,163 |
| Hardwood | 47 | 111 |
| **Total Volume** | 1,370 | 1,274 |
| | | |
| Percentage Delivered Sales | 25% | 30% |
| Percentage Stumpage Sales | 75% | 70% |
| | | |
| **Net Stumpage Pricing (dollars per ton)** | | |
| Pine Pulpwood | $18.83 | $18.55 |
| Pine Sawtimber | 28.84 | 27.07 |
| **Weighted Average Pine** | $21.99 | $21.38 |
| Hardwood | 13.07 | 13.73 |
| **Weighted Average Total** | $21.69 | $20.72 |
| | | |
| **Summary Financial Data (in millions of dollars)** | | |
| Sales | $35.5 | $33.9 |
| Less: Cut and Haul | (5.8) | (7.5) |
| **Net Stumpage Sales** | $29.7 | $26.4 |
| | | |
| Operating Income | $12.4 | $10.5 |
| Adjusted EBITDA (a) | $26.7 | $22.5 |
| | | |
| **Other Data** | | |
| Non-Timber Income (in millions of dollars) | $4.5 | $3.1 |
| Period-End Acres (in thousands) | 1,901 | 1,898 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

The following tables provide variance analyses for sales, operating income and Adjusted EBITDA for the Southern Timber segment:

| **Sales (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $33.9 |
| *Changes Attributable to:* | |
| Volume/Mix | 1.0 |
| Price | 0.6 |
| **March 31, 2015** | $35.5 |

| **Operating Income (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $10.5 |
| *Changes Attributable to:* | |
| Volume/Mix | 1.2 |
| Price | 0.8 |
| Cost | (0.5) |
| Non-timber income | 1.5 |
| Depreciation, depletion and amortization | (1.1) |
| **March 31, 2015** | $12.4 |

| **Adjusted EBITDA (in millions of dollars) (a)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $22.5 |
| *Changes Attributable to:* | |
| Volume/Mix | 2.5 |
| Price | 0.8 |
| Cost | (0.5) |
| Non-timber income | 1.5 |
| Other | (0.1) |
| **March 31, 2015** | $26.7 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

## Pacific Northwest Timber

First quarter sales of $19.2 million decreased $13.8 million versus the prior year period due to a planned reduction of harvest volumes and, to a lesser extent, lower sawtimber prices. Harvest volumes declined 40% to 325,000 tons versus 544,000 tons in the prior year period. Average delivered sawtimber prices decreased 12% to $72.03 per ton versus $81.90 per ton in the prior year period, while delivered pulpwood prices increased 14% to $43.19 per ton versus $37.92 per ton in the prior year period. Weaker demand from China, which reduced the export mix to 19% from 27% in the prior year period, contributed to sawtimber price declines in the region. Operating income of $2.6 million decreased $10.0 million versus the prior year period due to lower volumes ($7.3 million), lower prices ($2.8 million), and higher costs ($0.4 million), which were partially offset by higher non-timber income ($0.5 million) as a result of strong cedar salvage sales. First quarter Adjusted EBITDA of $6.4 million was $12.5 million below the prior year period.

The following table provides key operating statistics and financial information for the Pacific Northwest Timber segment:

| | Three Months Ended March 31, | |
|---|---|---|
| **Pacific Northwest Timber Overview** | **2015** | **2014** |
| **Sales Volume (in thousands of tons)** | | |
| Pulpwood | 55 | 86 |
| Sawtimber | 270 | 458 |
| **Total Volume** | 325 | 544 |
| | | |
| **Sales Volume (converted to MBF)** | | |
| Pulpwood | 5,140 | 8,111 |
| Sawtimber | 33,455 | 54,570 |
| **Total Volume** | 38,595 | 62,681 |
| | | |
| Percentage Delivered Sales | 79% | 47% |
| Percentage Stumpage Sales | 21% | 53% |
| | | |
| **Delivered Log Pricing (in dollars per ton)** | | |
| Pulpwood | $43.19 | $37.92 |
| Sawtimber | 72.03 | 81.90 |
| Weighted Average Log Price | $66.91 | $74.00 |
| | | |
| **Summary Financial Data (in millions of dollars)** | | |
| Sales | $19.2 | $33.0 |
| Less: Cut and Haul | (8.1) | (8.3) |
| **Net Stumpage Sales** | $11.1 | $24.7 |
| | | |
| Operating Income | $2.6 | $12.6 |
| Adjusted EBITDA (a) | $6.4 | $18.9 |
| | | |
| **Other Data** | | |
| Non-Timber Income (in millions of dollars) | $1.0 | $0.5 |
| Period-End Acres (in thousands) | 368 | 372 |
| Sawtimber (in dollars per MBF) | $604 | $684 |
| Estimated Percentage of Export Volume | 19% | 27% |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

The following tables provide variance analyses for sales, operating income and Adjusted EBITDA for the Pacific Northwest Timber segment:

| **Sales (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $33.0 |
| *Changes Attributable to:* | |
| Volume/Mix | (10.7) |
| Price | (3.2) |
| Other | 0.1 |
| **March 31, 2015** | $19.2 |

| **Operating Income (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $12.6 |
| *Changes Attributable to:* | |
| Volume/Mix | (7.3) |
| Price | (2.8) |
| Cost | (0.4) |
| Non-timber income | 0.5 |
| **March 31, 2015** | $2.6 |

| **Adjusted EBITDA (in millions of dollars) (a)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $18.9 |
| *Changes Attributable to:* | |
| Volume/Mix | (9.8) |
| Price | (2.8) |
| Cost | (0.4) |
| Non-timber income | 0.5 |
| **March 31, 2015** | $6.4 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

## New Zealand Timber

First quarter sales of $41.2 million increased $3.4 million versus the prior year period due to higher export and domestic volumes and higher land sales, which were partially offset by lower domestic and export product prices. Harvest volumes increased 17% to 538,000 tons versus 459,000 tons in the prior year period. Average delivered prices for export sawtimber declined 15% to $102.60 per ton versus $120.62 per ton in the prior year period, while average delivered prices for domestic sawtimber declined 12% to $70.77 per ton versus $80.04 per ton in the prior year period. The decline in domestic sawtimber prices (in U.S. dollar terms) was driven primarily by the fall in the NZ$/US$ exchange rate, while the decline in export sawtimber prices was primarily due to the aforementioned weaker demand from China. Operating income of $5.7 million increased $3.3 million versus the prior year period, primarily due to higher volumes ($1.9 million), lower depletion rates ($1.4 million), and higher land sales ($0.7 million), which were partially offset by the decrease in prices ($1.3 million). First quarter Adjusted EBITDA of $13.7 million was $2.7 million above the prior year period.

The following table provides key operating statistics and financial information for the New Zealand Timber segment:

| | Three Months Ended March 31, | |
|---|---|---|
| **New Zealand Timber Overview** | **2015** | **2014** |
| **Sales Volume (in thousands of tons)** | | |
| Domestic Sawtimber (Delivered) | 150 | 144 |
| Domestic Pulpwood (Delivered) | 100 | 73 |
| Export Sawtimber (Delivered) | 201 | 142 |
| Export Pulpwood (Delivered) | 11 | 9 |
| Stumpage | 76 | 91 |
| **Total Volume** | 538 | 459 |
| | | |
| Percentage Delivered Sales | 86% | 80% |
| Percentage Stumpage Sales | 14% | 20% |
| | | |
| **Delivered Log Pricing (in dollars per ton)** | | |
| Domestic Sawtimber | $70.77 | $80.04 |
| Domestic Pulpwood | $35.38 | $38.34 |
| Export Sawtimber | $102.60 | $120.62 |
| | | |
| **Summary Financial Data (in millions of dollars)** | | |
| Sales | $37.8 | $35.8 |
| Less: Cut and Haul | (16.0) | (15.9) |
| Less: Port and Freight Costs | (6.6) | (5.6) |
| **Net Stumpage Sales** | $15.2 | $14.3 |
| | | |
| Land Sales | 3.4 | 2.0 |
| **Total Sales** | $41.2 | $37.8 |
| | | |
| Operating Income | $5.7 | $2.4 |
| Adjusted EBITDA (a) | $13.7 | $11.0 |
| | | |
| **Other Data** | | |
| New Zealand Dollar to U.S. Dollar Exchange Rate (b) | 0.7556 | 0.8253 |
| Net Plantable Period-End Acres (in thousands) | 303 | 313 |
| Export Sawtimber (in dollars per JAS $m^3$) | $119.04 | $139.95 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

(b) Represents the average period rate.

The following tables provide variance analyses for sales, operating income and Adjusted EBITDA for the New Zealand Timber segment:

| **Sales (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $37.8 |
| *Changes Attributable to:* | |
| Volume/Mix | 8.4 |
| Price | (6.4) |
| Other | 1.4 |
| **March 31, 2015** | $41.2 |

| **Operating Income (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $2.4 |
| *Changes Attributable to:* | |
| Volume/Mix | 1.9 |
| Price | (1.3) |
| Cost | 0.3 |
| Non-timber income (a) | 0.7 |
| Foreign exchange | (0.1) |
| Depreciation, depletion and amortization | 1.4 |
| Non-cash cost of land and real estate development costs recovered upon sale | 2.1 |
| Other (b) | (1.7) |
| **March 31, 2015** | $5.7 |

(a) Primarily related to timber sold in conjunction with the relinquishment of a forestry right.

(b) Includes $1.9 million of timber basis sold in conjunction with the relinquishment of a forestry right.

| **Adjusted EBITDA (in millions of dollars) (a)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $11.0 |
| *Changes Attributable to:* | |
| Volume/Mix | 2.9 |
| Price | (1.3) |
| Cost | 0.3 |
| Non-timber income | 0.7 |
| Foreign exchange | (0.1) |
| Other | 0.2 |
| **March 31, 2015** | $13.7 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

The following table provides additional information on depreciation, depletion and amortization and capital expenditures for the timber segments:

| | Three Months Ended March 31, | |
|---|---|---|
| **Timber Segments Selected Operating Information** | **2015** | **2014** |
| **Depreciation, Depletion and Amortization (in millions of dollars)** | | |
| Southern Timber | $14.3 | $12.0 |
| Pacific Northwest Timber | 3.8 | 6.3 |
| New Zealand Timber | 8.0 | 6.5 |
| **Total** | $26.1 | $24.8 |
| | | |
| **Timber Capital Expenditures (in millions of dollars)** | | |
| U.S. Timber | | |
| Reforestation, silvicultural and other capital expenditures | $4.8 | $5.4 |
| Property taxes, lease payments and allocated overhead | 5.5 | 6.3 |
| Timberland acquisitions | 23.1 | 10.6 |
| **Subtotal U.S. Timber** | $33.4 | $22.3 |
| New Zealand Timber | | |
| Reforestation, silvicultural and other capital expenditures | 1.5 | 1.8 |
| Property taxes, lease payments and allocated overhead | 1.2 | 1.3 |
| **Subtotal New Zealand Timber** | $2.7 | $3.1 |
| **Total Timber Segments Capital Expenditures** | $36.1 | $25.4 |

## Real Estate

First quarter sales of $23.8 million increased $18.3 million versus the prior year period, and operating income of $12.6 million increased $11.9 million versus the prior year period. Sales and operating income increased in the first quarter due to higher volumes (7,397 acres sold versus 2,122 acres in the prior year period) and higher weighted average prices ($3,216 per acre versus $2,606 per acre in the prior year period). First quarter Adjusted EBITDA of $20.1 million was $17.5 million above the prior year period.

Unimproved Development sales of $4.8 million increased $4.7 million versus the prior year period and included 217 acres in St. Johns County, Florida for $17,000 per acre and 160 acres in Liberty County, Texas for $3,800 per acre. The prior year period included 27 acres in Bryan County, Georgia for $5,259 per acre.

Rural sales of $6.8 million increased $1.7 million versus the prior year period due to increased volume in the Gulf states, which was partially offset by a 20% decrease in average prices, as the prior year period included a 28-acre sale in Washington for $25,850 per acre.

Non-strategic / Timberland sales of $12.2 million increased $11.9 million versus the prior year period and included 4,018 acres of conservation land in Washington at an average price of $2,982 per acre.

The following table provides key operating statistics and financial information for the Real Estate segment:

| | Three Months Ended March 31, | |
|---|---|---|
| **Real Estate Overview** | **2015** | **2014** |
| **Sales (in millions of dollars)** | | |
| Improved Development (a) | — | — |
| Unimproved Development | 4.8 | 0.1 |
| Rural (b) | 6.8 | 5.1 |
| Non-Strategic / Timberlands (b) | 12.2 | 0.3 |
| **Total Sales** | $23.8 | $5.5 |
| Sales (Development and Rural Only) | $11.6 | $5.2 |
| | | |
| **Acres Sold** | | |
| Improved Development (a) | — | — |
| Unimproved Development | 409 | 27 |
| Rural (b) | 2,877 | 1,733 |
| Non-Strategic / Timberlands (b) | 4,111 | 362 |
| **Total Acres Sold** | 7,397 | 2,122 |
| Acre Sold (Development and Rural Only) | 3,286 | 1,760 |
| | | |
| Percentage of U.S. South acreage sold (c) | 0.2% | 0.1% |
| | | |
| **Price per Acre (dollars per acre)** | | |
| Improved Development (a) | — | — |
| Unimproved Development | $11,781 | $5,259 |
| Rural (b) | 2,368 | 2,958 |
| Non-Strategic / Timberlands (b) | 2,957 | 723 |
| Weighted Average (Total) | $3,216 | $2,606 |
| Weighted Average (Development and Rural) (d) | $3,540 | $2,994 |

(a) Reflects land with capital invested in infrastructure improvements.

(b) Conservation sales previously reported as Rural are now reported with Non-Strategic / Timberlands.

(c) Calculated as Southern development and rural acres sold over U.S. South acres owned.

(d) Excludes Improved Development.

The following tables provide variance analyses for sales, operating income and Adjusted EBITDA for the Real Estate segment:

| **Sales (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $5.5 |
| *Changes Attributable to:* | |
| Volume/Mix | 8.1 |
| Price | 10.2 |
| **March 31, 2015** | $23.8 |

| **Operating Income (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $0.7 |
| *Changes Attributable to:* | |
| Volume/Mix | 8.5 |
| Price | 4.5 |
| Depreciation, depletion and amortization | (0.8) |
| Non-cash cost of land and real estate development costs recovered upon sale | (0.3) |
| **March 31, 2015** | $12.6 |

| **Adjusted EBITDA (in millions of dollars) (a)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $2.6 |
| *Changes Attributable to:* | |
| Volume/Mix | 13.0 |
| Price | 4.5 |
| **March 31, 2015** | $20.1 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

## Trading

The Trading segment complements the New Zealand Timber segment by adding scale and achieving cost savings that directly benefit the New Zealand Timber segment. Trading also contributes modestly to earnings without significant investment and provides market intelligence that benefits the timber business.

First quarter sales of $20.6 million decreased $15.1 million versus the prior year period due to lower volumes and prices as a result of weaker demand in China and Korea. Sales volumes decreased 23% to 214,000 tons versus 277,000 tons in the prior year period. Average prices decreased 26% to $93.42 per ton versus $125.58 per ton in the prior year period. Operating income of $0.3 million increased $0.7 million versus the prior year period, as the reductions in price and volume were more than offset by lower costs and favorable NZ$/US$ exchange gains ($1.1 million).

The following tables provide variance analyses for sales, operating income and Adjusted EBITDA for the Trading segment:

| **Sales (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | $35.7 |
| *Changes Attributable to:* | |
| Volume/Other | (7.9) |
| Price | (6.9) |
| Other | (0.3) |
| **March 31, 2015** | $20.6 |

| **Operating Income (in millions of dollars)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | ($0.4) |
| *Changes Attributable to:* | |
| Foreign exchange | 1.1 |
| Other | (0.4) |
| **March 31, 2015** | $0.3 |

| **Adjusted EBITDA (in millions of dollars) (a)** | **Three Months Ended** |
|---|---|
| **March 31, 2014** | ($0.4) |
| *Changes Attributable to:* | |
| Foreign exchange | 1.1 |
| Other | (0.4) |
| **March 31, 2015** | $0.3 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

## Other Items

*Corporate and Other Expense/Eliminations*

Corporate and other operating expense was $5.9 million in first quarter 2015 versus $11.4 million in the prior year period. The $5.5 million decrease was primarily attributable to lower selling, general and administrative expenses as a result of the spin-off of the Performance Fibers business.

*Interest Expense and Interest/Other Income*

Interest expense of $8.5 million decreased $2.2 million versus the prior year period primarily due to lower outstanding debt. Other non-operating expenses of $1.5 million were comparable to the prior year period.

*Income Tax Benefit*

The first quarter income tax benefit from continuing operations was $0.5 million versus an income tax benefit of $7.6 million in the prior year period. The current quarter tax benefit is principally related to the New Zealand joint venture. The prior year period benefit was due to losses at Rayonier's taxable operations that included corporate interest and general and administrative expenses that could not be allocated to the discontinued operations of the Performance Fibers business. Income tax expense from discontinued operations was $0 for the 3 months ended March 31, 2015 and $15.3 million in the prior year period. See Note 4 — *Income Taxes* for additional information regarding the provision for income taxes and the discrete tax items.

## Outlook

We expect total harvest volumes for the full year to be between 9.0 million and 9.5 million tons. In our Southern Timber segment, we anticipate continued strong pulpwood demand and prices in our key market areas. Further, we expect that the ongoing gradual recovery in U.S. housing demand will continue to drive steady increases in Southern sawtimber prices. In our Pacific Northwest segment, continued weakness in the China export market has moderated our near-term price expectations, although we anticipate some improvement later in the year. New Zealand has similarly been impacted by weaker demand from China, but has benefited from material improvements in shipping costs due to lower energy prices and relatively stable domestic demand. In our Real Estate segment, we are on track to meet our full-year expectations following a strong first quarter, although we anticipate that quarter-to-quarter results will vary based on the timing of closing larger transactions.

We anticipate much weaker second quarter results primarily due to lower sales volumes in the Pacific Northwest Timber segment and the Real Estate segment. We anticipate improved results in the second half of the year both from our Timber segments and our Real Estate segment, as volumes return to more normalized levels and export market demand gradually improves.

### Liquidity and Capital Resources

Our principal source of cash is cash flow from operations, primarily the harvesting of timber and sales of real estate. Our main use of cash is dividends due to the REIT distribution requirements. We also use cash to maintain the productivity of our timberlands through replanting and silviculture. Our operations have generally produced consistent cash flow and required limited capital resources. Short-term borrowings have helped fund working capital needs while acquisitions of timberlands generally require funding from external sources.

### Summary of Liquidity and Financing Commitments

| (millions of dollars) | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Cash and cash equivalents | $139.0 | $161.6 |
| Total debt | 743.0 | 751.6 |
| Shareholders’ equity | 1,548.2 | 1,575.2 |
| Adjusted EBITDA (a) | 61.4 | 50.9 |
| Total capitalization (total debt plus equity) | 2,291.2 | 2,326.8 |
| Debt to capital ratio | 32% | 32% |
| Net debt to enterprise value (b) | 15% | 14% |

(a) Adjusted EBITDA is presented as the quarter-to-date amount (three months ended March 31, 2015 and December 31, 2014) for comparative purposes. For reconciliation of Adjusted EBITDA to net income see *Performance and Liquidity Indicators.*

(b) Enterprise value is calculated as the number of shares outstanding multiplied by the Company’s share price plus net debt as of March 31, 2015 and December 31, 2014.

### Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for the three months ended March 31. The Consolidated Statements of Cash Flows for 2014 has not been restated to exclude discontinued operations.

| (millions of dollars) | 2015 | 2014 |
|---|---|---|
| Cash provided by (used for): | | |
| Operating activities | $53.4 | $100.1 |
| Investing activities | (43.7) | (2.6) |
| Financing activities | (30.6) | (141.1) |

***Cash Provided by Operating Activities***

The decline in cash provided by operating activities in 2015 was primarily attributable to the inclusion of the results of the Performance Fibers business in the prior year period before the June 27, 2014 spin-off. First quarter 2015 also benefited from lower working capital requirements.

***Cash Used for Investing Activities***

Cash used for investing activities increased $41.1 million in the first quarter of 2015 compared to 2014 due to the change in restricted cash ($52.4 million) and higher timberland acquisitions ($12.4 million) in the current period. Partially offsetting these increases was a $21.3 million decrease in capital expenditures and a $1.5 million decrease in real estate development costs compared to the prior year period.

***Cash Used for Financing Activities***

Cash used for financing activities declined $110.5 million from the prior year period. Of the decrease, $78.8 million is due to net debt issuances of $0.6 million in first quarter 2015 versus net debt repayments of $78.2 million in first quarter 2014. Additionally, dividend payments decreased $30.9 million compared to prior year due to the change in the dividend rate from $0.49 per share to $0.25 per share in connection with the spin-off of the Performance Fibers business.

**Expected 2015 Expenditures**

Capital expenditures in 2015 are forecasted to be between $65 million and $70 million, excluding any strategic timberland acquisitions we may make. Capital expenditures are expected to be primarily comprised of seedling planting, fertilization and other silvicultural activities, and other capitalized costs. Aside from capital expenditures, we may also make strategic timberland acquisitions as we actively evaluate acquisition opportunities. We also expect to invest approximately $7 million in land use entitlements and infrastructure improvements to increase the value and marketability of selected real estate properties.

Our 2015 dividend payments are expected to be approximately $127 million assuming no change in the quarterly dividend rate of $0.25 per share.

We have no mandatory pension contributions in 2015 but may make discretionary contributions in the future. On an ongoing basis, cash income tax payments are expected to be minimal. During 2015, we may repatriate approximately $27 million of proceeds received from the sale of our forestry assets to the New Zealand JV when it was formed in 2005. If this occurs, we anticipate that cash payments for income taxes in 2015 will be approximately $3 million.

***Performance and Liquidity Indicators***

The discussion below is presented to enhance the reader’s understanding of our operating performance, liquidity, ability to generate cash and satisfy rating agency and creditor requirements. This information includes two measures of financial results: Adjusted Earnings before Interest, Taxes, Depreciation, Depletion and Amortization (“Adjusted EBITDA”), and Cash Available for Distribution (“CAD”). These measures are not defined by Generally Accepted Accounting Principles (“GAAP”) and the discussion of Adjusted EBITDA and CAD is not intended to conflict with or change any of the GAAP disclosures described above. Management considers these measures to be important to estimate the enterprise and shareholder values of the Company as a whole and of its core segments, and for allocating capital resources. In addition, analysts, investors and creditors use these measures when analyzing our operating performance, financial condition and cash generating ability. Management uses Adjusted EBITDA as a performance measure and CAD as a liquidity measure. Adjusted EBITDA and CAD as defined may not be comparable to similarly titled measures reported by other companies.

We define Adjusted EBITDA as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land sold and real estate development costs recovered upon sale, discontinued operations, and internal review and restatement costs in 2014.

We reconcile Adjusted EBITDA to Net Income for the consolidated Company and to Operating Income for the Segments, as those are the nearest GAAP measures for each. Below is a reconciliation of Net Income to Adjusted EBITDA for the respective periods (in millions of dollars):

| | Three Months Ended | | |
|---|---|---|---|
| | March 31, 2015 | December 31, 2014 | March 31, 2014 |
| **Net Income to Adjusted EBITDA Reconciliation** | | | |
| Net Income | $18.2 | $8.3 | $41.3 |
| Interest, net, continuing operations | 10.0 | 10.5 | 11.7 |
| Income tax benefit, continuing operations | (0.5) | (4.3) | (7.6) |
| Depreciation, depletion and amortization | 30.0 | 29.7 | 26.0 |
| Non-cash cost of land sold and real estate development costs recovered upon sale | 3.7 | 4.6 | 3.1 |
| Discontinued operations (a) | — | (0.3) | (31.0) |
| Internal review and restatement costs | — | 2.4 | — |
| Adjusted EBITDA | $61.4 | $50.9 | $43.5 |

(a) Includes net income from discontinued operations.

The following tables reconcile Operating Income by segment to Adjusted EBITDA by segment (millions of dollars):

| Three Months Ended | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Real Estate | Trading | Corporate and other | Total |
|---|---|---|---|---|---|---|---|
| **March 31, 2015** | | | | | | | |
| Operating income | $12.4 | $2.6 | $5.7 | $12.6 | $0.3 | ($5.9) | $27.7 |
| Depreciation, depletion and amortization | 14.3 | 3.8 | 8.0 | 3.8 | — | 0.1 | 30.0 |
| Non-cash cost of land sold and real estate development costs recovered upon sale | — | — | — | 3.7 | — | — | 3.7 |
| Adjusted EBITDA | $26.7 | $6.4 | $13.7 | $20.1 | $0.3 | ($5.8) | $61.4 |
| | | | | | | | |
| **March 31, 2014** | | | | | | | |
| Operating income | $10.5 | $12.6 | $2.4 | $0.7 | ($0.4) | ($11.4) | $14.4 |
| Depreciation, depletion and amortization | 12.0 | 6.3 | 6.5 | 0.9 | — | 0.3 | 26.0 |
| Non-cash cost of land sold and real estate development costs recovered upon sale | — | — | 2.1 | 1.0 | — | — | 3.1 |
| Adjusted EBITDA | $22.5 | $18.9 | $11.0 | $2.6 | ($0.4) | ($11.1) | $43.5 |

CAD is a non-GAAP measure of cash generated during a period which is available for dividend distribution, repurchase of the Company’s common shares, debt reduction and strategic acquisitions. We define CAD as Cash Provided by Operating Activities adjusted for capital spending (excluding strategic acquisitions), real estate development costs, cash provided by discontinued operations and working capital and other balance sheet changes. In compliance with SEC requirements for non-GAAP measures, we reduce CAD by mandatory debt repayments which results in the measure entitled “Adjusted CAD.”

Below is a reconciliation of Cash Provided by Operating Activities to Adjusted CAD (in millions of dollars):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2015 | 2014 |
| Cash provided by operating activities | $53.4 | $100.1 |
| Capital expenditures from continuing operations (a) | (13.3) | (16.9) |
| Real estate development costs | (0.3) | (1.8) |
| Cash flow from discontinued operations | — | (56.0) |
| Working capital and other balance sheet changes | 2.9 | (14.6) |
| CAD | 42.7 | 10.8 |
| Mandatory debt repayments | — | — |
| Adjusted CAD | $42.7 | $10.8 |
| Cash used for investing activities | ($43.7) | ($2.6) |
| Cash used for financing activities | ($30.6) | ($141.1) |

(a) Capital expenditures exclude timberland acquisitions of $23.1 million and $10.6 million during the three months ended March 31, 2015 and March 31, 2014, respectively.

Adjusted CAD increased in the current year primarily due to favorable operating results from continuing operations and lower working capital requirements. Adjusted CAD generated in any period is not necessarily indicative of the amounts that may be generated in future periods.

***Liquidity Facilities***

Net draws of $2 million were made in the first quarter on the revolving credit facility for general corporate purposes. At March 31, 2015, the Company had available borrowings of $180 million, net of $2 million to secure its outstanding letters of credit, under the revolving credit facility and additional draws available of $100 million under the term credit agreement.

During the three months ended March 31, 2015, the New Zealand JV had no activity on its revolving credit facility or working capital facility. Additional draws totaling $17 million remain available on the working capital facility. In addition, the New Zealand JV paid $1.4 million of its shareholder loan held with the non-controlling interest party. Favorable changes in exchange rates through March 31, 2015 decreased debt on a U.S. dollar basis for the revolving facility and shareholder loan by $8.3 million and $1.2 million, respectively.

In connection with our term credit agreement and credit facility, covenants must be met, including ratios based on the covenant definition of EBITDA, ratios based on consolidated funded debt compared to consolidated net worth, and ratios of subsidiary debt to consolidated net tangible assets. Covenants must also be met in connection with the New Zealand JV's credit facility, including ratios of debt to forestry and land valuations and ratios of operating cash flows to financing costs. As of March 31, 2015, we were in compliance with all applicable financial covenants. In addition to these financial covenants, the mortgage note, term credit agreement and revolving credit facility include customary covenants that limit the incurrence of debt and the disposition of assets, among others.

**Contractual Financial Obligations and Off-Balance Sheet Arrangements**

We have no material changes to the Contractual Obligations table as presented in Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our 2014 Form 10-K. See Note 11 — *Guarantees* for details on the letters of credit, surety bonds and guarantees as of March 31, 2015. For information on our outstanding debt and derivative purchase obligations as of March 31, 2015 see Note 15 — *Debt* and Note 9 — *Derivative Financial Instruments and Hedging Activities*, respectively.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

**Market and Other Economic Risks**

We are exposed to various market risks, including changes in interest rates, commodity prices and foreign exchange rates. Our objective is to minimize the economic impact of these market risks. We use derivatives in accordance with policies and procedures approved by the Audit Committee of the Board of Directors. Derivatives are managed by a senior executive committee whose responsibilities include initiating, managing and monitoring resulting exposures. We do not enter into financial instruments for trading or speculative purposes.

As of March 31, 2015 we had $33 million of U.S. long-term variable rate debt which is subject to interest rate risk. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in a corresponding increase/decrease of approximately $0.3 million in interest payments and expense over a 12 month period. Our primary interest rate exposure on variable rate debt results from changes in LIBOR.

As of March 31, 2015, our New Zealand JV had $176 million of long-term variable rate debt. This debt is subject to interest rate risk resulting from changes in the 90 day New Zealand Bank bill rate ("BKBM"). However, the New Zealand JV uses interest rate swaps to manage its exposure to interest rate movements on its bank loan by swapping a portion of these borrowings from floating rates to fixed rates. The notional amount of the outstanding interest rate swap contracts at March 31, 2015 was $142 million, or 81 percent of the variable rate debt. The interest rate swap contracts have maturities extending through January 2020. The periodic interest rate on New Zealand JV debt is BKBM plus 80 basis points with an additional 80 basis point credit line fee. We estimate the periodic effective interest rate on New Zealand JV debt to be approximately 6.6% after consideration of interest rate swaps.

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk. However, we intend to hold most of our debt until maturity. The estimated fair value of our long-term fixed-rate debt at March 31, 2015 was $413 million compared to the $403 million principal amount. We use interest rates of debt with similar terms and maturities to estimate the fair value of our debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical one-percentage point increase/decrease in prevailing interest rates at March 31, 2015 would result in a corresponding decrease/increase in the fair value of our long-term fixed-rate debt of approximately $21 million.

The functional currency of the Company's New Zealand-based operations and New Zealand JV is the New Zealand dollar. Through these operations and our ownership in the New Zealand JV, we are exposed to foreign currency risk on cash held in foreign currencies and on foreign export sales and ocean freight payments that are predominantly denominated in U.S. dollars. To mitigate these risks, the New Zealand JV routinely enters into foreign currency exchange contracts and foreign currency option contracts to hedge a portion of the New Zealand JV's foreign exchange exposure. At March 31, 2015, the New Zealand JV had foreign currency exchange contracts with a notional amount of $30 million and foreign currency option contracts with a notional amount of $99 million outstanding. The amount hedged represents 59 percent of forecast U.S. dollar denominated harvesting sales proceeds over the next 18 months and 35 percent of log trading sales proceeds over the next 3 months. In December 2014, we entered into a foreign currency exchange contract with a notional amount of $26 million. The foreign currency contract is designated as a net investment hedge of our New Zealand based-operations to mitigate our risk to fluctuations in foreign currency exchange rates. For additional information regarding our derivative balances and activity, see Note 9 — *Derivative Financial Instruments and Hedging Activities*.

## Item 4. CONTROLS AND PROCEDURES

*Disclosure Controls and Procedures*

Rayonier management is responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), are designed with the objective of ensuring information required to be disclosed by the Company in reports filed under the Exchange Act, such as this quarterly report on Form 10-Q, is (1) recorded, processed, summarized and reported or submitted within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, no control evaluation can provide absolute assurance that all control exceptions and instances of fraud have been prevented or detected on a timely basis. Even systems determined to be effective can provide only reasonable assurance that their objectives are achieved.

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of March 31, 2015.

In the quarter ended March 31, 2015, based upon the evaluation required by paragraph (d) of SEC Rule 13a-15, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The information set forth in Note 12—*Contingencies* in the “Notes to the Consolidated Financial Statements” under Item 1 of Part I of this Report is incorporated herein by reference.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

**Issuer Purchases of Equity Securities**

The following table provides information regarding our purchases of Rayonier common stock during the quarter ended March 31, 2015:

| Period | Total Number of Shares Purchased (a) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| January 1 to January 31 | — | — | — | 3,836,655 |
| February 1 to February 28 | 2,984 | $29.69 | — | 3,836,655 |
| March 1 to March 31 | — | — | — | 3,836,655 |
| Total | 2,984 | | — | 3,836,655 |

(a) Repurchased to satisfy the minimum tax withholding requirements related to the vesting of restricted shares under the Rayonier Incentive Stock Plan.

See Item 5 — *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* in our 2014 Form 10-K for additional information regarding our Common Share repurchase program.

**Item 6. Exhibits**

| | | |
|---|---|---|
| 10.1 | Rayonier Inc. Executive Severance Pay Plan, as amended* | Filed herewith |
| 10.2 | Rayonier Incentive Stock Plan, as amended* | Filed herewith |
| 10.3 | 2015 Performance Share Award Program* | Filed herewith |
| 10.4 | Rayonier Annual Bonus Program, as amended* | Filed herewith |
| 10.5 | Form of Rayonier Incentive Stock Plan Restricted Stock Award Agreement* | Filed herewith |
| 31.1 | Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 31.2 | Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32 | Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith |
| 101 | The following financial information from our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015, formatted in Extensible Business Reporting Language ("XBRL"), includes: (i) the Consolidated Statements of Income and Comprehensive Income for the Three Months Ended March 31, 2015 and 2014; (ii) the Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014; (iii) the Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2015 and 2014; and (iv) the Notes to Consolidated Financial Statements | Filed herewith |

* Management contract or compensatory plan.

**SIGNATURE**

Pursuant to the requirements 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: /s/ H. EDWIN KIKER

H. Edwin Kiker
*Chief Accounting Officer*
*(Duly Authorized Officer, Principal Accounting Officer)*

Date: May 8, 2015

**EXHIBIT 10.1**

# Rayonier Inc.
# Executive Severance Pay Plan

**Human Resources**
**February 2015**

90586109.9

**RAYONIER INC.**

**EXECUTIVE SEVERANCE PAY PLAN**

## 1. Purpose

The Compensation and Management Development Committee of the Board of Directors of Rayonier Inc. recognizes that, as with many publicly held corporations, there exists the possibility of a Change in Control of the Company. This possibility and the uncertainty it creates may result in the loss or distraction of senior executives of the Company, to the detriment of the Company and its shareholders.

Accordingly, the Committee has determined that appropriate steps should be taken to assure the Company of the continued employment, attention and dedication to duty of its senior executives-including maintaining professionalism, indifference and objectivity in negotiating with a potential acquirer and to seek to ensure the availability of their continued service, notwithstanding the possibility, threat, or occurrence of a Change in Control.

Therefore**,** in order to fulfill the above purposes, this Executive Severance Pay Plan is adopted and amended effective as specified in <u>Section 17</u>.

The definitions of capitalized terms are located in <u>Section 8</u>.

## 2. Covered Employees

Covered employees under this Plan are those full-time, regular executive salaried employees of the Company, who are identified and designated as Tier I or Tier II on <u>Appendix A</u> attached hereto (each an "<u>Executive</u>"), as such <u>Appendix A</u> may be amended by the Committee from time to time prior to a Change in Control.

An Executive shall cease to be a participant in this Plan only as a result of termination or amendment of this Plan complying with <u>Section 13</u>, or when he or she ceases to be a full time employee of the Company, unless, at the time he or she ceases to be an employee, such Executive is entitled to payment of Separation Benefits as provided in this Plan or there has been an event or occurrence that constitutes Good Reason after a Change in Control that would enable Executive to terminate his or her employment and receive Separation Benefits. An Executive entitled to payment of Separation Benefits under the Plan shall remain a participant in the Plan until the full amount of the Separation Benefits has been paid to Executive.

## 3. Upon a Qualifying Termination

A. <u>Qualifying Termination.</u> If, within two years following a Change in Control, (a) an Executive terminates his or her full time employment for Good Reason, or (b) the Company terminates an Executive's full time employment, the Executive shall be provided Scheduled Severance Pay and Additional Severance (collectively, “<u>Separation Benefits</u>”) in accordance with the terms of this Plan, except that Separation Benefits shall not be payable where Executive:

- is terminated for Cause;
- voluntarily resigns (including normal retirement), other than for Good Reason;
- voluntarily fails to return from an approved leave of absence (including a medical leave of absence); or
- terminates employment as a result of Executive's death or Disability.

Any non-excepted termination is a "Qualifying Termination."

B. Definitions Related to Qualifying Termination. For purposes of this Section 3, the following terms have the indicated definitions:

"Cause" shall mean with respect to any Executive: (i) the willful and continued failure of Executive for a period of ninety (90) days to perform substantially Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Executive by the Board of Directors of the Company that specifically identifies the manner in which the Board believes that Executive has not substantially performed Executive's duties, or (ii) the engaging by Executive in illegal conduct or gross misconduct that is demonstrably injurious to the Company. For purposes of this definition, no act or failure to act on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and, in the best interests of the Company. An Executive shall be deemed to have engaged in illegal conduct and shall be subject to termination for Cause if Executive has been indicted or charged by any prosecuting agency with the commission of a felony.

"Disability" shall mean an illness or injury that has prevented Executive from performing his or her duties (as they existed immediately prior to the illness or injury) on a full-time basis for 180 consecutive business days.

"Good Reason" shall mean, with respect to any Executive: (i) the assignment to Executive of any duties inconsistent in any respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately before the Change in Control, or any other action by the Company that results in a significant diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by Executive; (ii) any material reduction in Executive's Base Pay, opportunity to earn annual bonuses or other compensation or employee benefits, other than as a result of an isolated and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by Executive; (iii) the Company's requiring Executive to relocate his or her principal place of business to a place which is more than thirty-five (35) miles from his or her previous principal place of business; or (iv) any purported termination of this Plan otherwise than as expressly permitted by this Plan. Notwithstanding the foregoing, no termination shall be deemed to be for Good Reason unless (1) Executive gives written notice to the Company of the event or condition claimed to constitute Good Reason within ninety (90) days of the first occurrence of such event or condition, (2) the Company fails to cure such event or condition within thirty (30) days of such notice, and (3) Executive gives a notice of termination specifying a date of termination not later than one hundred and twenty (120) days after delivery by Executive of the written notice to the Company of the event or condition claimed to constitute Good Reason.

## 4. Plan Benefits

For purposes of this Plan, "Plan Benefits" consist of (i) Scheduled Severance Pay calculated as provided in Section 4A, (ii) Additional Severance calculated as provided in Section 4B and Section 4C, and (iii) Equity Benefits as provided in Section 4D. The Company shall pay the Scheduled Severance Pay and Additional Severance to Executive in a lump sum not later than ten (10) days after the Effective Date of the Executive's Qualifying Termination; provided that, no portion of the Scheduled Severance Pay or Additional Severance that is payable on account of an Executive's Separation from Service shall be paid earlier than the end of the Separation Delay Period if the payment is on account of such Separation from Service and at that date the Executive is a Specified Employee; provided that, such delay in payment shall not apply to any portion of the Scheduled Severance Pay or Additional Severance that is excepted from such delay under the Code Section 409A Rules as a Short-Term Deferral or Separation Pay. The Company shall pay the Equity Benefits as provided in Section 4D upon the Executive's Qualifying Termination; provided that, no portion of the Equity Benefits that is payable as a result of the Executive's Separation from Service, shall be paid prior to the end of the Separation Delay Period if on the date of such Separation from Service the Executive was a Specified Employee; and provided further that, such delay in payment shall not apply to any such amounts that are excepted from such delay under the Code Section 409A Rules as Short-Term Deferrals or Separation Pay.

A. An Executive's "Scheduled Severance Pay" is the product of the Executive's Base Pay times the Executive's Applicable Tier Multiplier.

B. An Executive's "Additional Severance" is the sum of the Executive's Benefits Continuation Amount, calculated as provided in Section 4C below, and the Executive's Bonus Severance, calculated as provided in this Section 4B.

(i) An Executive's "Bonus Severance" is the product of the Executive's Applicable Bonus times the Executive's Applicable Tier Multiplier, together with an additional amount equal to the Executive's Current Pro-rata Bonus.

(1) An Executive's "Applicable Bonus" is the greatest of (A) the highest bonus amount actually paid to the Executive under the Rayonier annual incentive

bonus plan (the “Bonus Plan”) in the three year period comprised of the year of the Qualifying Termination and the two immediately preceding calendar years, (B) the Executive’s Target Bonus Award under the Bonus Plan for the year in which the Change in Control takes place or (C) the Executive’s Target Bonus Award under the Bonus Plan in the year of Qualifying Termination. The Executive’s Applicable Bonus shall be determined without regard to any election the Executive may have made to defer receipt of all or any portion thereof as if there had been no deferral election in effect.

(2) An Executive’s “Current Pro-rata Bonus” is equal to the product of the Executive’s Applicable Bonus times a fraction the numerator of which is the number of months or portion thereof lapsed in the then current year prior to the Qualifying Termination and the denominator of which is twelve.

C. Benefits Continuation Amounts. The Executive’s Benefits Continuation Amount is the sum of the Executive’s Retirement Savings Adjustment and Other Benefits Adjustment. The Executive’s Retirement Savings Adjustment shall be in addition to amounts to which Executive is entitled under the Retirement Plan for Salaried Employees of Rayonier Inc., the Retirement Plan for Salaried Employees of ITT Corporation, the Rayonier Investment and Savings Plan for Salaried Employees and the Supplemental Plans (collectively, the "Retirement Plans"), in effect on the Effective Date of the Qualifying Termination. (Capitalized terms in this Section 4C that are not otherwise defined here or elsewhere in this Plan shall have the meaning ascribed to them in the applicable Retirement Plans.)

(i) An Executive’s “Retirement Savings Adjustment” is an amount equal to the excess of (X) over (Y), where (X) is the “Equivalent Actuarial Value” of the benefit to which Executive would have been entitled under the terms of the Retirement Plans, without regard to "vesting" thereunder, had Executive accumulated an additional 3 years of eligibility service as a fully vested participant in the Retirement Plans and an additional 3 years of benefit service in all the Retirement Plans other than the Retirement Plan for Salaried Employees of ITT Corporation and the ITT Supplemental Plans and as if Executive were 3 years older, solely for purposes of benefit eligibility and determining the amount of reduction in benefit on account of payment commencing prior to the Executive's normal retirement date, and by defining Executive's “Final Average Compensation” as equal to the greater of Executive's Base Pay on the Effective Date of Executive's Qualifying Termination or Executive's Final Average Compensation as determined under the terms of the Retirement Plan for Salaried Employees of Rayonier Inc., and (Y) is the Equivalent Actuarial Value of the amounts otherwise actually payable to Executive under the Retirement Plans. The Equivalent Actuarial Value shall be determined using the same assumptions utilized under the Rayonier Inc. Excess Benefit Plan upon the date of payment of the Benefits Continuation Amount and based on Executive's age on such date.

Notwithstanding the foregoing, for purposes of calculating the Retirement Savings Adjustment, Executive shall not be required to contribute to the Rayonier Investment and Savings Plan for Salaried Employees (the "Savings Plan") or the Rayonier Inc. Excess Savings and Deferred Compensation Plan (the "Excess Plan") as a condition to receiving the Retirement Savings Adjustment nor shall the Company be required to include in the Retirement Savings Adjustment amounts attributable to contributions Executive would have made under the Savings Plan or the Excess Plan had Executive continued to participate in those plans. The Company shall only be obligated to include in the Retirement Savings Adjustment the Company contributions that would have been made under the Savings Plan and the Excess Plan had Executive continued to participate in those plans at the level of compensation and rate of contribution in effect as of the pay date immediately preceding the Effective Date of the Qualifying Termination, without allocating any deemed earnings to said Company contributions.

(ii) Other Benefits Adjustment. The "Other Benefits Adjustment" is an amount equal to the sum of the Medical Benefits Payment and the Outplacement Services, determined as provided in subsections (1) - (3) below.

(1) An Executive's "Medical Benefits Payment" is the product of the employer contribution component of the health and welfare plans maintained for the Executive as of the Change in Control under the applicable employee welfare benefit plan (within the meaning of Section 3(1) of ERISA) maintained by the Company for the benefit of the Company's employees at such date, times the Executive's Applicable Tier Multiplier, discounted for present value applying a 4% discount rate.

(2) "Outplacement Services" means the cost of outplacement services, the scope and provider of which shall be selected by Executive in his or her sole discretion, for a period not to extend beyond twelve (12) months after the Effective Date of Executive's Qualifying Termination, in an amount not to exceed $30,000 in the aggregate.

D. Equity Benefits. Company shall provide to Executive the following additional benefits upon a Qualifying Termination of the Executive, to the extent not actually provided under an Applicable Incentive Stock Plan of the Company (collectively, the "Equity Benefits"). Terms used in this Section 4D not otherwise defined in this Plan shall have the meaning assigned in the Applicable Incentive Stock Plan.

(i) Options. The Company shall cause (a) all of the options to purchase the Common Shares of the Company ("Stock Options") granted to Executive prior to the Qualifying Termination by the Company to become immediately exercisable in full in accordance with the terms of the Applicable Incentive Stock Plan pursuant to which they were issued (provided that no Stock Option shall be exercisable after the termination date of such Stock Option).

(ii) Restricted Stock. The Company shall (a) cause Executive to immediately vest in all outstanding shares of Restricted Stock that were the subject of an Award under an Incentive Stock Plan of the Company which Restricted Stock is held by or for the benefit of the Executive immediately prior to the Qualifying Termination without any remaining restrictions other than those imposed by applicable securities laws, (b) issue stock certificates in respect thereof to Executive without a restrictive legend and (c) permit Executive to tender within 60 days of the Qualifying Termination all such Restricted Stock to the Company and in the event of such a tender forthwith pay to the Executive the Fair Market Value therefore.

(iii) Performance Share Awards. In the event of a Qualifying Termination, Awards of "Performance Shares" under all "Performance Share Award Programs" shall be settled as follows: (a) with respect to any Award for which the applicable Performance Period is more than 50% completed, the Performance Period shall be deemed to end as of the Qualifying Termination and the Executive shall receive the greater of (1) the Award resulting from utilizing the Fair Market Value in calculating total shareholder return for the Company for purposes of measuring Company performance with that of the comparison group under the applicable program, and (2) the Award at 100% of target performance under the applicable program; and (b) with respect to any Award as to which the applicable Performance Period is not more than 50% completed, the Executive shall receive the Award at 100% of target performance under the applicable program. Performance Shares due hereunder shall be settled in cash and paid on the basis of the Fair Market Value.

(iv) Coordination with Incentive Stock Plans. Any amounts paid hereunder shall be an offset against amounts otherwise due from the Company under the Applicable Incentive Stock Plan in respect of the same Award covered herein.

(v) Coordination with Section 409A. If at any time the payment of an Equity Benefit would be deemed to be payable to an Executive as a result of the Executive's Separation from Service, payment of such Equity Benefit shall not be made earlier than the end of the Separation Delay Period where on the date of the Separation from Service the Executive was a Specified Employee; provided that, such delay in payment shall not apply to any portion of the Equity Benefit that is excepted from such delay under the Code Section 409A Rules as a Short-Term Deferral, Separation Pay or otherwise

**5. Dispute Resolution**

A. In the event any dispute arises between Executive and the Company as to the validity, enforceability and/or interpretation of any right or benefit afforded by this Plan, at Executive's option such dispute shall be resolved by binding arbitration proceedings in accordance with the rules of the American Arbitration Association. The arbitrators shall presume that the rights and/or benefits afforded by this Plan which are in dispute are valid and enforceable and that Executive is entitled to such rights and/or benefits. The Company shall be precluded from asserting that such rights and/or benefits are not valid, binding and enforceable and shall stipulate before such arbitrators that the Company is bound by all the provisions of this Plan. The burden of overcoming by clear and convincing evidence the presumption that Executive is entitled to such rights and/or benefits shall be on the Company. The results of any arbitration shall be conclusive on both parties and shall not be subject to judicial interference or review on any ground whatsoever, including without limitation any claim that the Company was wrongfully induced to enter into this agreement to arbitrate such a dispute.

The Company shall pay the cost of any arbitration proceedings under this Plan. Executive shall be entitled (within two (2) business days of requesting such advance) to an advance of the actual legal fees and expenses incurred by such Executive in connection with such proceedings and Executive shall be obligated to reimburse the Company for such fees and expenses in connection with such arbitration proceedings only if it is finally and specifically determined by the arbitrators that Executive's position in initiating the arbitration was frivolous and completely without merit.

B. In the event Executive is required to defend in any legal action or other proceeding the validity or enforceability of any right or benefit afforded by this Plan, the Company will pay any and all actual legal fees and expenses incurred by such Executive regardless of the outcome of such action and, if requested by Executive, shall (within two business days of such request) advance such expenses to Executive. The Company shall be precluded from asserting in any judicial or other proceeding commenced with respect to any right or benefit afforded by this Plan that such rights and benefits are not valid, binding and enforceable and shall stipulate in any such proceeding that the Company is bound by all the provisions of this Plan.

C. Amounts payable by the Company under this Section 5 shall in the first instance be paid by the trustee under the trust established by that certain Trust Agreement, known as the "Legal Resources Trust" authorized by the Compensation and Management Development Committee on July 20, 2001, to the extent such amounts were previously transferred by the Company to the trustee of the Legal Resources Trust.

**6. Covenants of Executive**

A. As a condition to the receipt of a designated portion of the Equity Benefits and the other Plan Benefits otherwise payable hereunder (such portion, the "Covenant Amount") and in consideration thereof, Executive shall be deemed to have made and be bound by the "Change in Control Covenants" (defined below), which at the request of the Company shall be acknowledged by Executive in a simple declarative statement "I hereby confirm that I am bound by the Change in Control Covenants" attested to in writing by the Executive. The Covenant Amount shall be equal to so much of the identified amount payable in cash as the Company shall designate in a written notice to Executive given within thirty (30) days of the Qualifying Termination; provided that, the Covenant Amount shall not exceed an amount equal to the Base Pay of Executive immediately before the Qualifying Termination, multiplied by the Executive's Applicable Tier Multiplier and determined by the Company in good faith to be reasonable compensation for the Change in Control Covenants. By way of explanation and clarification, the Covenant Amount shall not be an additional payment beyond whatever is otherwise provided for within this Plan; rather, a portion of the payments that the Executive will otherwise receive hereunder shall be allocated as the Covenant Amount. An Executive who receives a benefit under this Plan cannot opt to forego making the Change in Control Covenants.

B. The Executive's "Change in Control Covenants" are the Confidentiality Covenants set forth in this Section 6B.

(vi) Confidentiality Covenants. While employed by the Company following the Change in Control, and for a period of two (2) years following a Qualifying Termination (the "Confidential Information Period"), Executive covenants that Executive shall not disclose or make available to any person or entity any "Confidential Information" (as defined below) and shall not use or cause to be used any Confidential Information for any purpose other than fulfilling Executive's employment obligations to the Company, without the express prior written authorization of the Company. For this purpose, "Confidential Information" means all information about the Company relating to any of its products or services or any phase of operations, including, without limitation, business plans and strategies, trade secrets, know-how, contracts, financial statements, pricing strategies, costs, customers and potential customers, vendors and potential vendors, marketing and distribution information, business results, software, hardware, databases, processes, procedures, technologies, designs, concepts, ideas, and methods not generally known through legitimate means to any of its competitors with which Executive became acquainted during the term of employment by the Company. Confidential Information also includes confidential information of third parties made available to the Company on a confidential basis, but does not include information which is generally known to the public without breach by Executive, (b) was given to Executive by a third party without any obligation of confidentiality, or (c) was obtained or independently developed by Executive prior to or following employment by the Company without the use of information that is otherwise Confidential Information.

C. Remedies Limited to Equitable Relief. By accepting payment of the Covenant Amount, Executive shall be deemed (a) to have acknowledged that in the event Executive breaches any of the Change in Control Covenants, the damages to the Company would be irreparable and that the Company shall have the right to seek injunctive and/or other equitable relief in any court of competent jurisdiction to enforce the Change in Control Covenants and (b) to have consented to the issuance of a temporary restraining order to maintain the status quo pending the outcome of any proceeding. The foregoing shall be the exclusive remedy of the Company for a breach of the Change in Control Covenants and under no circumstances shall the Company be entitled to seek return of all or any portion of the Covenant Amount or of any other amount payable hereunder, nor shall the Company be awarded or accept monetary damages for any such breach.

**7. Section 280G Cutback**

A. Notwithstanding any provision of this Plan to the contrary, in the event that the payments and other benefits payable under this Plan or otherwise payable to an Executive under any other plan, program, arrangement or agreement maintained by the Company or one of its affiliates (i) would constitute an "excess parachute payment" (as defined under Code Section 280G) and (ii) would be subject to the excise tax imposed by Section 4999 of the Code, then such payments and other benefits shall be payable either (x) in full or (y) in a reduced amount that would result in no portion of such payments and other benefits being subject to the excise tax imposed under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state, and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by such Executive on an after-tax basis, of the greatest amount of severance benefits under this Plan or otherwise, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

B. The determination of whether it is necessary to decrease a payment or benefit to be paid under this Plan must be made in good faith by a nationally recognized certified public accounting firm (the "Accounting Firm") selected by the Company. This determination will be conclusive and binding upon the Executive and the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control, the Company shall appoint another nationally recognized certified public accounting firm to make the determination required under this Plan. The Company shall bear all fees of the Accounting Firm. If a reduction is necessary, the Executive will have the right to designate the particular payment or benefit to be reduced or eliminated so that no portion of the payment or benefit to be paid to the Executive will be an excess parachute payment subject to the deduction limits under Section 280G of the Code and the excise tax under Section 4999 of the Code. However, no payment of "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) may be reduced to the extent that a reduction can be made to any payment or benefit that is not "deferred compensation."

**8. Definitions**

The following terms used in this Plan have the indicated meaning:

"Additional Severance" with respect to an Executive means the sum of Executive's Benefits Continuation Amount and Executive's Bonus Severance as set forth in Section 4B.

"Applicable Bonus" has the definition set forth in Section 4B(i)(1).

"Applicable Incentive Stock Plan" means the 2004 Rayonier Incentive Stock and Management Bonus Plan, as amended, or the Rayonier Incentive Stock Plan, as amended, as the context dictates, as in effect immediately prior to a Change in Control.

"Applicable Tier Multiplier" means three (3) for Tier I Executives and two (2) for Tier II Executives.

"Award" has the meaning set forth in the Applicable Incentive Stock Plan, as the context requires.

"Base Pay" means the annual base salary rate payable to Executive at the Effective Date of the Qualifying Termination, including compensation converted to other benefits under a flexible pay arrangement maintained by the Company or deferred pursuant to a written plan or agreement with the Company, provided that, such annual base salary rate shall in no event be less than the highest annual base salary rate paid to Executive at any time during the twenty-four (24) month period immediately preceding the Change in Control.

"Benefits Continuation Amount" with respect to an Executive means the amount calculated as provided in Section 4C and payable upon a Qualifying Termination.

"Bonus Plan" has the definition set forth in Section 4B(i)(1).

"Bonus Severance" with respect to an Executive means the sum of the amount calculated under Section 4B(i)(1) and the Current Pro-rata Bonus calculated under Section 4B(i)(2), and payable upon a Qualifying Termination.

"Cause" has the definition provided in Section 3B.

"Change in Control" has the definition set forth in the Retirement Plan for Salaried Employees of Rayonier Inc. as amended October 19, 2001, and as the same may be hereafter amended from time to time prior to the occurrence of a Change in Control.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and "Code Section 409A Rules" shall mean Section 409A of the Code and the final regulations and other IRS guidance promulgated thereunder, as in effect from time to time.

"Committee" means the Compensation and Management Development Committee of the Board of Directors of the Company.

"Company" means Rayonier Inc. and any successor to, or assignee of, the business or assets thereof that becomes bound by this Plan as provided in Section 10.

"Confidentiality Covenants" with respect to an Executive are the covenants set forth in Section 6B(i) and for which purpose "Confidential Information" has the definition set forth in Section 6B(i).

"Covenant Amount" with respect to an Executive is the cash portion of Plan Benefits designated as provided in Section 6A.

"Current Pro-rata Bonus" has the definition set forth in Section 4B(i)(2).

"Disability" has the definition provided in Section 3B.

"Effective Date of the Qualifying Termination" is the date the Company selects as the Executive's last day of active full-time employment.

"Equity Benefits" with respect to an Executive means the Plan Benefits payable as provided in Section 4D upon a Qualifying Termination, for which purpose (1) "Performance Period" and "Restricted Stock" have the meanings set forth in the Applicable Incentive Stock Plan, and (2) "Stock Options," "Performance Shares," and "Performance Share Award Programs" have the meanings set forth in Section 4D.

"Equivalent Actuarial Value" has the definition applicable under the Retirement Plans.

"Excess Plan" has the definition provided in Section 4C(i).

"Executive" means a person identified on Appendix A, as amended from time to time by the Committee prior to a Change in Control.

"Fair Market Value" means the value of the Stock as the Committee may determine in good faith by reference to the price of such stock on any established stock exchange or a national market system on the day of determination if the Stock is so listed on any established stock exchange or a national market system. If the Stock is not listed on any established stock exchange or a national market system, the value of the Stock will be determined by the Committee in good faith.

"Final Average Compensation" has the meaning applicable under the Retirement Plans.

"Good Reason" has the definition provided in Section 3B.

"Legal Resources Trust" has the definition provided in Section 5C.

"Medical Benefits Payment" means the amount calculated in accordance with Section 4C(ii)(1).

"Other Benefits Adjustment" has the definition in Section 4C(ii).

"Outplacement Services" has the definition set forth in Section 4C(ii)(3)."Performance Shares" and "Performance Share Award Programs" mean the right to receive contingent performance shares or performance shares (or other Awards) to be made at the end of a performance period under programs adopted by the Committee under Section 6 of the Applicable Incentive Stock Plan under which such program was authorized, upon attainment of the comparative performance measures provided for in such program.

"Plan Benefits" has the definition provided in Section 4.

"Plan Change" has the definition set forth in Section 13

"Plan" means this Executive Severance Pay Plan effective as provided in Section 17.

"Qualifying Termination" has the definition provided in Section 3A.

"Retirement Plans" has the definition provided in Section 4C.

"Retirement Savings Adjustment" with respect to an Executive means the amount calculated in accordance with Section 4C(i), for which purpose "normal retirement date" means the first of the month that coincides with or follows Executive's 65th birthday.

"Savings Plan" has the definition set forth in Section 4C(i).

"Scheduled Severance Pay" with respect to an Executive means the amount calculated as provided in Section 4A and payable upon a Qualifying Termination.

"Separation Benefits" as provided in Section 3A means with respect to an Executive means the sum of the Executive's Scheduled Severance Pay and Additional Severance payable in respect of a Qualifying Termination.

"Separation Delay Period" shall mean the six month period following the date of a Executive's Separation from Service (or such other applicable period as may be provided for by Section 409A(a)(2)(B)(i) of the Code as in effect at the time), or earlier upon the death of the Executive, such that any payment delayed during the Separation Delay Period is to be paid on the first business day of the seventh month following the Separation from Service or, if earlier, such Executive's death.

"Separation from Service" and "Separation Pay" and "Short-Term Deferral" and "Specified Employee" shall have the respective meanings assigned such terms under the Code Section 409A Rules.

"Severance Trust" has the definition provided in Section 11. "Stock" has the meaning set forth in the applicable Incentive Stock Plan.

"Supplemental Plans" means any excess benefit plan, within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder ("ERISA"), or any supplemental executive retirement plan or other employee pension benefit plan, within the meaning of Section 3(2) of ERISA, not intended to be qualified under Section 401 (a) of the Code, maintained by the Company or by ITT Corporation, subject to the terms and conditions of such plans, in which the Executive is entitled to benefits by virtue of his employment with the Company or prior employment by ITT Corporation.

"Target Bonus Award" means the standard bonus target percentages of base salaries, as defined under the Bonus Plan for the respective executive salary grades as determined pursuant to Company base salary compensation schedules in effect for eligible executives at a 100 percent performance factor as of December 31 of the year in which the Change in Control takes place.

"Tier I" or "Tier II" means the designation assigned to an Executive on Appendix A as adopted and in effect immediately prior to a Change in Control.

**9. Release**

No Separation Benefits will be provided under this Plan unless Executive executes and delivers to the Company a mutual release, satisfactory to the Company, in which Executive discharges and releases the Company and the Company's directors, officers, employees, and employee benefit plans from all claims (other than for benefits, to which Executive is entitled under this Plan or any Company employee benefit plan) arising out of Executive's employment or termination of employment and the Company discharges and releases Executive from any and all claims arising out of Executive's employment or termination of employment with the Company.

**10. Successor to Company**

This Plan shall bind any successor of the Company, its assets, or its businesses (whether direct or indirect, by purchase, merger, consolidation, or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place.

In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

**11. Administration of Plan/Coordination with Severance Trust**

The Company is the Named Fiduciary for the Plan under ERISA. The Committee is the Plan Administrator, which shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and, except as otherwise provided in this Plan, decide any and all matters arising under this Plan. All interpretations and decisions by the Committee shall be final, conclusive and binding on all parties affected thereby.

Amounts payable by the Company under this Plan (except under Section 5) may be made by direction of the Company to the trustee under the trust established by that certain Trust Agreement for the Rayonier Inc. Supplemental Senior Executive Pay Plan and for the Change in Control Agreement for W. Lee Nutter authorized by the Compensation and Management Development Committee on July 20, 2001 (the “Severance Trust”), to the extent such amounts were previously transferred by the Company to the trustee of the Severance Trust, but shall be deemed to have been paid only upon receipt by the Executive.

**12. Claims Procedure**

If an employee or former employee makes a written request alleging a right to receive benefits under this Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Company shall treat it as a claim for benefit. All claims for benefit under the Plan shall be sent to the Company’s Senior Vice President, Administration, or such other officer as may be designated by the Committee, and must be received within thirty (30) days after termination of employment. If the Company determines that any individual who has claimed a right to receive benefits, or different benefits, under the Plan is not entitled to receive all or any part of the benefits claimed, it will inform the claimant in writing of its determination and the reasons therefor in terms calculated to be understood by the claimant. The notice will be sent within ninety (90) days of the claim unless the Company determines additional time, not exceeding ninety (90) days, is needed. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and describe any additional material or information as necessary. Such notice shall, in addition, inform the claimant what procedure the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within ninety (90) days thereafter submit in writing to the Company a notice that the claimant contests the denial of his or her claim by the Company and desires a further review. The Company shall within sixty (60) days thereafter review the claim and authorize the claimant to appear personally and review pertinent documents and submit issues and comments relating to the claim to the persons responsible for making the determination on behalf of the Company. The Company will render its final decision with specific reasons therefor in writing and will transmit it to the claimant within sixty (60) days of the written request for review, unless the Company determines additional time, not exceeding sixty (60) days, is needed, and so notifies the employee. If the Company fails to respond to a claim filed in accordance with the foregoing within sixty (60) days or any such extended period, the Company shall be deemed to have denied the claim. If the appeal is denied, the Committee’s written notification to the claimant shall set forth: (1) the specific reason for the adverse determination; (2) specific reference to pertinent provisions on which the Committee based its adverse determination; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies, of, all documents, records and other information relevant to the claimant’s claim for benefits; and (4) a statement that the claimant has a right to bring a civil action under Section 502(a) of ERISA.

**13. Termination or Amendment**

The Committee or the Company's Board of Directors may amend or terminate this Plan (a "Plan Change") at any time, except that no such Plan Change may reduce or adversely affect Separation Benefits for any Executive who has a Qualifying Termination within two years of the effective date of such Plan Change provided that Executive was a Covered Employee under this Plan on the date of the Plan Change; provided that (a) a change in Appendix A prior to a Change in Control shall not be deemed to be a Plan Change and (b) an Executive by accepting any benefit under this Plan that was introduced prior to a Change in Control and not available prior to the Plan Change, shall be deemed to have waived the two-year limitation. Notwithstanding the foregoing, for two years after the occurrence of a Change in Control event, this Plan may not be terminated or amended until after all Executives who become entitled to any payments hereunder shall have received such payments in full. Any extension, amendment, or termination of this Plan in accordance with the foregoing shall be made in accordance with the Company's charter and bylaws and applicable law, and shall be evidenced by a written instrument signed by a duly authorized officer of the Company, certifying that such action has been taken.

**14. Plan Supersedes Prior Plans**

This Plan supersedes and replaces all prior severance policies, plans, or practices maintained by the Company with respect to all Covered Employees other than individualized written agreements executed by the Company and Executive.

## 15. Unfunded Plan Status

This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Section 401 of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Executive or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may but shall not be obligated to create one or more grantor trusts, such as the Legal Resources Trust and the Severance Trust, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

## 16. Miscellaneous

Except as provided in this Plan, Executive shall not be entitled to any notice of termination or pay in lieu thereof.

In cases where Severance Pay is provided under this Plan, pay in lieu of any unused current year vacation entitlement will be paid to Executive in a lump sum.

This Plan is not a contract of employment, does not guarantee any Executive employment for any specified period and does not limit the right of the Company to terminate the employment of any Executive at any time.

The section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

## 17. Adoption Date and Amendment

This Plan was first adopted effective March 1, 1994. On May 16, 1997, changes to the Plan were approved effective as of June 1, 1997. Subsequently on July 18, 1997, additional changes to the Plan were approved effective retroactive to June 1, 1997.

On September 2, 2005, this amended and restated Plan was approved and adopted and renamed the Rayonier Inc. Executive Severance Pay Plan, effective as of that date, and on December 6, 2007, the Plan was amended to make certain changes to reflect the Code Section 409A Rules. Effective as of February 2015, the Plan was again amended and restated.

# RAYONIER INCENTIVE STOCK PLAN

## 1. Purpose

The purpose of the Rayonier Incentive Stock Plan is to attract and retain highly qualified employees and directors and to motivate and reward performance that will lead to sustained increases in shareholder value. The Plan furthers opportunities for share ownership by our employees in order to increase their proprietary interest in Rayonier Inc. and, as a result, their interest in our long-term success and their commitment to creating shareholder value.

## 2. Definitions

When used herein, the following terms shall have the indicated meaning:

“Act” means the Securities Exchange Act of 1934.

“Award” means an award granted to any Key Employee in accordance with the provisions of the Plan in the form of Options, Rights, Performance Shares, Restricted Stock or any combination of the foregoing.

“Award Agreement” means the written agreement or document, including electronic communication, evidencing each Award granted to a Key Employee under the Plan.

“Beneficiary” means the estate of a Key Employee or such other beneficiary or beneficiaries lawfully designated pursuant to Section 10 to receive the amount, if any, payable under the Plan upon the death of a Key Employee.

“Board” means the Board of Directors of the Company.

“Change in Control” has the meaning set forth in Section 9(b).

“Clawback Policy” has the meaning set forth in Section 16.

“Code” means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. (All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.)

“Committee” means the Compensation and Management Development Committee of the Board or such other committee as may be designated by the Board to administer the Plan.

“Company” means Rayonier Inc. and its successors and assigns.

“Effective Date” has the meaning set forth in Section 18.

“Fair Market Value”, unless otherwise indicated in the provisions of this Plan, means, as of any date, the closing price for one share of Stock on the New York Stock Exchange for the most recently completed trading day or, if no sales of Stock have taken place on such date, the closing price on the most recent date on which selling prices were quoted, the determination to be made in the discretion of the Committee.

“GAAP” means U.S. Generally Accepted Accounting Principles.

“Incentive Stock Option” means a stock option qualified under Section 422 of the Code.

“Key Employee” means an employee (including any officer or director who is also an employee) of any Participating Company whose responsibilities and decisions, in the judgment of the Committee, directly affect the performance of the Company and its subsidiaries. References to the term “Key Employees” shall be read to include “Non-employee Directors” in the application of Sections 3, 5, 7, 8, and 10 through 16 of the Plan as the context may require in relationship to Awards to Non-employee Directors hereunder. Except as otherwise may be determined by the Board, a Non-employee Director’s ceasing to be a director of the Company shall be treated in the same manner as a voluntary termination of employment by a Key Employee on such date.

“Non-employee Director” means a member of the Board who is not otherwise an employee of the Company.

“Option” means an Incentive Stock Option or a non-qualified stock option awarded under Section 5 of the Plan.

“Original Plans” means the 2004 Rayonier Incentive Stock and Management Bonus Plan, as subsequently amended and restated prior to the Effective Date.

“Participating Company” means the Company or any subsidiary or other affiliate of the Company; provided, however, for Incentive Stock Options only, “Participating Company” means the Company or any corporation that at the time such Option is granted qualifies as a “subsidiary” of the Company under Section 424(f) of the Code.

“Performance Goals” means or may be expressed in terms of any, but not limited to, of the following business criteria: (i) net income, (ii) earnings per share, (iii) operating income, (iv) operating cash flow, (v) cash available for distribution, (vi) earnings before income taxes and depreciation, (vii) earnings before interest, taxes, depreciation and amortization, (viii) operating margins (ix) reductions in operating expenses, (x) sales or return on sales, (xi) total stockholder return (xii) return on equity, (xiii) return on total capital, (xiv) return on invested capital, (xv) return on assets, (xvi) economic value added, (xvii) cost reductions and savings, (xviii) increase in surplus, (xix) productivity improvements, and (xx) an executive’s attainment of personal objectives with respect to any of the foregoing criteria or other criteria such as growth and profitability, customer satisfaction, leadership effectiveness, business development, negotiating transactions and sales or developing long term business goals. A Performance Goal may be measured over a Performance Period on a periodic, annual, cumulative or average basis and may be established on a corporate-wide basis or established with respect to one or more operating units, divisions, subsidiaries, acquired businesses, minority investments, partnerships or joint ventures. Unless otherwise determined by the Committee, the Performance Goals will be determined using GAAP consistently applied during a Performance Period by no later than the earlier of the date that is ninety days after the commencement of the Performance Period or the day prior to the date on which twenty-five percent of the Performance Period has elapsed.

“Performance Objective” means the level or levels of performance required to be attained with respect to specified Performance Goals in order that a Key Employee shall become entitled to specified rights in connection with a Performance Share. The level or levels of performance specified with respect to a Performance Goal may be established in absolute terms, as objectives relative to performance in prior periods, as an objective compared to the performance of one or more peer companies or an index covering multiple companies, or otherwise as the Committee may determine.

“Performance Period” means the calendar year, or such other shorter or longer period designated by the Committee, during which performance will be measured in order to determine a Key Employee’s entitlement to receive payment of a Performance Share.

“Performance Share” means a performance share awarded under Section 6 of the Plan.

“Plan” means this Rayonier Incentive Stock Plan, which amends and restates the Original Plans, as the same may be further amended, administered or interpreted from time to time.

“Plan Year” means the calendar year.

“Retirement” means an employee’s separation from service having met the age and service requirements that would have resulted in the employee’s being eligible to receive immediate retirement benefits under a Participating Company qualified defined benefit pension plan, but without regard to whether or not such employee participates in such pension plan.

“Restricted Stock” means Stock awarded under Section 7 of the Plan subject to such restrictions as the Committee deems appropriate or desirable.

“Restricted Stock Unit” has the meaning set forth in Section 6 of the Plan.

“Right” means a stock appreciation right awarded in connection with an option under Section 5 of the Plan.

“Share Limit” has the meaning set forth in Section 3 of the Plan.

“Shareholder Approval” shall mean approval of holders of a majority of the shares of Stock represented and voting in person or by proxy at an annual or special meeting of shareholders of the Company where a quorum is present.

“Stock” means the common shares of the Company.

“Successor Corporation” has the meaning set forth in Section 13(b) of the Plan.

“Total Disability” means the complete and permanent inability of a Key Employee to perform all of his or her duties under the terms of his or her employment with any Participating Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

“Voting Securities” means any securities of the Company that vote generally in the election of directors.

3. **Shares Subject to the Plan**

(a) From and after the Effective Date, the total number of shares of Stock that may be issued pursuant to Awards under the Plan shall not exceed 7,241,663, together with any shares of Stock reserved for issuance as Awards under Original Plans programs outstanding on the Effective Date. The shares of Stock may be authorized, but unissued, or reacquired shares of Stock. Subject to Section 3(b), the number of shares available for issuance under the Plan shall be reduced by: (i) 1 share for each share of stock issued pursuant to an Option or a Right granted under Section 5, and (ii) 2.27 shares for each share of Stock issued pursuant to a Performance Share, Restricted Stock Award or Restricted Stock Unit granted under Section 6 and Section 7, respectively. Shares may be issued in connection with a merger or acquisition as permitted by NYSE Listed Company Manual Section 303A.08, and such issuance shall not reduce the number of shares available for issuance under the Plan. No more than 1,000,000 shares of Stock may be cumulatively available for Awards of Incentive Stock Options under the Plan. For any Plan Year, no individual employee may receive an Award of Options, Performance Shares, Restricted Stock or Rights for more than four percent (4%) of the total number of shares authorized under the Plan (with respect to any Key Employee, his or her "Share Limit"). The number of shares available in each category hereunder shall be subject to adjustment as provided in Section 13 in connection with a Stock split, Stock dividend, or other extraordinary transaction affecting the Stock.

(b) Subject to the above limitations, shares of Stock to be issued under the Plan may be made available from the authorized but unissued shares, or from shares purchased in the open market. For the purpose of computing the total number of shares of Stock available for future Awards under the Plan, shares of Stock shall be reserved for issuance under outstanding Performance Shares programs at the maximum award level and counted against the foregoing limitations. If any Awards under the Plan are forfeited, terminated, expire unexercised, are settled in cash in lieu of Stock, are exchanged for other Awards or are released from a reserve for failure to meet the maximum payout under a program, the shares of Stock that were theretofore subject to or reserved for such Awards shall again be available for Awards under the Plan to the extent of such forfeiture, expiration of such Awards or so released from a reserve. To the extent there is issued a share of Common Stock pursuant to a Stock Award that counted as 2.27 shares against the number of shares available for issuance under the Plan pursuant to Section 3(a) and such share of Common Stock again becomes available for issuance under the Plan pursuant to this Section 3(b), then the number of shares of Common Stock available for issuance under the Plan shall increase by 2.27 shares. Any shares that are exchanged (either actually or constructively) by optionees as full or partial payment to the Company of the purchase price of shares being acquired through the exercise of a stock option granted under the Plan will not be available for subsequent Awards. If any shares subject to a Stock Award are not delivered to a Participant because such shares are withheld for the payment of taxes or the Stock Award is exercised through a reduction of shares subject to the Stock Award (*i.e.*, "net exercised") or an appreciation distribution in respect of a Right is paid in shares of Common Stock, the number of shares subject to the Stock Award that are not delivered to the Participant shall not remain available for subsequent issuance under the Plan. If the exercise price of any Stock Award is satisfied by tendering shares of Common Stock held by the Participant (either by actual delivery or attestation), then the number of shares so tendered shall not remain available for issuance under the Plan.

4. **Grant of Awards and Award Agreements**

(a) Subject to the provisions of the Plan, the Committee shall (i) determine and designate from time to time those Key Employees or groups of Key Employees to whom

Awards are to be granted; (ii) determine the form or forms of Award to be granted to any Key Employee; (iii) determine the amount or number of shares of Stock subject to each Award, and (iv) determine the terms and conditions of each Award.

(b) The Board shall serve to administer and interpret the Plan with respect to any grants of Awards made to Non-employee Directors. Non-employee Directors shall only be eligible for Stock Options pursuant to Section 5 and/or Restricted Stock under Section 7. Non-employee Directors shall not be entitled to receive any Rights. Any such Awards, and all duties, powers and authority given to the Committee in this Plan, including those provided for in this Section 4, in Section 11 and elsewhere in the Plan, in connection with Awards to Participants shall be deemed to be given to the Board in its sole discretion in connection with Awards to Non-employee Directors. The Board may request of the Committee, its Nominating and Corporate Governance Committee or of any other Board committee comprised of independent directors, its recommendation on the level of Awards for this purpose. Except as may be specifically provided by the Board at the time of grant or in the applicable Award Agreement, the provisions of Sections 9, 14 and 15 shall not apply in respect of Awards made to Non-employee Directors.

(c) Each Award granted under the Plan shall be evidenced by a written Award Agreement. Such agreement shall be subject to and incorporate the express terms and conditions, if any, required under the Plan or required by the Committee, including such covenants and agreements with respect to the subject matter of Sections 14 and 15 as the Committee may determine in its sole discretion.

## 5. Stock Options and Rights

(a) With respect to Options and Rights, the Committee shall (i) authorize the granting of Incentive Stock Options, nonqualified stock options, or any combination thereof; (ii) authorize the granting of Rights that may be granted in connection with all or part of any Option granted under this Plan, either concurrently with the grant of the Option or at any time thereafter during the term of the Option; (iii) determine the number of shares of Stock subject to each Option or the number of shares of Stock that shall be used to determine the value of a Right; and (iv) determine the time or times when and the manner in which each Option or Right shall be exercisable and the duration of the exercise period.

(b) Any Option issued hereunder that is intended to qualify as an Incentive Stock Option shall be subject to such limitations or requirements as may be necessary for the purposes of Section 422 of the Code or any regulations and rulings thereunder to the extent and in such form as determined by the Committee in its discretion.

(c) Rights may be granted to any Key Employee or director, in the discretion of the Committee.

(d) The exercise period for Options and any related Rights shall not exceed ten years from the date of grant.

(e) The Option price per share shall be determined by the Committee at the time any Option is granted and shall be not less than the Fair Market Value of one share of Stock on the date the Option is granted.

(f) No part of any Option or Right may be exercised until the Key Employee who has been granted the Award shall have remained in the employ of a Participating Company for such period after the date of grant as the Committee may specify, if any, and the Committee may further require exercisability in installments; provided, however, the period during which a Right is exercisable shall commence no earlier than six months following the date the Option or Right is granted.

(g) The Option purchase price shall be paid to the Company at the time of exercise either in cash or Stock already owned by the optionee, or any combination thereof, having a total Fair Market Value equal to the purchase price. The Committee shall determine acceptable methods for tendering Stock as payment upon exercise of an Option and may impose such limitations and prohibitions on the use of Stock to exercise an Option as it deems appropriate.

(h) Unless Section 9 shall provide otherwise, Rights granted to a director or officer shall terminate when such person ceases to be considered a director or officer of the Company subject to Section 16 of the Act.

(i) In case of termination of employment, the following provisions shall apply:

(A) If a Key Employee who has been granted an Option shall die before such Option has expired, his or her vested Options may be exercised in full by the person or persons to whom the Key Employee’s rights under the Option pass by will, or if no such person has such right, by his or her executors or administrators, at any time, or from time to time, in each such case, such heir, executor or administrator may exercise the Option within five years after the date of the Key Employee’s death or within such other period, and subject to such terms and conditions as the Committee may specify, but in all events not later than the expiration date specified in Section 5(d) above. Unless the Committee or the Award Agreement shall specify otherwise, unvested Options shall be forfeited as of the date of the Key Employee’s death.

(B) If the Key Employee’s employment by any Participating Company terminates because of his or her Retirement or Total Disability, he or she may exercise his or her Options in full at any time, or from time to time, within five years after the date of the termination of his or her employment or within such other period, and subject to such terms and conditions as the Committee may specify, but not later than the expiration date specified in Section 5(d) above. Any such Options not fully exercisable immediately prior to such optionee’s Retirement shall become fully exercisable upon such Retirement unless the Committee, in its sole discretion, shall otherwise determine.

(C) Except as provided in Section 9, if the Key Employee shall voluntarily resign before eligibility for Retirement or he or she is terminated for cause as determined by the Committee, the Options shall be cancelled coincident with the effective date of the termination of employment.

(D) If the Key Employee's employment terminates for any other reason, he or she may exercise his or her Options, to the extent that he or she shall have been entitled to do so at the date of the termination of his or her employment, at any time, or from time to time, within three months after the date of the termination of his or her employment or within such other period, and subject to such terms and conditions as the Committee may specify, but not later than the expiration date specified in Section 5(d) above.

(j) No Option or Right granted under the Plan shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the optionee, an Option or Right shall be exercisable only by the Key Employee to whom the Option or Right is granted.

(k) With respect to an Incentive Stock Option, the Committee shall specify such terms and provisions as the Committee may determine to be necessary or desirable in order to qualify such Option as an "incentive stock option" within the meaning of Section 422 of the Code.

(l) With respect to the exercisability and settlement of Rights:

(A) Upon exercise of a Right, the Key Employee shall be entitled, subject to such terms and conditions as the Committee may specify, to receive upon exercise thereof all or a portion of the excess of (i) the Fair Market Value of a specified number of shares of Stock at the time of exercise, as determined by the Committee, over (ii) a specified amount that shall not, subject to Section 5(e), be less than the Fair Market Value of such specified number of shares of Stock at the time the Right is granted. Upon exercise of a Right, payment of such excess shall be made by the issuance or transfer to the Key Employee of whole shares of Stock with a Fair Market Value at such time equal to any excess, all as determined by the Committee. The Company will not issue a fractional share of Stock and, if a fractional share would otherwise be issuable, the Company shall pay cash equal to the Fair Market Value of the fractional share of Stock at such time.

(B) In the event of the exercise of such Right, the Company's obligation in respect of any related Option or such portion thereof will be discharged by payment of the Right so exercised.

## 6. Performance Shares

(a) Subject to the provisions of the Plan, the Committee shall (i) determine and designate from time to time those Key Employees or groups of Key Employees to whom Awards of Performance Shares are to be made, (ii) determine the Performance Period and Performance Objectives applicable to such Awards, (iii) determine the form of settlement of a Performance Share and (iv) generally determine the terms and conditions of each such Award. At any date, each Performance Share shall have a value equal to the Fair Market Value of a share of Stock at such date; provided that the Committee may limit the aggregate amount payable upon the settlement of any Award.

(b) The Committee shall determine a Performance Period of not less than two nor more than five years with respect to the award of Performance Shares. Performance Periods may overlap and Key Employees may participate simultaneously with respect to Performance Shares for which different Performance Periods are prescribed.

(c) The Committee shall determine the Performance Objectives of Awards of Performance Shares. Performance Objectives may vary from Key Employee to Key Employee and between groups of Key Employees and shall be based upon such Performance Goals as the Committee may deem appropriate. The Performance Objective shall be established by the Committee prior to, or reasonably promptly following the inception of, a Performance Period but, to the extent required by Section 162(m) of the Code, by no later than the earlier of the date that is ninety days after the commencement of the Performance Period or the day prior to the date on which twenty-five percent of the Performance Period has elapsed.

(d) Following the completion of each Performance Period, the Committee shall certify in writing, in accordance with the requirements of Section 162(m) of the Code to the extent applicable, whether the Performance Objective and other material terms for paying amounts in respect of each Performance Share Award related to that Performance Period have been achieved or met. Unless the Committee determines otherwise, Performance Share Awards shall not be settled until the Committee has made the certification specified under this Section 6(d).

(e) The Committee is authorized at any time during or after a Performance Period to reduce or eliminate the Performance Share Award of any Key Employee for any reason, including, without limitation, changes in the position or duties of any Key Employee with the Participating Company during or after a Performance Period, whether due to any termination of employment (including death, disability, retirement, voluntary termination or termination with or without cause) or otherwise. In addition, to the extent necessary to preserve the intended economic effects of the Plan to the Participating Company and the Key Employee, the Committee shall adjust Performance Objectives, the Performance Share Awards or both to take into account: (i) a change in corporate capitalization, (ii) a corporate transaction, such as any merger of the Company or any subsidiary into another corporation, any consolidation of the Company or any subsidiary into another corporation, any separation of the Company or any subsidiary (including a spin-off or the distribution of stock or property of the Company or any subsidiary), any reorganization of the Company or any subsidiary or a large, special and non-recurring dividend paid or distributed by the Company (whether or not such reorganization comes within the definition of Section 368 of the Code), (iii) any partial or complete liquidation of the Company or any subsidiary or (iv) a change in accounting or other relevant rules or regulations (any adjustment pursuant to this Clause (iv) shall be subject to the timing requirements of the last sentence of the definition of Performance Goal set forth in Section 2 of the Plan); provided, however, that no adjustment hereunder shall be authorized or made if and to the extent that the Committee determines that such authority or the making of such adjustment would cause the Performance Bonus Awards to fail to qualify as “qualified performance-based compensation” under Section 162(m) of the Code with respect to a particular Key Employee.

(f) At the beginning of a Performance Period, the Committee shall determine for each Key Employee or group of Key Employees the number of Performance Shares or the percentage of Performance Shares that shall be paid to the Key Employee or member of the group of Key Employees if Performance Objectives are met in whole or in part.

(g) If a Key Employee terminates service with all Participating Companies during a Performance Period because of death, Total Disability, Retirement, or under other circumstances where the Committee in its sole discretion finds that a waiver would be in the best interests of the Company, that Key Employee may, as determined by the Committee, be entitled to an Award of Performance Shares at the end of the Performance Period based upon the extent to which the Performance Objectives were satisfied at the end of such period, which Award, in the discretion of the Committee, may be maintained without change or reduced and prorated for the portion of the Performance Period during which the Key Employee was employed by any Participating Company; provided, however, the Committee may provide for an earlier payment in settlement of such Performance Shares in such amount and under such terms and conditions as the Committee deems appropriate or desirable, but only to the extent consistent with the requirements of Section 162(m) of the Code to the extent applicable in respect of such Key Employee. If a Key Employee terminates service with all Participating Companies during a Performance Period for any other reason, then such Key Employee shall not be entitled to any Award with respect to that Performance Period unless the Committee shall otherwise determine.

(h) Each Award of a Performance Share shall be paid in whole shares of Stock, with payment to commence as soon as practicable after the end of the relevant Performance Period but no earlier than following the determination made in Section 6(d) hereof. To the extent provided at the beginning of a Performance Period and in the applicable Award Agreement, the Award may be individual dividends deemed invested in additional shares of stock. Subject to the terms of the applicable program, the Award may also be paid in shares of Stock or Restricted Stock.

(i) A Key Employee shall not be granted Performance Shares for all of the Performance Periods commencing in the same calendar year that permit the Key Employee to earn Stock covering more than the Share Limit in respect of such Key Employee. In addition, separate and apart from the limit in the previous sentence, with respect to Performance Share Awards to be settled in cash, a Key Employee shall not be granted Performance Share Awards for all of the Performance Periods commencing in a calendar year that permit the Key Employee in the aggregate to earn a cash payment in excess of the Fair Market Value of the Share Limit as of the first day of the first Performance Period commencing in such calendar year.

(j) Performance Share Awards may be structured in the form of Restricted Stock Units or any substantially similar instrument evidencing the right to receive a share of Stock at some future date upon the lapse of the applicable restrictions established by the Committee or upon the satisfaction of any applicable Performance Goals established by the Committee hereunder. To the extent provided for by the Committee, the rules of Section 7 shall apply to Restricted Stock Units.

7. **Restricted Stock**

(a) Restricted Stock shall be subject to a restriction period (after which restrictions will lapse), which shall mean a period commencing on the date the Award is granted and ending on such date as the Committee shall determine (the “Restriction Period”). The Committee may provide for the lapse of restrictions in installments where deemed appropriate.

(b) Except when the Committee determines otherwise pursuant to Section 7(d), if a Key Employee terminates employment with all Participating Companies for any reason before the expiration of the Restriction Period, all shares of Restricted Stock still subject to restriction shall be forfeited by the Key Employee and shall be reacquired by the Company.

(c) Except as otherwise provided in this Section 7, no shares of Restricted Stock received by a Key Employee shall be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of during the Restriction Period.

(d) In cases of death, Total Disability or Retirement or in cases of special circumstances, the Committee may, in its sole discretion when it finds that a waiver would be in the best interests of the Company, elect to waive any or all remaining restrictions with respect to such Key Employee’s Restricted Stock.

(e) The Committee may require, under such terms and conditions as it deems appropriate or desirable, that the certificates for Stock delivered under the Plan may be held in custody by a bank or other institution, or that the Company may itself hold such shares in custody until the Restriction Period expires or until restrictions thereon otherwise lapse, and may require, as a condition of any Award of Restricted Stock that the Key Employee shall have delivered a stock power endorsed in blank relating to the Restricted Stock.

(f) Nothing in this Section 7 shall preclude a Key Employee from exchanging any shares of Restricted Stock subject to the restrictions contained herein for any other shares of Stock that are similarly restricted.

(g) Subject to Section 7(e) and Section 8, each Key Employee entitled to receive Restricted Stock under the Plan shall be issued a certificate for the shares of Stock. Such certificate shall be registered in the name of the Key Employee, and shall bear an appropriate legend reciting the terms, conditions and restrictions, if any, applicable to such Award and shall be subject to appropriate stop-transfer orders.

8. **Certificates for Awards of Stock**

(a) The Company shall not be required to issue or deliver any certificates for shares of Stock prior to (i) the listing of such shares on any stock exchange on which the Stock may then be listed and (ii) the completion of any registration or qualification of such shares under any federal or state law, or any ruling or regulation of any government body that the Company shall, in its sole discretion, determine to be necessary or advisable.

(b) All certificates for shares of Stock delivered under the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. The foregoing provisions of this Section 8(b) shall not be effective if and to the extent that the shares of Stock delivered under the Plan are covered by an effective and current registration statement under the Securities Act of 1933, or if and so long as the Committee determines that application of such provisions is no longer required or desirable. In making such determination, the Committee may rely upon an opinion of counsel for the Company. The rules applicable to certificates hereunder shall apply equally to noncertificated shares of Stock held pursuant to any electronic, book entry or other means or record of ownership and transfer.

(c) Except for the restrictions on Restricted Stock under Section 7, each Key Employee who receives Stock in settlement of an Award of Stock, shall have all of the rights of a shareholder with respect to such shares, including the right to vote the shares and receive dividends and other distributions. No Key Employee awarded an Option, a Right or Performance Share shall have any right as a shareholder with respect to any shares covered by his or her Option, Right or Performance Share prior to the date of issuance to him or her of a certificate or certificates for such shares.

9. **Change in Control**

Notwithstanding any provisions in this Plan to the contrary:

(a) Options and Rights shall not terminate and shall continue to be fully exercisable for a period of seven months following the occurrence of a Change in Control in the case of an employee who is terminated other than for just cause or who voluntarily terminates his or her employment because he or she in good faith believes that as a result of such Change in Control he or she is unable effectively to discharge the duties of the position he or she occupied just prior to the occurrence of such Change in Control. For purposes of Section 9 only, termination shall be for “just cause” only if such termination is based on fraud, misappropriation or embezzlement on the part of the employee that results in a final conviction of a felony. Under no circumstances, however, shall any Option or Right be exercised beyond the expiration date of its original term.

(b) For purposes of this Plan, “Change in Control” means the occurrence of any one or more of the following events:

(i) subject to the conditions contained in the final paragraph of this definition, the filing of a report on Schedule 13D with the Securities and Exchange Commission pursuant to Section 13(d) of the Act disclosing that any person, other than the Company or any employee benefit plan sponsored by the Company, is the beneficial owner (as the term is defined in Rule 13d-3 under the Act) directly or indirectly, of securities representing 50 percent or more of the total voting power represented by the Company’s then outstanding Voting Securities (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Voting Securities); or

(ii) the purchase by any person, other than the Company or any employee benefit plan sponsored by the Company, of shares pursuant to a tender offer or exchange offer to acquire any Voting Securities of the Company (or securities convertible into such Voting Securities) for cash, securities, or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner, directly or indirectly, of securities representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding Voting Securities (all as calculated under clause (i)); or

(iii) the approval by the shareholders of the Company, and the subsequent occurrence, of (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation (other than a merger of the Company in which holders of Common Shares of the Company immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as immediately before), or pursuant to which Common Shares of the Company would be converted into cash, securities, or other property, or (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company; or

(iv) a change in the composition of the Board of the Company at any time during any consecutive 24-month period such that "continuing directors" cease for any reason to constitute at least a 70 percent majority of the Board.

For purposes of this definition of "Change in Control," the term "Voting Securities" means any securities of the Company that vote generally in the election of members of the Board and the term "continuing directors" means those members of the Board who either were directors at the beginning of a consecutive 24-month period or were elected during such period by or on the nomination or recommendation of at least a 70 percent majority of the then-existing Board. So long as there has not been a Change in Control within the meaning of clause (iv) above, the Board may adopt by a 70 percent majority vote of the "continuing directors" a resolution to the effect that the occurrence of an event described in clause (i) (a "Clause (i) Event") does not constitute a "Change in Control" (an "Excluding Resolution") or a resolution to the effect that the occurrence of a Clause (i) Event does constitute a "Change in Control" (an" Including Resolution"). The adoption of an Excluding Resolution with respect to any Clause (i) Event shall not deprive the Board of the right to adopt an Including Resolution with respect to such Clause (i) Event at a later date. A Clause (i) Event shall not in and of itself constitute a "Change in Control" until the earlier of (x) the effective date of an Including Resolution with respect thereto or (y) the passage of a period of 30 calendar days after the occurrence thereof without an Excluding Resolution having been adopted with respect thereto; notwithstanding the adoption of an Excluding Resolution within the 30-day period referred to in (y), an Including Resolution may subsequently be adopted with respect to the relevant Clause (i) Event while it continues to exist, in which event a "Change in Control" shall be deemed to have occurred for purposes of this definition upon the effective date of such Including Resolution. The provisions of this paragraph of the definition of "Change in Control" relate only to situations where a Clause (i) Event has occurred and no Change in Control within the meaning of clause (ii), (iii), or (iv) of the preceding paragraph has occurred, and nothing in this paragraph shall derogate from the principle that the occurrence of an event described in clause (ii), (iii), or (iv) of the preceding paragraph shall be deemed an immediate Change in Control regardless of whether or not a Clause (i) Event has occurred and an Excluding Resolution or Including Resolution become effective.

10. **Beneficiary**

The Beneficiary of a Key Employee shall be the Key Employee's estate, which shall be entitled to receive the Award, if any, payable under the Plan upon his or her death. A Key Employee may file with the Company a written designation of one or more persons as a Beneficiary in lieu of his or her estate, who shall be entitled to receive the Award, if any, payable under the Plan upon his or her death, subject to the enforceability of the designation under applicable law at that time. A Key Employee may from time-to-time revoke or change his or her Beneficiary designation, with or without the consent of any prior Beneficiary as required by applicable law, by filing a new designation with the Company. Subject to the foregoing, the last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to the Key Employee's death, and in no event shall it be effective as of a date prior to such receipt. If the Committee is in doubt as to the right of any person to receive such Award, the Company may retain such Award, without liability for any interest thereon, until the Committee determines the rights thereto, or the Company may pay such Award into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Company therefore.

11. **Administration of the Plan**

(a) Each member of the Committee shall be both a member of the Board, a "non-employee director" within the meaning of Rule 16b-3(b)(3)(i) under the Act or successor rule or regulation and an "outside director " within the meaning of Section 162(m) of the Code.

(b) All decisions, determinations or actions of the Committee made or taken pursuant to grants of authority under the Plan shall be made or taken in the sole discretion of the Committee and shall be final, conclusive and binding on all persons for all purposes.

(c) The Committee shall have full power, discretion and authority to interpret, construe and administer the Plan and any part thereof, and its interpretations and constructions thereof and actions taken thereunder shall be, except as otherwise determined by the Board, final, conclusive and binding on all persons for all purposes.

(d) The Committee's decisions and determinations under the Plan need not be uniform and may be made selectively among Key Employees, whether or not such Key Employees are similarly situated.

(e) The Committee may, in its sole discretion, delegate such of its powers as it deems appropriate; provided, however, that the Committee may not delegate its responsibility (i) to make Awards to executive officers of the Company; (ii) to make Awards that are intended to constitute "qualified performance-based compensation" under Section 162(m) of the Code; or (iii) to certify the satisfaction of Performance Objectives pursuant to Section 6(d) or in accordance with Section 162(m) of the Code. The Committee may also appoint agents to assist in the day-to-day administration of the Plan and may delegate the authority to execute documents under the Plan to one or more members of the Committee or to one or more officers of the Company.

(f) If a Change in Control has not occurred and if the Committee determines that a Key Employee has taken action inimical to the best interests of any Participating Company, the Committee may, in its sole discretion, terminate in whole or in part such portion of any Option (including any related Right) as has not yet become exercisable at the time of termination, terminate any Performance Share Award for which the Performance Period has not been completed or terminate any Award of Restricted Stock for which the Restriction Period has not lapsed.

12. **Amendment, Extension or Termination**

The Board may, at any time, amend or terminate the Plan and, specifically, may make such modifications to the Plan as it deems necessary to avoid the application of Section 162(m) of the Code and the Treasury regulations issued thereunder. However, no amendment shall, without approval by a majority of the Company's stockholders, (a) alter the group of persons eligible to participate in the Plan, (b) except as provided in Section 13, increase the maximum number of shares of Stock that are available for Awards under the Plan, or (c) except for adjustments pursuant to Section 13 or as otherwise provided for in the Plan, decrease the Option price for any outstanding Option or Right after the date the Option or Right is granted, or cancel or accept the surrender of any outstanding Option or Right at a time when its exercise price exceeds the fair market value of the underlying Stock, in exchange for another Award, cash or other property or the grant of a new Option or Right with a lower price than the Option or Right being surrendered. If a Change in Control has occurred, no amendment or termination shall impair the rights of any person with respect to a prior Award.

13. **Adjustments in Event of Change in Common Stock and Change in Control**

(a) Adjustments: In the event of any recapitalization, reclassification, split-up or consolidation of shares of Stock or stock dividend, merger or consolidation of the Company or sale by the Company of all or a portion of its assets, the Committee shall make such adjustments in the Stock subject to Awards, including Stock subject to purchase by an Option, or the terms, conditions or restrictions on Stock or Awards, including the price payable upon the exercise of such Option, as the Committee deems equitable; provided however, that in the event of a stock split, stock dividend or consolidation of shares, the number of shares subject to an outstanding Option and the exercise price thereof, and the number of outstanding Performance Shares, shall be proportionately adjusted to reflect such action. With respect to Awards intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code, such adjustments shall be made only to the extent that the Committee determines that such adjustments may be made without a loss of deductibility for such Awards under Section 162(m) of the Code.

(b) Change in Control: In the event of a merger of the Company with or into another company or a Change in Control, each outstanding Award will be treated as the Committee determines, including, without limitation, that each Award be assumed or cancelled or that an equivalent option or right be substituted by the successor corporation or a Parent or Subsidiary of the successor corporation (the "Successor Corporation"). The Committee will not be required to treat all Awards similarly in the transaction.

For the purposes of this subsection (b), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) or, in the case of a Right upon the exercise of which the Committee determines to pay cash, or a Restricted Stock Unit or Performance Share which the Administrator can determine to pay in cash, the fair market value of the consideration received in the merger or Change in Control by holders of Stock for each share held on the effective date of the transaction; provided, however, that if such consideration received in the Change in Control is not solely common stock of the Successor Corporation, the Committee may, with the consent of the Successor Corporation, provide for the consideration to be received upon the exercise of an Option or Right or upon the payout of a Restricted Stock Unit or Performance Share, for each share of Stock subject to such Award, to be solely common stock of the Successor Corporation equal in fair market value to the per share consideration received by holders of Stock in the Change in Control.

Notwithstanding anything in this Section 13(b) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more Performance Goals will not be considered assumed if the Company or its successor modifies any of such Performance Goals without the Key Executive's consent; provided, however, a modification to such
Performance Goals only to reflect the Successor Corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

## 14. **Forfeiture of Gains on Exercise**

Except following a Change in Control, if the Key Employee terminates employment in breach of any covenants and conditions subsequent set forth in Section 15 and becomes employed by a competitor of the Company within one year after the date of exercise of any Option or the receipt of any Award, the Key Employee shall pay to the Company an amount equal to any gain from the exercise of the Option or the value of the Award other than Options, in each case measured by the amount reported as taxable compensation to the Key Employee by the Company for federal income tax purposes and in the case of Options that are incentive stock options, in an amount equal to the amount that would have been reported as taxable income were such Options not incentive stock options, and in each case without regard to any subsequent fluctuation in the market price of the shares of common stock of the Company. Any such amount due hereunder shall be paid by the Key Employee within thirty days of becoming employed by a competitor. By accepting an Option or other Award hereunder, the Key Employee is authorizing the Company to withhold, to the extent permitted by law, the amount owed to the Company hereunder from any amounts that the Company may owe to the Key Employee in any capacity whatsoever.

15. **Conditions Subsequent**

Except after a Change in Control, the exercise of any Option or Right and the receipt of any Award shall be subject to the satisfaction of the following conditions subsequent: (i) that Key Employee refrain from engaging in any activity that in the opinion of the Committee is competitive with any activity of the Company or any Subsidiary, excluding any activity undertaken upon the written approval or request of the Company, (ii) that Key Employee refrain from otherwise acting in a manner inimical or in any way contrary to the best interests of the Company, and (iii) that the Key Employee furnish the Company such information with respect to the satisfaction of the foregoing conditions subsequent as the Committee shall reasonably request. In addition, except as may otherwise be excused by action of the Committee, the Key Employee by the exercise of the Option or the receipt of the Award agrees to remain in the employ of the Company, unless earlier terminated by the Company or by the Key Employee by reason of his or her death, disability or retirement.

16. **Clawback Policy**

Notwithstanding any other provision in this Plan to the contrary, any Award or shares issued thereunder and any amount received with respect to the exercise or sale of any such Award or shares, shall be subject to potential cancellation, recoupment, rescission, payback, or other action in accordance with the terms of the Company's Clawback Policy as in effect from time to time (the "Clawback Policy").

17. **Miscellaneous**

(a) Except as provided in Section 9, nothing in this Plan or any Award granted hereunder shall confer upon any employee any right to continue in the employ of any Participating Company or interfere in any way with the right of any Participating Company to terminate his or her employment at any time. No Award payable under the Plan shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of any Participating Company for the benefit of its employees unless the Company shall determine otherwise. No Key Employee shall have any claim to an Award until it is actually granted under the Plan. To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as provided in Section 7(e) with respect to Restricted Stock.

(b) The Committee may cause to be made, as a condition precedent to the payment of any Award, or otherwise, appropriate arrangements with the Key Employee or his or her Beneficiary, for the withholding of any federal, state, local or foreign taxes.

(c) The Plan and the grant of Awards shall be subject to all applicable federal and state laws, rules, and regulations and to such approvals by any government or regulatory agency as may be required.

(d) The terms of the Plan shall be binding upon the Company and its successors and assigns.

(e) Captions preceding the sections hereof are inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision hereof.

(f) To the extent Awards issued under the Plan are intended to be exempt from the application of Section 162(m) of the Code, which restricts under certain circumstances the Federal income tax deduction for compensation paid by a public company to named executives in excess of $1 million per year, the Committee may, without stockholder approval, amend the Plan retroactively or prospectively to the extent it determines necessary in order to comply with any subsequent clarification of Section 162(m) of the Code required to preserve the Company's Federal income tax deduction for compensation paid pursuant to the Plan.

(g) To the extent applicable, the Plan is intended to be compliant with the requirements of Section 409A of the Code, and the Plan and Award Agreements shall be interpreted and administered accordingly, though no guarantee or warranty of such compliance is made to any individual.

18. **Effective Date, Term of Plan and Shareholder Approval**

This Plan, which amends and restates the Original Plans, shall become effective on February 26, 2015 (the "Effective Date"). The Plan will continue in effect for existing Awards as long as any such Award is outstanding. Unless the Company determines otherwise, Section 6 of the Plan and the definition of "Performance Goal" shall be submitted to the Company's stockholders for Shareholder Approval at the first stockholder meeting that occurs in the fifth year following the year in which the Plan was last approved by stockholders (or any earlier meeting designated by the Board), or at such other time as may be required by Section 162(m) of the Code, and in accordance with the requirements thereof.

# Rayonier

## 2015 Performance Share Award Program

The number of shares to which a participant could become entitled under the 2015 Performance Share Award Program (the “Program”) can range from 0% to a maximum of 200% of the Target Award depending on Rayonier’s total shareholder return (“TSR”) performance for the Performance Period of April 1, 2015 through March 31, 2018, as compared to the TSR performance of the designated peer group companies for the same period. There will be no payout if results fall below the 30th percentile performance threshold.

- TSR is defined as stock price appreciation plus the reinvestment of dividends on a quarterly basis. For purposes of performance measurement, TSR shall be the final reported figure as may be adjusted by the Committee for unusual items to avoid distortion in the operation of the Program.
- TSR over the performance period will be calculated by measuring the value of a hypothetical $100 investment in Rayonier shares as compared to an equal investment in each of the peer group companies.
- TSR calculations of stock price appreciation will be the average of the closing prices of Rayonier common shares and that of each of the peer group companies for the first 20 trading dates and last 20 trading dates of the Performance Period.

The final number of shares in an Award will be determined as follows:

- The TSR performance of Rayonier and the peer group companies will be calculated and Rayonier’s relative performance, on a percentile basis, is determined.
- The payout percentage of Target Award based on Rayonier’s percentile TSR performance against the peer group companies will be calculated per the following table:

| **Percentile Rank** | **Award (Expressed As Percent of Target Award)** |
|---|---|
| 80th and Above | 200% |
| 51st –79th | 100%, plus 3.33% for each incremental percentile position over the 50th percentile |
| 50th | 100% |
| 31st – 49th | 30%, plus 3.5% for each incremental percentile position over the 30th percentile |
| 30th | 30% |
| Below 30th | 0% |

- The payout percentage may not exceed 100% of target awards if Rayonier’s TSR for the Performance Period is negative.
- Payment, if any, is to be made in Rayonier Common Shares, and may be offset, to the extent allowed under applicable regulations, by the number of shares equal in value to the amount needed to cover associated tax liabilities.
- Dividend equivalents and interest will be paid in cash on the number of Rayonier Common Shares earned under the Program.
- Dividends equivalents and interest will be calculated by taking the dividends paid on one share of Rayonier Common Stock during the performance period times the number of shares awarded at the end of the period. Interest on such dividends will be earned at a rate equal to the prime rate as reported in the Wall Street Journal, adjusted and compounded annually, from the date such cash dividends were paid by the Company.
- Awards will be valued as soon as practicable following the end of the performance period. Awards, including dividends and interest, will be distributed to participants as soon as practicable following the valuation date.
- Target awards will be prorated in cases of retirement, death, or disability in accordance with Plan provisions.
- Notwithstanding any other provision in this Plan to the contrary, any award or shares issued thereunder and any amount received with respect to the sale of any such Award or shares, shall be subject to potential cancellation, recoupment, rescission, payback, or other action in accordance with the terms of the Company’s Clawback Policy as in effect from time to time (the “Clawback Policy”).

# <u>2015 Performance Share Award Program – Peer Group</u>

**(April 1, 2015 – March 31, 2018)**

**Custom Timber Peer Group (Weighted 80%)**

- Catchmark Timber Trust
- Deltic Timber
- Potlatch Corporation
- Plum Creek
- Pope Resources
- Weyerhaeuser

**Custom Real Estate Peer Group (Weighted 20%)**

- Alexander & Baldwin, Inc.
- American Campus Communities, Inc.
- Apartment Investment and Management Company
- Avalonbay Communities Inc.
- AV Homes, Inc.
- Camden Property Trust
- Equity Residential
- Equity LifeStyle Properties, Inc.
- Essex Property Trust Inc.
- Forest City Enterprises Inc.
- Forestar Group Inc.
- HCP, Inc.
- Home Properties Inc.
- The Howard Hughes Corporation
- Mid-America Apartment Communities Inc.
- Omega Healthcare Investors Inc.
- Post Properties Inc.
- Senior Housing Properties Trust
- The St. Joe Company
- Sun Communities Inc.
- UDR, Inc.

# RAYONIER

# ANNUAL BONUS PROGRAM

(as amended and restated February 26, 2015)

**Rayonier**

**Annual Bonus Program**

## 1. Purpose

This Rayonier Annual Bonus Program (“Bonus Program”) is adopted pursuant to the Rayonier Non-Equity Incentive Plan (the “Plan”) and is the vehicle through which the Compensation and Management Development Committee (the “Committee”) of the Rayonier Board of Directors will make awards to key personnel that have an impact on the Company’s achievement of annual or other short-term Performance Objectives.

The Bonus Program is effective for Performance Periods designated by the Committee until such time as the Bonus Program is modified or terminated.

## 2. Definitions

For purposes of the Bonus Program, the following terms have the indicated definitions. Terms not defined here have the same meaning as under the Plan.

(a) “Available Bonus Pool” means with respect to any Performance Period, the sum of the Preliminary Bonus Awards for all Designated Employees excluding Covered Executives, as adjusted by any change made by the Committee pursuant to Section 4(d)(i); *provided that*, such sum shall not exceed the amount specified in Section 4(a).

(a) “Bonus Award” means the bonus payable in respect of a specified Performance Period to a Designated Employee determined in accordance with Section 4.

(b) “Bonus Program” means this Rayonier Annual Bonus Program, as it may be modified from time to time by the Committee.

(c) “Clawback Policy” has the meaning set forth in Section 8(j).

(d) “Code” means the Internal Revenue Code of 1986, as it may be amended from time to time, and the applicable regulations thereunder.

(e) “Rayonier Performance Factor” or “RPF” has the meaning set forth in Section 5.

(f) “Covered Executive” has the same meaning as set forth in the Plan.

(g) “Designated Employees” means with respect to any applicable Performance Period, the Covered Executives and other U.S. based employees identified by Salary Grades L1 to L11, or otherwise, as designated by the Committee prior to the end of the first quarter of the Performance Period.

(h) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(i) “Performance Period” means the Company’s fiscal year or any other period designated by the Committee with respect to which Bonus Awards are granted.

(j) “Performance Bonus Award” is the Bonus Award determined in accordance with this Bonus Program and the Plan.

(k) “Plan” means the Rayonier Non-Equity Incentive Plan, pursuant to which this Bonus Program is adopted, or any successor thereto.

(l) “Preliminary Bonus Award” means:

(i) for Designated Employees other than Covered Executives, the product of multiplying (a) the employee's Target Award times (b) the Rayonier Performance Factor calculated in accordance with Exhibit A; and

(ii) for Covered Executives, an amount equal to 150% of the executive's Target Award unless the Rayonier Performance Factor is 0%, in which case the Preliminary Bonus Award will be zero.

(m) "Target Award" means with respect to a Designated Employee, the amount expressed as a percent of the Designated Employee's Performance Period base pay earnings.

## 3. Administration

The Committee shall administer the Bonus Program for all Designated Employees in accordance with the Plan, provided that, as specified in the Committee's Charter, the Bonus Award for the Chief Executive Officer shall be subject to review and approval by the independent members of the Board of Directors.

Before payment of any Bonus Award is made to a Covered Executive under this Bonus Program, the Committee shall have complied with the provisions of Section 4(d)(iv).

## 4. Procedures for Establishing and Determining Performance Bonus Awards

(a) *Maximum Bonus Pool for a Performance Period.* The aggregate amount payable as Bonus Awards for any Performance Period for all Designated Employees shall not exceed 150% of the sum of the Target Awards for all Executives.

(b) *Setting Performance Goals, Performance Objectives and Target Awards.* Within ninety (90) days of the start date of each Performance Period (or by such earlier time as may be required in the future by the applicable provisions of the Code in the case of Covered Executives), the Committee shall:

(i) Determine the Designated Employees by class or otherwise who will participate in the Bonus Program for the particular Performance Period;

(ii) Determine the parameters of the Rayonier Performance Factor to be applied for the Performance Period in accordance with Section 5(a) and substantially in the form set forth on Exhibit A;

(iii) Establish the Target Award for the Performance Period for the Designated Employees covered by the Bonus Program by class or otherwise, including for each Covered Executive, by reference to a percent of base salary by Salary Grade at the end of the performance period as set forth on Exhibit B; and

(c) *Calculation of Performance Bonus Awards.* In the case of Designated Employees who are not Covered Executives, individual Performance Bonus Awards are determined based upon the Designated Employee's Preliminary Bonus Award, adjusted up to +30/-100% based upon the Designated Employee's performance against identified individual objectives established for each Designated Employee; provided that, the sum of all Performance Bonus Awards for Designated Employees who are not Covered Executives cannot exceed the Available Bonus Pool. Notwithstanding any adjustments recommended in respect of a Designated Employee's performance against identified individual objectives, the Committee may increase or reduce the final Performance Bonus Award of any Designated Employee who is not a Covered Executive where it deems appropriate, in its sole discretion, subject to the aggregate limitation in Section 4(a) for all Bonus Awards. Covered Executive Performance Bonus Awards are calculated pursuant to (d)(ii) of this Section 4.

(d) *Certification of RPF and Finalization of Bonus Awards.* At the end of each Performance Period, the Committee shall:

(i) Review the calculation of the Available Bonus Pool and the Preliminary Bonus Award payout levels for all Designated Employees covered by the Bonus Program, and if the Committee deems necessary or appropriate, exercise its discretion to increase or decrease the Available Bonus Pool based on such factors as it may deem relevant. Preliminary Bonus Awards of Designated Employees that comprise the Available Bonus Pool will be adjusted proportionately in the event of such a discretionary adjustment. The Committee shall make such adjustments as provided for in Section 4 (c) to individual Performance Bonus Awards to Designated Employees who are not Covered Executives as the Committee deems appropriate in its discretion;

(ii) With respect to each Covered Executive, determine the reductions if any to the Covered Executives' Preliminary Bonus Awards based upon the Committee's review of each Covered Executive's performance in terms of the RPF and performance against identified individual objectives established for each Covered Executive, with such determination in the sole negative discretion of the Committee;

(iii) Establish the form of payment and the payment date for Bonus Awards for the Performance Period for Covered Executives as provided in Section 6; and

(iv) Prior to the payment of a Bonus Award to any Covered Executive, certify by Committee resolution or otherwise in writing, in accordance with the requirements of Section 162(m) of the Code and Section 5(e)(B) of the Plan, whether the material terms for paying such Bonus Award in respect of the Performance Period have been achieved or met.

## 5. Rayonier Performance Factor

(a) *Criteria for Establishing the RPF.* The "Rayonier Performance Factor" shall consist of those Performance Goals permitted under the Plan that are selected by the Committee for the specified Performance Period, and weighted as designated by the Committee for such Performance Period so as to reflect Performance Objectives under the Plan. Such selection and weighting in determining the Rayonier Performance Factor may be changed from time to time by the Committee consistent with the provisions of the Plan in respect of Covered Executives, *provided that* with respect to a particular Performance Period, the Rayonier Performance Factor shall be established generally prior to the commencement of such Performance Period and in all events not later than the end of the first quarter of any Performance Period.

(b) *Initial RPF Performance Goals and Parameters.* The Rayonier Performance Factor shall be computed as specified in Exhibit A hereto until changed by the Committee as provided in Section 5(a), with such adjustments to reported earnings for accounting rule changes, special non-recurring items, discontinued operations, and similar adjustments as are approved by the Committee made so as to provide consistent measurements of continuing performance.

## 6. Payment of Bonus Awards

(a) *Entitlement to Payments Generally.* Subject to Sections 4(d)(iii) and (iv) for Covered Executives, Bonus Awards for a Performance Period shall be paid at such time as designated by the Committee following the closing of the Performance Period and its determination of the final Bonus Awards as provided in Section 4(d), to Designated Employees who are employed by the Company on the payment date or whose employment terminated as a result of death, disability or normal retirement following the end of the applicable Performance Period. The Chief Executive Officer shall determine if a pro-rated Bonus Award shall be paid to any Designated Employee, other than a Covered Executive, whose employment terminated as a result of death, disability or normal retirement during the applicable Performance Period. Except as provided in the previous sentence, the Committee shall determine in its sole discretion if a Bonus Award shall be paid to any Designated Employee who is not employed by the Company on the payment date.

(b) *Employment After Commencing of a Performance Period.* Subject to such modifications as may be approved by the Committee, Designated Employees who commence employment after the start of a Performance Period may be granted a Bonus Award determined pro-rata for the term of such employee's employment during the Performance Period. To the extent a new Designated Employee may become entitled to a Bonus Award hereunder, a Target Award shall be computed for such Designated Employee to reflect such pro-rata participation and the Available Bonus Pool shall be adjusted to reflect such Target Award.

(c) *Form of Payment.* Bonus Awards shall be paid in cash, except that Bonus Awards for Covered Executives may be paid in cash, stock, other stock-based or stock-denominated units or any combination thereof as determined by the Committee to the extent permitted by the Plan at the time, and subject to compliance with any applicable listing requirements and securities laws.

(d) *Timing of Payments.* Before payment of any Bonus Award is made to a Covered Executive under this Bonus Program, the Committee shall have complied with the provisions of Section 4(d)(iv). It is anticipated that for Designated Employees other than Covered Executives, if authorized by the Committee, payments of Bonus Awards can be based on preliminary data available in the last month of the Performance Period and made shortly after the end of the Performance Period, subject to confirmation following the close of the Performance Period by report to the Committee at its next regularly scheduled meeting following such payments indicating that payment was made in compliance with the terms of the Bonus Program. The time of payment shall be as determined by the Committee, though in all events payment shall be made prior to the end the applicable short-term deferral period under Section 409A of the Code.

## 7. Termination and Amendment

Subject to the provisions of the Plan, the Committee may terminate or amend the Bonus Program at any time.

## 8. Other Provisions

(a) No Designated Employee shall have any claim or right to be granted a Bonus Award under the Bonus Program until such Bonus Award is actually made. Neither the existence of this Bonus Program, nor any action taken hereunder, shall be construed as giving any Designated Employee any right to be retained in the employ of the Company or in any way interfere with or limit the right of the Company to terminate any Designated Employee's employment at any time. Nothing contained in this Bonus Program shall limit the ability of the Company to make payments or awards to Designated Employees under any other plan, agreement or arrangement in effect at time the Bonus Program is established or upon a subsequent date.

(b) No employee shall, at any time, have a right to become a Designated Employee in the Bonus Program for any Performance Period, for any reason, including notwithstanding the individual's having previously participated in the Bonus Program.

(c) The Company shall have the right to deduct from a Bonus Award or from any other amounts due the Designated Employee from the Company, any taxes or other amounts required or permitted to be withheld by law.

(d) No Designated Employee or any other party claiming an interest in amounts earned under the Bonus Program shall have any interest whatsoever in any specific asset of the Company. To the extent that any person or entity acquires a right to receive payments under the Bonus Program, such rights shall be that of an unsecured general creditor of the Company.

(e) All questions pertaining to the construction, regulation, validity and effect of the provisions of the Bonus Program shall be determined in the sole discretion of the Committee pursuant to the Plan.

(f) With the exception of payments made following the death of a Designated Employee, the rights and benefits of a Designated Employee hereunder are personal to the Designated Employee and shall not be subject to any voluntary or involuntary alienation, assignment, pledge, transfer, encumbrance, attachment, garnishment or other disposition.

(g) Bonus Awards under this Bonus Program shall not constitute compensation for the purpose of determining participation or benefits under any other plan of the Company unless specifically included as compensation in such plan.

(h) If any provision of this Bonus Program would cause a Performance Bonus Award not to constitute "qualified performance-based compensation" under Section 162(m) with respect to a Covered Executive, that provision shall be severed from, and shall be deemed not to be a part of, the Bonus Program, in respect of such Covered Executive but the other provisions hereof shall remain in full force and effect.

(i) In the *event* that changes are made to Section 162(m) to permit greater flexibility under the Bonus Program, the Committee may make any adjustments it deems appropriate.

(j) Notwithstanding any other provision in this Plan to the contrary, any Bonus Award issued thereunder and any amount received with respect of any Bonus Award, shall be subject to potential cancellation, recoupment, rescission, payback, or other action in accordance with the terms of the Company's Clawback Policy as in effect from time to time (the "Clawback Policy".

(k) This Bonus Program is governed by the Plan, and the Committee reserves the full discretion provided for under the Plan in administering this Bonus Program.

## 9. Adoption Date

This Bonus Program was first adopted by the Committee on December 9, 2004 with application for Performance Periods commencing January 1, 2005, and amended and restated as herein provided on February 26, 2015, with application for Performance Periods commencing January 1, 2015.

Administration
February 2015

Exhibit A

# RAYONIER

## ANNUAL BONUS PROGRAM

METHODOLOGY FOR COMPUTING THE
***RAYONIER PERFORMANCE FACTOR***
FOR THE 2015 PERFORMANCE PERIOD

| **2015 Performance Goals** | **Payout Range** |
|---|---|
| Recurring Cash Flow ("RCF") divided by Budget RCF | 0% - 120% |
| Strategic / Quality of Earnings Multiplier (as reviewed and approved by the Committee) | +/-30% |

* Recurring Cash Flow is defined as Cash Available for Distribution ("CAD") plus interest expense (to exclude capital structure decisions) less stock-based incentive compensation expense.

**Computation of the Rayonier Payout Factor ("RPF"):**

▪Determine the RCF payout using the table below, interpolating values between the threshold, target and maximum levels.

| | Threshold | Target | Maximum |
|---|---|---|---|
| Factor | 80% | 100% | 110% |
| Financial Payout | 40% | 100% | 120% |

▪Once the Committee has determined the strategic/quality of earnings payout multiplier ranging from -30% to +30%, add the strategic payout multiplier percentage results to the financial payout percentage results to determine the RPF. With the strategic/quality of earnings multiplier the payout can range from 0-150%.

**Rayonier Incentive Stock Plan**
**Restricted Stock Award Agreement**

This Award Agreement (the "Award Agreement") is entered into by and between Rayonier Inc., a corporation organized under the laws of the State of North Carolina with its principal office at 225 Water Street, Jacksonville, FL 32202 (the "Company"), and the undersigned qualified individual ("Key Employee"), pursuant to the Rayonier Incentive Stock Plan (the "Plan") as of this 1st day of April, 2015 (the "Effective Date").

W I T N E S S E T H :

WHEREAS, the Company desires to grant to Key Employee shares of Restricted Stock of the Company (the "Shares"), with such Shares to vest as provided in this Award Agreement, provided Key Employee remains continuously employed by the Company from the date hereof through the date immediately following the last day of the Restriction Period (the "Vesting Date"), subject to the provisions of this Award Agreement and of the Plan; and

WHEREAS, this Award Agreement is being entered into to convey Award of the Shares to Key Employee.

NOW THEREFORE, in consideration of the mutual promises made herein, the parties agree as follows:

1. Definitions

All capitalized terms not expressly defined in this Award Agreement and used herein shall have the same meaning set forth in the Plan, a copy of which is attached hereto.

2. Award of Shares; Vesting

(a) Shares Awarded. Key Employee is hereby awarded «formatted_Restricted_Stock» Shares of Restricted Stock, subject to the terms of this Award Agreement, as of the Effective Date.

(b) Vesting. Key Employee shall become vested with respect to, and thereupon have a non-forfeitable right to, the Shares granted pursuant to Section 2(a) on the vesting date shown below (as such vesting date may be changed by Accelerated Vesting under Section 2(d), herein referred to as the "Vesting Date"); *provided that*, Key Employee shall have remained continuously in the employ of the Company (or any other Participating Company) from the Effective Date through the Vesting Date.

| Vesting Date | Percentage of Shares Vesting |
|---|---|
| Third anniversary of the Effective Date | 33 - 1/3% |
| Fourth anniversary of the Effective Date | 33 – 1/3% |
| Fifth anniversary of the Effective Date | Remainder |

(c) Termination of Employment. Except as provided in Section 2(d), if Key Employee's employment is terminated for any reason before the Vesting Date, then all of the Shares subject to this Award Agreement, and all dividends and accrued earnings thereon, shall immediately be forfeited by Key Employee, and Key Employee shall have no further rights to such Shares from and after the date of such termination.

(d) Accelerated Vesting. Vesting shall be accelerated and the new Vesting Date shall be (a) determined by the Committee where the Committee deems such action appropriate, in its sole discretion, to the extent permitted by the Plan and consistent with the Deferred Compensation Rules (as defined under

Section 6(e)) as they may be applicable, or (b) the date of death of Key Employee if Key Employee shall die on or before the original Vesting Date while Key Employee is employed by the Company (or any other Participating Company). Any event described in this Section 2(d) is referred to herein as "Accelerated Vesting.")

(e) Tax Matters.

(i) Section 83(b) Election. The Key Employee may make an election to be taxed currently on the fair market value of the Shares (less any purchase price paid for the Shares) as of the Effective Date by timely filing, no later than thirty (30) days after the Effective Date, an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code") and providing the Company with a copy thereof (the "Section 83(b) Election"). If Key Employee makes the Section 83(b) Election, Key Employee will be taxed currently on all dividends paid in respect of the Shares, without regard to the dividends being held in escrow as provided in Section 3(c) below.

(ii) Withholding Taxes. At the time of a Section 83(b) Election, or if no Section 83(b) Election has been made and the Shares have not been forfeited, on the Vesting Date, or at any other time when withholding is required under the Code, the Company shall have the right to require Key Employee to pay to the Company the amount of taxes that the Company is required to withhold or, in the Company's discretion in lieu thereof, to retain, or sell without notice, a sufficient number of Shares held by it for Key Employee to cover the amount required to be withheld or to withhold from any other amounts due to Key Employee by the Company. The Company may deduct from all dividends paid with respect to Shares granted hereunder, and from any earnings deemed accrued thereon as hereinafter provided, the amount of taxes, if any, that the Company is required to withhold with respect to such amounts.

3. Restricted Shares

(a) Sale; Exchange, etc. Key Employee acknowledges and agrees that prior to the Vesting Date the Shares are subject to a restriction against sale, exchange, hypothecation, assignment, transfer (including by gift), pledge or other encumbrance, without the prior written consent of the Committee, which consent shall require of the proposed transferee an undertaking to be bound by the terms of this Award Agreement, including forfeiture of the Shares upon the termination of the employment of Key Employee before the Vesting Date.

(b) Shareholder Rights. Subject to the vesting requirements provided for herein, Key Employee, as the owner of Shares granted hereunder, shall have all the rights of a shareholder, including but not limited to, the right to vote such Shares.

(c) Dividend Equivalent Rights. Key Employee shall have the Dividend Equivalent Rights set forth herein with respect to the Shares granted pursuant to this Award Agreement. Accordingly, upon the Company's payment of cash dividends with respect to its Common Stock, Key Employee shall receive a payment equal to the cash dividend that would have been paid had Key Employee owned a number of unrestricted shares of Common Stock equal to the number of Shares credited to Key Employee pursuant to this Award Agreement.

(d) Issuance of Restricted Shares. Shares representing Key Employee's Restricted Stock shall be issued either (i) in certificate form or (ii) in book entry or electronic form, registered in the name of Key Employee, with legends, or notations, as applicable, referring the terms, conditions, and restrictions set forth in this Award Agreement. Such Restricted Stock shall be held by the Company in custody for Key Employee, until they have vested or been forfeited as provided herein. Shares shall be delivered to Key Employee, free of the legend or notations described above, within fifteen (15) days after the Vesting Date.

4. Conformity with Securities Laws

The grant of Shares hereunder (and any transfers thereof) are subject to compliance with all applicable securities laws. Key Employee hereby represents to the Company that Key Employee is acquiring the Shares for investment and not with a view to the distribution thereof and that Key Employee has had full and complete access to the financial statements of the Company and to the Company's senior management. The certificates representing Shares issued by the Company pursuant to this Award Agreement may bear a legend describing the restrictions on resale thereof under applicable securities laws, and stop transfer orders with respect to such certificates may be entered in the stock transfer records of the Company.

5. Agreement Not To Solicit

Key Employee hereby covenants and agrees that for a period commencing on the Effective Date and ending twelve (12) months after the effective date of Key Employee’s termination of employment with the Company, Key Employee, shall not, except for actions taken on behalf of the Company, directly or indirectly engage in or assist others in soliciting, persuading, hiring, recruiting, or attempting to persuade, solicit, hire or recruit, any person employed by or under contract with, the Company (or who was employed by or under contract with the Company in the six-month period prior to the date of any such prohibited contact).

6. Miscellaneous

(a) Assignments and Transfers. The rights and interests of Key Employee under this Award Agreement may not be assigned, encumbered or transferred.

(b) No Right to Employment. Neither this Award Agreement nor any action taken hereunder shall be construed as giving Key Employee any right to be retained in the employ of any Participating Company.

(c) Headings. The headings contained in this Award Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Award Agreement.

(d) Consistency with the Plan. This Award Agreement is subject to all the provisions of the Plan. It is expressly agreed and understood that in the case of any inconsistency between the provisions of this Award Agreement and the Plan, the provisions of the Plan shall control, as determined in the sole judgment of the Committee.

(e) Deferred Compensation Rules. To the extent applicable hereto, this Award Agreement shall be interpreted and applied in compliance with Section 409A of the Code and such Internal Revenue Service Notices and Treasury Regulations as may be promulgated thereunder (collectively, the “Deferred Compensation Rules”) and to the extent applicable hereto any provision of this Award Agreement found not to be in compliance therewith shall be amended as necessary to comply therewith, determined in the sole discretion of the Committee, retroactively to the date hereof.

(f) Applicable Law. The interpretation of the provisions hereof shall be governed by the laws of the State of Florida.

IN WITNESS WHEREOF, the undersigned have caused this Award Agreement to be executed and delivered on the Effective Date first above written.

KEY EMPLOYEE

______________________________________
Name: «First_Name» «Last_Name»
Address: «Address_Line_1»
«Address_Line_2»
«City», «State» «Zip_Code»

RAYONIER INC.

By______________________________
Shelby L. Pyatt
Vice President, Human Resources

**EXHIBIT 31.1**

**CERTIFICATION**

I, David L. Nunes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayonier Inc.;

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. 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(s) 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: May 8, 2015

/s/ DAVID L NUNES

David L. Nunes
*President and Chief Executive Officer, Rayonier Inc.*

**EXHIBIT 31.2**

**CERTIFICATION**

I, Mark McHugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayonier Inc.;

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. 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(s) 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: May 8, 2015

/s/ MARK MCHUGH

Mark McHugh
*Senior Vice President and Chief Financial Officer, Rayonier Inc.*

**EXHIBIT 32**

**CERTIFICATION**

The undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to our knowledge:

1. The quarterly report on Form 10-Q of Rayonier Inc. (the "Company") for the period ended March 31, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 8, 2015

| | |
|---|---|
| /s/ DAVID L. NUNES | /s/ MARK MCHUGH |
| David L. Nunes | Mark McHugh |
| *President and Chief Executive Officer, Rayonier Inc.* | *Senior Vice President and Chief Financial Officer, Rayonier Inc.* |