

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the year ended December 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

COMMISSION FILE NUMBER 1-6780

RAYONIER INC.

Incorporated in the State of North Carolina

I.R.S. Employer Identification No. 13-2607329

1177 SUMMER STREET, STAMFORD, CT 06905-5529

(Principal Executive Office)

Telephone Number: (203) 348-7000

Securities registered pursuant to Section 12(b) of the Act,
all of which are registered on the New York Stock Exchange:

Common Shares
7.5% Notes, due October 15, 2002
Medium-Term Notes, due 1998-1999

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

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

YES NO

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

The aggregate market value of the Common Shares of the registrant held by
non-affiliates of the Registrant on March 10, 1998, was approximately
\$1,293,000,000.

As of March 10, 1998, there were outstanding 28,303,555 Common Shares of the
Registrant.

The registrant's definitive proxy statement filed or to be filed with the
Securities and Exchange Commission pursuant to Regulation 14A involving the
election of directors at the annual meeting of the shareholders of the
registrant scheduled to be held on May 15, 1998, is incorporated by reference in
Part III of the Form 10-K.

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* Included pursuant to Instruction 3 to Item 401 (b) of Regulation S-K.

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PART I

ITEM 1. BUSINESS

GENERAL

Rayonier Inc. (Rayonier or the Company), including its subsidiaries, is a leading international forest products company primarily engaged in the trading, merchandising and manufacturing of logs, timber and wood products, and in the production and sale of high-value-added specialty pulps. Rayonier owns, leases, manages or controls approximately 1.5 million acres of timberland in the United States and New Zealand. In addition, the Company operates two pulp mills and three lumber manufacturing facilities in the United States and, as of October 1, 1997, a medium density fiberboard plant in New Zealand.

Rayonier was founded as Rainier Pulp and Paper Company in Shelton, WA in 1926. In 1937, the Company became "Rayonier Incorporated", a corporation whose stock was publicly traded on the New York Stock Exchange (NYSE) until Rayonier became a wholly owned subsidiary of ITT Industries, Inc. (ITT), then known as ITT Corporation, in 1968. On February 28, 1994, Rayonier again became an independent company when ITT distributed all of the Common Shares of Rayonier to ITT stockholders. Rayonier shares are publicly traded on the NYSE under the symbol RYN.

Rayonier is a North Carolina corporation with its executive offices at 1177 Summer Street, Stamford, CT 06905-5529. Its telephone number is (203) 348-7000.

Rayonier operates in two major business segments, Timber and Wood Products and Specialty Pulp Products. In 1997, Timber and Wood Products accounted for 50 percent of sales and Specialty Pulp Products accounted for 47 percent of sales. The remaining 3 percent of sales (classified in Dispositions) were made from inventory of the Company's Port Angeles, WA, pulp mill, which was closed on February 28, 1997. With customers in 70 countries, 49 percent of Rayonier's 1997 sales of \$1.104 billion were made to customers outside of the United States. For further data on sales, operating income and identifiable assets by segment, see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 15 - Segment Information of the Notes to Consolidated Financial Statements.

TIMBER AND WOOD PRODUCTS

Rayonier's Timber and Wood Products business segment is composed of three principal lines of business: (1) Trading and merchandising, (2) Timberlands management and (3) Wood products. Sales for the last three years by principal line of business were as follows (in millions of dollars):

	Sales Revenue					
	1997	%	1996	%	1995	%
	----	-	----	-	----	-
Trading and merchandising	\$ 259	47	\$ 322	55	\$ 393	64
Timberlands management	184	33	196	34	168	27
Wood products	133	24	104	18	75	12
Intrasegment eliminations	(23)	(4)	(40)	(7)	(18)	(3)
	----	----	----	----	----	----
Total	\$ 553	100	\$ 582	100	\$ 618	100
	=====	====	=====	====	=====	====

TRADING AND MERCHANDISING

Rayonier is a leading exporter and trader of softwood logs, lumber and wood panel products. Rayonier purchases and harvests timber and purchases lumber and wood panel products for sale in domestic and export markets. In 1997, 53 percent of New Zealand log sales volume was sourced from Company timberlands. In North America, 6 percent of log sales volume was sourced from Rayonier's timberlands; however, logs also were purchased from local dealers who had, in some cases, purchased their cutting rights from Company-managed timberlands.

TIMBERLANDS MANAGEMENT

Rayonier manages approximately 1.5 million acres of timberlands as of December 31, 1997 as follows in (000's):

Region	Total Acres	%	Fee Owned Acres	Long-Term Leased Acres
-----	-----	-	-----	-----
Southeast U.S.	854	59	744	110
Northwest U.S.	379	26	379	-
New Zealand	219	15	6	213
	-----	-----	-----	-----
Total	1,452	100	1,129	323
	=====	===	=====	===

Rayonier manages timberlands, scientifically developing forests until their economic peak for specific markets. The average rotation age for timber from the Southeastern U.S. (primarily Southern pine) is 25 years for timber sold to sawmills and 20 years for pulpwood destined for pulp and paper mills. The average rotation age for timber destined for domestic and export markets from the Northwestern U.S. (primarily hemlock and Douglas fir species) is 45-50 years. The average rotation age for timber grown in New Zealand (primarily radiata pine) is 25-28 years.

Timberlands Management is organized to regularly sell timber through auction processes predominately to third parties. By requiring the Company's other business sectors (e.g., Specialty Pulp Products, Wood Products and Trading and Merchandising) to competitively bid on the timber, the Company believes it can maximize the true economic return on its investments.

The Company manages its timberlands on a sustainable yield basis in conformity with best forest industry practices. A key to success is the extensive application of Rayonier's silvicultural expertise to species selection for plantations, soil preparation, thinning of timber stands, pruning of selected species, fertilization and careful timing of the harvest, all designed to maximize value, while responding to environmental needs.

The following table sets forth Timberlands Management acres by region and by timber classification in (000's):

Region	Softwood Plantation	Hardwood Lands	Non-Forest	Total
-----	-----	-----	-----	-----
Southeast U.S.	558	293	3	854
Northwest U.S.	323	18	38	379
New Zealand (1)	214	5	-	219
	-----	-----	-----	-----
Total	1,095	316	41	1,452
	=====	=====	=====	=====

(1) Excludes 30 thousand acres managed by Rayonier under joint ventures and approximately 67 thousand acres of native bush estate that is not harvestable.

The following table sets forth the estimated volumes of merchantable timber by location and type, as of December 31, 1997.

Region	Softwood	Hardwood	Total	Equivalent total, in thousands of cubic meters	%
-----	-----	-----	-----	-----	-----
Southeast U.S., in thousands of short green tons	9,683	6,856	16,539	11,316	27
Northwest U.S., in millions of board feet	2,096	213	2,309	13,961	34
New Zealand, in thousands of cubic meters	15,634	220	15,854	15,854	39
				-----	---
				41,131	100
				=====	===

Merchantable timber inventory is an estimate of the amount of standing timber at the earliest age that, under varying economic conditions, could be harvested. Estimates are based on a continuing inventory system, which involves periodic statistical sampling of the timberlands, with adjustments made on the basis of growth estimates, harvest information and market conditions.

Southeastern U.S. timberlands are located primarily in Georgia and Florida. Their proximity to pulp, paper and lumber mills results in significant competition for the purchase of Rayonier's timber. Approximately 55 percent of the timber harvest is pulpwood, which is destined for pulp and paper mills, with the remaining 45 percent representing higher value timber sold primarily to plywood and lumber mills. Over the last five years the Company, through advanced silvicultural practices, has been able to increase the amount of timber volume per acre available for harvest from its Southeastern timberlands by approximately 2-3 percent per year and expects this trend to continue.

Northwestern U.S. timberlands are located primarily on the Olympic Peninsula in Washington state, are all owned in fee and consist almost entirely of second-growth trees. These timberlands include softwood stands, of which approximately 71 percent is hemlock and 29 percent is Douglas fir, Western red cedar and spruce, and hardwood timber stands, consisting principally of alder and maple.

New Zealand forest assets consist primarily of Crown Forest licenses providing the right to utilize approximately 219,000 acres of New Zealand plantation forests for a minimum period of 35 years. Approximately 91 percent of these timberlands consist of radiata pine trees, well suited for high quality lumber and panel products. The trees typically produce up to twice as much fiber per acre, per year as the most productive commercial tree species in the United States. The remaining 9 percent is Douglas fir and other species. Rayonier grows New Zealand timber for both domestic New Zealand uses and for export primarily to the Pacific Rim markets. In addition, Rayonier New Zealand manages timberlands for others, principally joint ventures in which Rayonier holds a minority interest.

WOOD PRODUCTS

Rayonier's lumber mills located at Baxley and Swainsboro, GA, convert Southern pine timber into dimension and specialty lumber products for residential construction and industrial uses. The two mills have a combined annual capacity of approximately 250 million board feet of lumber and approximately 528,000 tons of wood chips for pulping. The mills sell their lumber output primarily in Southeastern United States and Caribbean markets. Substantially all of the wood chip production is sold (at market price) to Rayonier's Jesup, GA pulp facility accounting for approximately 28 percent of Jesup's 1997 pine chip consumption. A third lumber manufacturing facility, located in Plummer, ID, has annual capacity of 85 million board feet. Lumber is sold primarily by Rayonier sales personnel, although sales to certain export locations are made through independent sales agents.

In the third quarter of 1997, the Company completed construction of a \$115 million medium-density-fiberboard (MDF) facility in New Zealand with an annual capacity of 140,000 cubic meters and utilities infrastructure capacity for an additional 140,000 cubic meters. The Company markets its MDF in New Zealand through an exclusive marketing arrangement with a third party. Internationally, the Company's premium grade Patinna(TM) brand MDF is marketed by Rayonier personnel and independent sales agents.

SPECIALTY PULP PRODUCTS

Rayonier is a leading specialty pulp manufacturer. The Company owns and operates pulp mills at Jesup, GA, and Fernandina Beach, FL, with an annual capacity of 700,000 metric tons. Rayonier's facilities are able to manufacture more than 25 different grades of pulp to meet customers' needs. The Jesup facility produces approximately 550,000 metric tons of wood pulp, or 79 percent of Rayonier's total capacity. The Fernandina Beach facility produces approximately 150,000 metric tons of wood pulp, or 21 percent of Rayonier's total capacity.

Sales for the last three years for the Jesup and Fernandina Beach mills by principal line of business were as follows (millions of dollars):

	Sales Revenue					
	1997	%	1996	%	1995	%
	----	-	----	-	----	-
Chemical cellulose	\$ 338	65	\$ 328	64	\$ 288	53
Fluff and specialty paper pulps	182	35	186	36	252	47
	---	--	---	--	---	--
Total	\$ 520	100	\$ 514	100	\$ 540	100
	=====	===	=====	===	=====	===

Rayonier concentrates on the production of specialty pulps to customers' specifications, sold to industrial companies producing a wide variety of products. Over half of Rayonier's pulp sales are to export customers, primarily in Europe, Asia and Latin America. Over 90 percent of specialty pulp sales are made directly by Rayonier sales personnel. In certain of the Company's export locations, sales are made through independent sales agents.

CHEMICAL CELLULOSE

Rayonier is one of the world's leading producers of chemical cellulose, also called dissolving pulp, which is a highly purified form of pulp. Chemical cellulose is used in a wide variety of products such as textile fibers, rigid packaging, photographic film, impact-resistant plastics, high tenacity rayon yarn for tires and industrial hoses, pharmaceuticals, cosmetics, detergents, sausage casings, food products, thickeners for oil well drilling muds, cigarette filters, lacquers, paints, printing inks and explosives. Within the chemical cellulose industry, Rayonier concentrates on the most highly valued, technologically demanding end uses, such as cellulose acetate and high-purity cellulose ethers where it is a leading supplier.

FLUFF AND SPECIALTY PAPER PULPS

Rayonier is a leading supplier of fluff pulp, used as an absorbent medium in products such as disposable baby diapers, personal sanitary napkins, incontinence pads, convalescent bed pads, industrial towels and wipes and non-woven fabrics.

Rayonier also is a major producer of specialty paper pulps and produces only a small volume of regular paper pulp. Customers use Rayonier's specialty paper pulps to manufacture paper for decorative laminates for counter tops, air and oil filters, shoe innersoles, battery separators, circuit boards and filter media for the food industry. Paper pulp, representing approximately 2 percent of total Company pulp sales, is used in the manufacture of bond, book and printing paper.

PULP PRICING

Pulp prices are cyclical. Since Rayonier is a non-integrated specialty pulp producer for non-paper making end uses, pricing of its high-value product mix tends to lag (on both the upturn and downturn) commodity paper pulp prices.

FOREIGN SALES AND OPERATIONS

Rayonier's sales for the last three years by point of destination are as follows (millions of dollars):

	Sales by Destination					
	1997	%	1996	%	1995	%
	----	-	----	-	----	-
United States	\$ 568	51	\$ 527	45	\$ 518	41
Europe	127	12	135	12	141	12
Japan	173	16	234	20	269	21
Korea	52	5	49	4	77	6
China	36	3	54	4	60	5
Other Asia	66	6	89	7	76	6
Latin America	59	5	57	5	64	5
Canada	16	1	20	2	42	3
All other	7	1	13	1	13	1
	-----		-----		-----	-----
Total	\$ 1,104	100	\$ 1,178	100	\$1,260	100
	=====	===	=====	===	=====	===

Overseas assets, primarily in New Zealand, were 22 percent of total assets at the end of 1997 and Rayonier's sales from non-U.S. sources were 10 percent of total sales.

See Note 15 - Segment Information of the Notes to Consolidated Financial Statements.

DISPOSITIONS AND DISCONTINUED OPERATIONS

Dispositions and discontinued operations include Rayonier's Port Angeles, WA, pulp mill, which was closed on February 28, 1997, its interest in the Grays Harbor, WA, pulp and paper complex, which was closed in 1992, its wholly owned subsidiary, Southern Wood Piedmont Company (SWP), which ceased operations in 1986, and other miscellaneous assets held for disposition.

See Note 6 - Reserves for Dispositions and Discontinued Operations of the Notes to Consolidated Financial Statements.

RAYONIER TIMBERLANDS, L.P.

In the United States, Rayonier manages almost all of its timberlands and sells timber directly through Rayonier Timberlands, L.P. (RTLPL), a limited partnership. Rayonier and its wholly owned subsidiary, Rayonier Forest Resources Company (RFR), are the general partners of RTLPL. Until January 1998, Rayonier owned 74.7 percent of the Class A Limited Partnership Units, with the remaining 25.3 percent being publicly held. Revenues, expenses and cash flow associated with RTLPL's normal timber harvesting through December 31, 2000, are allocated 95 percent to all Class A Units. In January 1998, the publicly held units were acquired by Rayonier under the terms of the RTLPL Partnership Agreement. See Note 3 Subsequent Event (Rayonier Timberlands, L.P.) of the Notes to Consolidated Financial Statements.

PATENTS

Rayonier has a large number of patents, which relate primarily to its products and processes. It also has pending a number of patent applications. Although Rayonier's patents are of significant importance to the operation of each of its individual businesses, Rayonier does not consider any of its patents or group of patents relating to a particular product or process to be of material importance from the standpoint of Rayonier overall.

COMPETITION AND CUSTOMERS

The Company's U.S. timberlands are located in two major timber growing regions (the Southeast and the Northwest), where timber markets are fragmented and very competitive. In the Northwest U.S., John Hancock Mutual Life Insurance Co. and Washington state (DNR) are significant competitors. In both the Northwest U.S. and Southeast U.S., smaller forest products companies and private land owners compete with the Company. Price is the principal method of competition.

Rayonier's lumber and MDF wood products compete with the products of numerous companies, some of which are larger and have greater resources than Rayonier. Both lumber and MDF compete with alternative construction materials. In most of Rayonier's markets, competition is primarily through price, quality, customer relationships and technical service.

Export log markets are highly competitive, with logs available from several countries and numerous suppliers. In New Zealand, major competitors include Carter Holt Harvey and Fletcher Challenge. In North America, Weyerhaeuser, International Paper and Willamette are principal competitors. Price and customer relationships are important methods of competition.

Specialty pulp products are marketed worldwide against strong competition from domestic and foreign producers. Rayonier's major competitors include International Paper, Weyerhaeuser, Georgia-Pacific, Buckeye Technologies and Stora Kopparberg. Product performance, pricing and technical service are the principal methods of competition.

ENVIRONMENTAL MATTERS

See "Environmental Regulation" in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 14 - Contingencies of the Notes to Consolidated Financial Statements.

RAW MATERIALS

Regional timber availability continues to be restricted by legislation, litigation and pressure from various preservationist groups and is also subject to cyclical swings in lumber and paper and pulp markets. While the Timberlands Management business has benefited from a significant increase in timber prices over the last decade, this increase also adversely impacted fiber costs at Rayonier's pulp and lumber manufacturing facilities.

Rayonier has pursued, and is continuing to pursue, reductions in usage and costs of key raw materials, supplies and contract services at the Company's pulp and lumber mills. Management foresees no significant constraints from pricing or availability of its key raw materials.

RESEARCH AND DEVELOPMENT

Rayonier believes it maintains one of the preeminent specialty pulp research facilities and staff in the forest products industry. Research and development efforts are directed primarily at the development of new and improved pulp grades, improved manufacturing efficiency, reduction of energy needs, product quality and development of improved environmental controls. The research center is adjacent to the pulp mill in Jesup, GA.

Research activities related to Timberlands Management operations include genetic tree improvement programs as well as applied silviculture programs to identify management practices that improve returns from timberland assets.

Research and development expenditures were \$10 million, \$11 million, and \$8 million in 1997, 1996 and 1995, respectively.

EMPLOYEE RELATIONS

Rayonier currently employs approximately 2,500 people. Of this number, approximately 2,250 are employees in the United States, of whom 44 percent are covered by labor contracts. Most hourly employees are represented by one of several labor unions. Labor relations are maintained in a normal and satisfactory manner.

The Jesup labor agreements, covering approximately 700 employees, expire in June 2002. Fernandina labor contracts, covering approximately 300 employees, expire in May 2001.

Rayonier has in effect various plans for its employees and retirees, providing certain group medical, dental and life insurance coverage, pension and other benefits. The cost is borne primarily by Rayonier.

ITEM 2. PROPERTIES

RTLTP owns, leases or controls approximately 1.1 million acres of timberlands in the United States previously owned or leased by Rayonier. See Note 3 - Subsequent Event (Rayonier Timberlands, L.P.) of the Notes to Consolidated Financial Statements. Rayonier, through its wholly owned subsidiary, RFR, as managing general partner of RTLTP, continues on behalf of RTLTP to manage these properties and sell timber to Rayonier as well as unaffiliated parties. Rayonier's New Zealand subsidiary owns or manages the forest assets on approximately 219,000 acres of plantation forests in New Zealand. Rayonier and its wholly owned subsidiaries own or lease various other properties used in their operations, which include two pulp mills, three lumber manufacturing facilities, an MDF plant, a research facility, various other timberlands and Rayonier's corporate headquarters. These facilities (except for the corporate headquarters in Stamford, CT) are located in the Northwestern and Southeastern portions of the United States and in New Zealand.

ITEM 3. LEGAL PROCEEDINGS

Rayonier is one of two defendants in an action by Powel-Duffryn Terminals instituted in the U.S. District Court for the Southern District of Georgia on April 10, 1997, seeking indemnity for \$57 million in damages incurred as the result of a fire and explosion at a marine terminal and storage facility where crude sulfate turpentine produced by Rayonier and others was stored. Plaintiff has sued to recover sums paid to third party claimants, expenses incurred to remediate the property and adjoining lands and other damages. Rayonier is vigorously defending the action, believes that its defenses are meritorious and based on advice of counsel, believes that its liability, if any, will not be material and will be covered by its product liability insurance. See also Note 14 - Contingencies (Legal Proceedings) of the Notes to Consolidated Financial Statements.

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

No matter was submitted to a vote of security holders of Rayonier during the fourth quarter of 1997.

EXECUTIVE OFFICERS OF RAYONIER

RONALD M. GROSS, 64, Chairman of the Board and Chief Executive Officer - He joined Rayonier in March 1978 as President and Chief Operating Officer and a director, was elected Chief Executive Officer in 1981 and Chairman in 1984; he assumed his present position in July 1996. He also serves as a director of Lukens Inc. and The Pittston Company. Mr. Gross is a graduate of Ohio State University and the Harvard Graduate School of Business Administration.

W. LEE NUTTER, 54, President and Chief Operating Officer - He was elected to his current position on July 19, 1996, and was elected a director of Rayonier on the same date. He joined Rayonier in 1967 in the Northwest Forest Operations and was named Vice President, Timber and Wood in 1984, Vice President, Forest Products in 1985, Senior Vice President, Operations, in 1986 and Executive Vice President in 1987. Mr. Nutter is a member of the Board of Governors of the National Council for Air and Stream Improvement. He graduated from the University of Washington and the Harvard Graduate School of Business Administration Advanced Management Program.

WILLIAM S. BERRY, 56, Executive Vice President, Forest Resources and Corporate Development - He was elected to his present position in October 1996 after being elected Senior Vice President, Forest Resources and Corporate Development, of Rayonier in January 1994. He was Senior Vice President, Land and Forest Resources, of Rayonier from January 1986 to January 1994. From October 1981 to January 1986 he was Vice President and Director of Forest Products Management. Mr. Berry joined Rayonier in 1980 as Director of Wood Products Management. He holds a B.S. in Forestry from the University of California at Berkeley and an M.S. in Forestry from the University of Michigan.

WILLIAM A. KINDLER, 55, Senior Vice President, Specialty Pulp - He was elected to his present position effective March 1, 1998. He joined Rayonier in August 1996 and was elected Vice President Specialty Pulp, in October 1996. Prior to coming to Rayonier, Mr. Kindler was with James River Corporation for 26 years where he held a number of senior management positions, most recently as Vice President, General Manager, Printing Papers (November 1988 until March 1994) and as Vice President, Product Supply, Consumer Products (March 1994 until August 1996). He holds a B.A. in Chemistry from Western Washington University and an M.S. and Ph.D. in Pulp and Paper Technology from the Institute of Paper Chemistry.

JOHN P. O'GRADY, 52, Senior Vice President, Administration - He was elected Senior Vice President, Human Resources, of Rayonier in January 1994 and Senior Vice President, Administration, effective January 1996. He was Vice President, Administration, of Rayonier from July 1991 to January 1994. From December 1975 to July 1991, he held a number of human resources positions at ITT Corporation and its subsidiaries. Mr. O'Grady serves on the employee and labor relations committee of the American Forest & Paper Association (AFPA). He is on the Business Advisory Board of the University of Oklahoma School of Business and is a Management Trustee for United Paperworkers' Health and Welfare Trust. Mr. O'Grady holds a B.S. degree in Labor Economics from the University of Akron, an M.S. degree in Industrial Relations from Rutgers University and a Ph.D. in Management from California Western University.

GERALD J. POLLACK, 56, Senior Vice President and Chief Financial Officer - He was elected Senior Vice President and Chief Financial Officer of Rayonier in May 1992. From July 1986 to May 1992, he was Vice President and Chief Financial Officer. Mr. Pollack joined Rayonier in June 1982 as Vice President and Controller. He is a member of the New York Advisory Board of the Allendale Insurance Co., the financial management committee of AFPA, and the Financial Executives Institute. Mr. Pollack has a B.S. degree in Physics from Rensselaer Polytechnic Institute and an MBA in Accounting and Finance from the Amos Tuck School at Dartmouth College.

CHARLES MARGIOTTA, 45, Vice President, Forest and Wood Products - He was elected to his present position effective January 1, 1997. He joined Rayonier in 1976 and following assignments at its corporate headquarters and its Southeast Forest Resources division, went to Rayonier's New Zealand operations in 1989 where he served as General Manager, Rayonier New Zealand, until 1992 when he was promoted to Managing Director, Rayonier New Zealand. He holds a B.B.A. in Accounting and Finance from Pace University, has attended the Duke University Senior Professional Forestry Program and has recently completed the International Advanced Management Program at the Harvard Graduate School of Business Administration.

KENNETH P. JANETTE, 52, Vice President and Corporate Controller - He joined Rayonier in August 1994 and was elected Vice President and Corporate Controller in October 1994. From 1992 to 1994 he was Vice President and Corporate Controller of Sunkyong America, Inc., a Korean international trading organization, which he joined in 1990 as Corporate Controller. He was with AMAX Inc. from 1977 to 1990, most recently as Assistant Corporate Controller and Director of Auditing, and was with Arthur Andersen and Co. from 1968 to 1977. He is a member of the Financial Executives Institute, the AICPA and the Institute of Management Accountants. He received a B.S. in Accounting in 1967 and an M.B.A. in Finance in 1968 from the University of Rochester.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The table below reflects the range of market prices of Rayonier Common Shares as reported in the consolidated transaction reporting system of the New York Stock Exchange, the only exchange on which this security is listed, under the trading symbol RYN.

RAYONIER COMMON SHARES - MARKET PRICES AND DIVIDENDS (UNAUDITED)

	High ----	Low ---	Composite Volume -----	Dividend -----
1997 ----				
First Quarter	\$ 39.13	\$ 35.25	3,611,800	\$.30
Second Quarter	44.38	36.88	3,391,800	.30
Third Quarter	53.00	42.00	3,657,700	.30
Fourth Quarter	51.13	40.25	3,655,100	.30
1996 ----				
First Quarter	\$37.25	\$ 33.13	5,692,000	\$.29
Second Quarter	38.63	35.00	5,965,700	.29
Third Quarter	41.25	37.75	4,006,600	.29
Fourth Quarter	40.00	37.38	5,163,000	.29

On February 20, 1998, Rayonier announced a one cent increase in its quarterly dividend. The first quarter dividend of 31 cents per share is payable on March 31, 1998 to shareholders of record on March 10, 1998.

There were approximately 25,099 holders of record of Rayonier Common Shares on February 27, 1998.

ITEM 6. SELECTED FINANCIAL DATA

The following summary of historical financial data for each of the five years ended December 31, 1997 is derived from the consolidated financial statements of the Company. The data should be read in conjunction with the consolidated financial statements (dollar amounts in millions, except per share data).

	Year Ended December 31				
	1997	1996	1995	1994	1993
OPERATIONS:					
Sales	\$ 1,104	\$ 1,178	\$ 1,260	\$1,069	\$ 936
Operating income before provision for dispositions	166	159	234	169	130
Provision for dispositions	-	(125) (1)	-	-	(3)
Operating income	166	34	234	169	127
Income (loss) from continuing operations	87	(-)	142	70	52
Provision for discontinued operations	-	(98) (2)	-	-	-
Net income (loss)	87	(98)	142	70	52
PER COMMON SHARE:					
Income (loss) from continuing operations	\$ 2.97	\$ (-)	\$ 4.75	\$ 2.36	\$ 1.77
Provision for discontinued operations	-	(3.28)	-	-	-
Net income (loss) - Diluted	2.97	(3.28)	4.75	2.36	1.77
- Basic	3.03	(3.28)	4.81	2.37	1.77
Dividends paid	1.20	1.16	1.00	.72	4.12 (3)
Book value	22.37	21.29	25.95	22.15	20.51
FINANCIAL CONDITION:					
Total assets	\$ 1,596	\$ 1,598	\$ 1,648	\$1,524	\$1,488
Total debt	426	433	450	483	498
Book value	633	623	769	655	606
CASH FLOW:					
Cash flow from operating activities	\$ 253	\$ 236	\$ 213	\$ 190	\$ 118
Capital expenditures	137	187	143	101	72
Custodial capital spending	72	83	72	67	65
Depreciation, depletion and amortization	99	97	96	90	78
EBITDA (4)	237	236	303	229	187
EBIT (5)	138	139	207	139	109
Free cash flow (6)	122	119	107	90	36
Dividends	35	34	30	21	122 (3)
PERFORMANCE RATIOS (%):					
Operating income to sales (7)	15	13	19	16	14
Return on equity (8)	14	-	20	11	8
Return on assets (8)	5	-	9	5	4
Debt to capital	40	41	37	43	45
OTHER:					
Number of employees	2,500	2,700	2,900	2,700	2,600
Timberlands, thousands of acres	1,452	1,462	1,473	1,501	1,495

Year Ended December 31

	1997	1996	1995	1994	1993
SELECTED OPERATING DATA (UNAUDITED)					
Timber and Wood Products					
Trading volume					
North America logs - in millions of board feet	224	284	351	306	266
New Zealand logs- in thousands of cubic meters	1,113	1,414	1,682	1,623	1,375
Other logs - in thousands of cubic meters	277	97	103	54	67
Timber sales volume					
Northwest U.S. - in millions of board feet	190	193	175	194	143
Southeast U.S. - in thousands of short green tons	2,421	2,281	2,218	2,184	2,001
New Zealand - in thousands of cubic meters (9)	1,111	1,097	-	-	-
Lumber sales volume - in millions of board feet	325	280	213	197	125
Intercompany sales volume					
Logs - in millions of board feet	1	12	22	13	15
NW U.S. timber - in millions of board feet	14	23	32	36	28
SE U.S. timber - in thousands of short green tons	92	158	292	199	299
New Zealand timber - in thousands of cubic meters (9)	589	840	-	-	-
Specialty Pulp Products					
Pulp sales volume					
Chemical cellulose - in thousands of metric tons (10)	381	349	342	311	275
Fluff and specialty paper pulp - in thousands of metric tons (11)	344	332	308	350	330
Production as a percent of capacity	100%	101%	99%	96%	88%

- (1) Includes a charge of \$125 million (\$79 million after-tax) related to the closure of the Port Angeles pulp mill and write-off of other non-strategic assets.
- (2) Includes an after-tax charge to implement AICPA Statement of Position 96-1 related to future environmental monitoring costs.
- (3) Includes a \$90 million (\$3.04 per Common Share) special dividend paid to ITT.
- (4) EBITDA is defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes and depreciation, depletion and amortization.
- (5) EBIT is defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense and income taxes.
- (6) Free cash flow is defined as income from continuing operations plus depreciation, depletion and amortization, deferred income taxes and changes in working capital, less custodial capital spending and prior-year dividend levels.
- (7) Based on operating income before provision for dispositions.
- (8) Based on income (loss) from continuing operations, including charges for pulp mill disposition.
- (9) Intercompany activity began in 1996 when Rayonier divided its New Zealand operations into separate trading and timberlands management organizations. Timber harvested and sold as logs was 1,133, 1,155 and 918 for the years 1995-1993, respectively.
- (10) Excludes sales by the Port Angeles pulp mill, which ceased operations on February 28, 1997, of 35, 94, 98, 117, and 94 for the years 1997-1993, respectively.
- (11) Excludes sales by the Port Angeles pulp mill of 7, 18, 36, 12, and 22 for the years 1997-1993, respectively.

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

SEGMENT INFORMATION

The amounts and relative contributions to sales and operating income attributable to each of Rayonier's business segments for each of the three years ended December 31, 1997 were as follows (in millions of dollars):

SALES	Year Ended December 31		
	1997	1996	1995
TIMBER AND WOOD PRODUCTS			
Trading and merchandising	\$ 259	\$ 322	\$ 393
Timberlands management	184	196	168
Wood products	133	104	75
Intrasegment eliminations	(23)	(40)	(18)
Total Timber and Wood Products	553	582	618
SPECIALTY PULP PRODUCTS			
Chemical cellulose	338	328	288
Fluff and specialty paper pulps	182	186	252
Total Specialty Pulp Products	520	514	540
Intersegment eliminations	(3)	(6)	(20)
Total before dispositions	1,070	1,090	1,138
Dispositions	34	88	122
Total sales	\$ 1,104	\$1,178	\$ 1,260
OPERATING INCOME			
Timber and Wood Products	\$ 124	\$ 127	\$ 141
Specialty Pulp Products	56	57	103
Corporate and other	(17)	(16)	(12)
Total before dispositions	163	168	232
Dispositions	3	(134)	2
Total operating income	\$ 166	\$ 34	\$ 234

BUSINESS CONDITIONS

Rayonier's 1997 net income was \$87 million, or \$2.97 per share, compared to 1996 net income, excluding significant non-recurring items, of \$79 million, or \$2.63 per share. The 1997 results include a non-operating gain of \$8 million (\$6 million after-tax, or 19 cents per share) related to the sale of an interest in New Zealand timber assets. The improved 1997 results also reflect the absence of losses from the now-closed Port Angeles pulp mill, stronger lumber markets, lower minority interest, lower interest expense and a lower effective tax rate.

Rayonier's overall operating results are somewhat cyclical and driven by international economic factors. In 1997, approximately 49 percent of Rayonier sales were made to customers outside the U.S., down from 55 percent in 1996. Lower export sales following closure of the Port Angeles pulp mill on February 28, 1997, contributed to the reduction. In addition, weak Asian economies, together with a strengthening U.S. dollar, further reduced sales prices and volume on timber and log sales from the Northwest U.S. and New Zealand. Relatively high worldwide market pulp inventories during most of 1997 resulted in lower average pulp prices than in 1996.

In January 1998, the Company acquired the outstanding publicly traded minority interest in Rayonier Timberlands, L.P. (RTLPLP or the Partnership), a master limited partnership that owned and operated most of its U.S. timberlands business. As a

result of the acquisition, Rayonier expects to recognize approximately 25 cents to 30 cents per share of incremental net income in 1998 based on its current perception of markets for timber harvested from the Partnership's timberlands.

A strategic assessment of the Company's specialty pulp business was completed early in 1997. Actions are underway to implement several significant profit improvement opportunities that were identified. Pulp production costs declined in 1997 as operating efficiency improved and certain key raw material and service costs fell. These general trends are expected to continue during 1998.

Rayonier's capital spending in 1997 and 1996 was focused on expansion of its New Zealand operations, quality and productivity improvements in Specialty Pulp Products and acquisitions and growth in the Timber and Wood Products businesses. These investments are expected to help moderate the cyclical effects of the pulp market cycle, improve bottom-of-the-cycle earnings and add value to existing assets. See Liquidity and Capital Resources.

During the fourth quarter of 1997 and early 1998, weakness in Asian markets placed additional price pressure on worldwide pulp markets, as well as timber and log markets in New Zealand and the Northwest U.S. Partially offsetting these effects are lower costs for many of the Company's raw materials, benefits from a lower New Zealand currency and a strong domestic U.S. market. The Company also is redirecting its marketing efforts toward stronger economies in North America, Europe and Latin America.

Unusually wet weather in the Southeast U.S. during the fourth quarter of 1997 and early 1998 is expected to raise Southeast U.S. fiber costs for both pulp and lumber facilities, which will affect results in 1998. The adverse impact of higher wood costs will be partially offset by increased prices for the Company's Southeast U.S. timber.

RESULTS OF OPERATIONS, 1997 VS. 1996

Sales and Operating Income

Sales declined 6 percent to \$1.1 billion in 1997, reflecting the closure of the Port Angeles pulp mill on February 28, 1997, lower North American log trading volume and export prices, lower New Zealand log volume and lower Northwest U.S. timber selling prices, partially offset by higher lumber selling prices and volume. Operating income for the year was \$166 million, rising from \$34 million in 1996, due to the absence of the disposition charge of \$125 million and operating losses associated with the Port Angeles pulp mill, and higher lumber selling prices and volume.

Timber and Wood Products

Sales of Timber and Wood Products declined 5 percent to \$553 million, while operating income declined 2 percent to \$124 million. Lower Northwest U.S. timber prices and New Zealand timber volume were partially offset by strong U.S. lumber selling prices and volume and favorable New Zealand exchange rates.

Trading and merchandising sales were \$259 million compared to \$322 million in 1996. The 20 percent decline was primarily due to weakness in Asian wood markets, resulting in lower log prices and volume. Although sales declined, operating income improved slightly, principally due to favorable New Zealand exchange rates and margins.

Timberlands management sales of \$184 million decreased 6 percent from 1996, and operating income declined primarily due to weaker Northwest U.S. timber prices. Southeast U.S. timber volume improved due to a strong pulpwood market.

Wood products sales increased 28 percent to \$133 million in 1997 due to stronger U.S. lumber sales volume and prices and start-up of the medium-density fiberboard (MDF) business in New Zealand. Wood products operating income improved from 1996 due to higher lumber prices and volumes and lower conversion costs. The significant improvements experienced in lumber were partially offset by operating losses incurred in connection with the start-up of the New Zealand MDF business, as the Company increased production to commercial levels and developed markets in the Pacific Rim and Europe for its premium-quality Patinna(TM) brand. Operating losses from the MDF business are expected to continue in 1998.

Specialty Pulp Products

Sales of \$520 million for the Company's Jesup and Fernandina pulp mills were slightly above the prior year level with lower selling prices more than offset by higher volume. Operating income of \$56 million was \$1 million below last year as lower average selling prices for both chemical cellulose and fluff pulp were mostly offset by higher pulp shipments and lower manufacturing costs. Pulp production costs declined to \$612 per ton in 1997 from \$639 in 1996.

Intersegment

Intersegment sales of \$3 million in 1997 were less than the \$6 million recorded in 1996 due to lower log sales from the Timber and Wood Products segment to the Specialty Pulp Products segment.

Dispositions

Dispositions results include the Company's Port Angeles pulp mill, permanently closed in February 1997, with product sales arising from inventory. Improved results over 1996 primarily reflect the absence of operating losses following the mill's closure. Sales were \$34 million in 1997 compared to \$88 million in 1996, and operating income in 1997 was \$3 million compared to an operating loss in 1996 of \$10 million, excluding closure charges.

Other Income/Expense

Interest expense for 1997 decreased \$2 million to \$26 million reflecting lower average debt levels primarily due to reduced investment in working capital. Capitalized interest relating to the Company's New Zealand MDF facility was \$4.6 million in 1997 compared to \$2.3 million in 1996.

Rayonier purchases forward exchange contracts to mitigate the impact of New Zealand/U.S. dollar exchange fluctuations on operating results. The mark-to-market loss on these contracts included in "Interest and miscellaneous (expense) income, net," was \$3 million in 1997, as compared to a mark-to-market gain of \$6 million in 1996. In 1997 the movement of the New Zealand/U.S. dollar exchange rate from 0.71 on January 1, 1997, to 0.58 on December 31, 1997, had a favorable effect of \$5 million on the Company's New Zealand operating income, as compared to a negative impact of \$2 million in 1996 when the New Zealand currency strengthened.

From time to time the Company opportunistically sells non-strategic assets to maximize value from its asset mix. During the fourth quarter of 1997, the Company sold a 75 percent interest in two New Zealand forests (12,100 acres) to a timber investment fund and purchased a 25 percent stake in two other New Zealand forests (3,700 acres) from the same fund in a transaction that resulted in net cash proceeds to the Company of \$11.7 million. As a result, a pretax gain of \$8.4 million, \$5.6 million after-tax, or 19 cents per share, was realized. Rayonier has management and marketing responsibilities for the joint venture, which involves 15,800 acres of timber on New Zealand's North Island.

Minority interest in the earnings of Rayonier Timberlands, L.P. decreased \$2 million to \$26 million in 1997 due to lower Partnership earnings, primarily reflecting lower Northwest U.S. timber prices.

Income Taxes

The effective tax rate for 1997 was 27.6 percent compared to 29.1 percent in 1996, excluding the tax benefits for two significant non-cash charges (see Dispositions and Discontinued Operations), which were recorded at statutory rates. These effective tax rates are below the U.S. statutory rates, primarily resulting from the lower rates in effect for foreign subsidiaries. Additionally, 1997 reflects both research and investment tax credits and foreign exchange translation gains while the prior year includes certain tax benefits recognized in 1996 that pertained to prior years.

Acquisition of Minority Interest in RTLP

In January 1998, Rayonier exercised its right to acquire all of the 5,060,000 publicly traded Class A Units of RTLP for a cash purchase price of \$13.00 per unit in accordance with the terms of the RTLP Partnership Agreement. Rayonier's income statement in the future will reflect the elimination of a minority interest deduction and a reduction in selling and general expenses offset somewhat by added timber cost depletion and interest expense associated with the \$66 million cost of acquiring the Class A Units. The acquisition will be accounted for under the purchase method and was financed by the utilization of existing credit facilities.

RESULTS OF OPERATIONS, 1996 VS. 1995

Sales and Operating Income

Sales declined 7 percent to \$1.18 billion in 1996, reflecting lower fluff and specialty paper pulp prices as well as reduced North American log trading volume and lower New Zealand log pricing. Operating income for the year was \$34 million, down from \$234 million in 1995, due to the disposition charge of \$125 million associated with the closure of the Port Angeles pulp mill and lower fluff pulp pricing.

Timber and Wood Products

Sales of Timber and Wood Products declined 6 percent to \$582 million, and operating income declined 10 percent to \$127 million. The declines were due to lower export log volumes and margins, and lower timber prices, partially

offset by significantly improved wood products results. In 1996, the New Zealand operations were divided into separate trading and timberlands management organizations that are now reported as distinct lines of business.

Trading and merchandising sales declined 18 percent to \$322 million due to lower North American log trading volume and operating income declined due to weakness in Asian wood markets.

Timberlands management sales of \$196 million, including additional timber sales of \$37 million from New Zealand activity, increased 17 percent from 1995 while operating income declined as lower timber prices in both the Northwest and Southeast regions, resulting from weak export and domestic log markets, offset increased harvest activity in the Northwest.

Wood products sales increased 39 percent in 1996, and operating results improved significantly due to higher lumber prices and volumes, lower raw material costs and improved conversion costs.

Specialty Pulp Products

Sales of \$514 million for the Company's Jesup and Fernandina pulp mills were \$26 million lower than 1995 and operating income of \$57 million declined \$46 million from the prior year due to significantly lower fluff and specialty paper pulp selling prices and unfavorable sales mix. These impacts were partially offset by higher average chemical cellulose prices and improved production costs.

Intersegment

Intersegment sales of \$6 million in 1996 were less than the \$20 million recorded in 1995 due to lower log sales from the Timber and Wood Products segment to the Specialty Pulp Products and Dispositions segments.

Dispositions

Full year sales from the Port Angeles pulp mill of \$88 million were \$34 million below the prior year due to curtailed production as a result of lower market prices. An operating loss, prior to closure charges, of \$10 million was \$12 million worse than the prior year.

During the fourth quarter of 1996, Rayonier recorded a disposition charge of \$79 million after-tax, or \$2.63 per share, primarily related to the planned closure of the Port Angeles pulp mill on February 28, 1997. The pretax charge of \$125 million included a \$77 million loss on disposal of mill assets with a net book value of \$84 million, accruals of \$40 million for severance, relocation, demolition, environmental cleanup and other items associated with the disposition, and \$8 million for loss on disposal of other non-strategic assets. The liquidation of working capital and tax benefits associated with the closure offset cash closure costs. Dismantling began in 1997 and is expected to be substantially completed in 1998.

Other Income/Expense

Interest expense for 1996 decreased \$6 million to \$28 million as a result of lower average debt, lower interest rates and higher capitalized interest.

Rayonier purchases forward exchange contracts to offset the impact of New Zealand/U.S. dollar exchange fluctuations on operating results. The net gain on these contracts, which is included in "Interest and miscellaneous (expense) income, net," was \$6 million in 1996 compared to \$1 million for 1995. In 1996, movement of the New Zealand/U.S. dollar exchange rate had an adverse effect on the Company's New Zealand operating income of \$2 million. The exchange rate increased from 0.65 on January 1, 1996, to 0.71 on December 31, 1996.

A 1995 non-operating gain related to the sale of a 75 percent interest in approximately 9 percent of the Company's New Zealand timber holdings to a timber investment fund. The transaction resulted in a pretax gain of \$35 million, \$24 million after-tax, or 80 cents per share.

Minority interest in the earnings of RTLP decreased \$2 million to \$27 million due to lower Partnership earnings resulting from lower timber prices in both the Southeast and Northwest regions of the U.S., partially offset by volume increases.

Income Taxes

Excluding the tax benefits for the two significant non-cash charges which were booked at statutory rates, the effective tax rate for 1996 was 29.1 percent and reflected the 1996 recognition of a tax asset related to a prior year transaction following resolution of various uncertainties. The 1995 effective tax rate of 31.6 percent reflected the benefits of foreign source income and tax credits on exported pulp sales.

Discontinued Operations

In the fourth quarter of 1996, the Company adopted Statement of Position 96-1 "Environmental Remediation Liabilities" issued by the American Institute of Certified Public Accountants. Adoption of the pronouncement resulted in a cash neutral pretax charge of \$155 million (\$98 million after-tax, or \$3.28 per share). The Company's annual cash flow was not impacted by the adoption of the accounting pronouncement.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities in 1997 was \$253 million, or approximately \$9 per share, up \$17 million from 1996. The favorable change was primarily due to higher net income and reduced working capital requirements. This cash flow financed capital expenditures of \$137 million, dividends of \$35 million and the repurchase of Common Shares of \$48 million.

Cash from operating activities in 1996 increased \$23 million over 1995 levels to \$236 million. Cash from operating activities helped finance capital expenditures of \$187 million, dividends of \$34 million, the repurchase of Common Shares of \$17 million and repayment of borrowings of \$17 million.

The Company's cash tax payments were reduced in 1996 and 1997 as a result of transactions undertaken by the Company to control environmental remediation and monitoring costs, and certain benefits relating to the Port Angeles pulp mill closure.

In 1996, the Company began a Common Share repurchase program to minimize the dilutive effect on earnings per share of its employee incentive stock plans. This program limits the number of shares that may be repurchased each year to the greater of 1.5 percent of the Company's outstanding shares or the number of incentive shares actually issued to employees during the year. In February 1997, the Company announced a one-year increase in the share repurchase program. The Company repurchased 1,123,500 shares at an average cost of \$43.08 for \$48 million as compared to 437,800 shares repurchased in 1996 at an average cost of \$37.74 for \$17 million.

In 1997, EBITDA (defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes and depreciation, depletion and amortization) was \$237 million, or \$8.07 per share, up \$1 million from 1996. In 1996, EBITDA was \$236 million, or \$7.86 per share, compared to \$303 million, or \$10.10 per share, in 1995. Free cash flow (defined as income from continuing operations plus depreciation, depletion and amortization, deferred income taxes and changes in working capital, less custodial capital spending and prior-year dividend levels) increased \$3 million to \$122 million in 1997.

Debt declined \$7 million in 1997 to \$426 million. The year-end debt-to-capital ratio of 40 percent is slightly lower than prior year-end. At December 31, 1995, debt was \$450 million, or 37 percent of capital. The percentage of debt with fixed interest rates was 50 percent as of December 31, 1997 and 1996, and 48 percent in 1995. In addition, at December 31, 1997, the Company had outstanding interest rate swap agreements that effectively converted \$125 million of floating rate obligations to fixed rates ranging from 5.35 to 5.39 percent. The agreements commenced in January 1996 and matured in January 1998. In January 1998, the acquisition of the minority interest in RTLTP for approximately \$66 million increased the debt-to-capital ratio to approximately 44 percent.

The most restrictive long-term debt covenant in effect at December 31, 1997, provided that the ratio of total debt to EBITDA not exceed 4 to 1. As of December 31, 1997, the ratio was 1.9 to 1. In addition, \$361 million of retained earnings was unrestricted as to the payment of dividends.

Capital spending of \$137 million in 1997 included \$34 million for the Company's New Zealand MDF facility (total cost of \$115 million), which was completed in the third quarter, and \$12 million for advanced automation and control systems in the pulp mills. Rayonier expects to invest \$250-\$300 million in capital projects during the two-year period 1998-1999. Capital projects include profit improvement, custodial capital, sawmill modernization, timberlands reforestation and various projects to comply with new environmental laws and requirements. As new environmental regulations are promulgated, additional capital spending may be required to ensure continued compliance with environmental standards. See Environmental Regulation.

The Company has unsecured credit facilities totaling \$300 million, which are used for direct borrowings of \$25 million and as support for \$56 million of outstanding commercial paper. As of December 31, 1997, Rayonier had \$219 million available under its revolving credit facilities. (In January 1998, approximately \$66 million of these facilities was utilized to acquire the minority interest in RTLTP.) In addition, the Company has on file with the Securities and Exchange Commission shelf

registration statements to offer \$100 million of new public debt securities, after the issuance of an additional \$41 million of medium-term notes in February 1998.

The Company believes that internally generated funds, combined with available external financing, will enable Rayonier to fund capital expenditures, share repurchases, working capital and other liquidity needs for the foreseeable future.

ENVIRONMENTAL REGULATION

Rayonier is subject to stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal that, in the opinion of management, will require substantial expenditures over the next 10 years. During 1997, 1996 and 1995 Rayonier spent approximately \$4 million, \$6 million and \$1 million, respectively, for capital projects related to environmental compliance for ongoing operations. During the two-year period 1998-1999, Rayonier expects to spend approximately \$35 million on such capital projects.

During 1997, the Environmental Protection Agency (EPA) finalized its Cluster Rules governing air emissions but, due to the specialty nature of Rayonier's products and operations, postponed finalizing water discharge rules governing the Company's pulp mills. The Company continues to work with the EPA to establish appropriate water discharge rules for the pulp mills, but the timing and costs associated with such rulemaking are uncertain. In the opinion of management, capital costs to be incurred over the next three to five years associated with environmental regulations will not exceed \$30 million at the Fernandina pulp mill and \$50 million at the Jesup pulp mill.

Over the past several years, the harvest of timber from private lands in the state of Washington has been restricted as a result of the listing of the northern spotted owl and the marbled murrelet as threatened species under the Endangered Species Act. These restrictions have caused Rayonier to restructure and reschedule some of its harvest plans. In addition, several runs of salmon are expected to be listed as threatened or endangered within the next year, and rules implemented to protect them. Rayonier and other members of the forest products industry in Washington state are currently engaged in negotiations with regulatory agencies to obtain a predictable plan to protect fish and water. Such efforts are ongoing and, in the opinion of management, will not have a material impact on the Company's consolidated financial position or results of operations.

Dispositions and discontinued operations include Rayonier's Port Angeles, WA, pulp mill which was closed on February 28, 1997; its interest in the Grays Harbor, WA, pulp and paper complex which was closed in 1992; its wholly owned subsidiary, Southern Wood Piedmont Company, which ceased operations in 1986; and other miscellaneous assets held for disposition. Rayonier currently estimates that expenditures for environmental remediation and monitoring costs for all dispositions and discontinued operations during 1998-1999 will total approximately \$29 million. Such costs will be charged against Rayonier's reserves for estimated environmental obligations (including monitoring and remediation costs) to be incurred over the next 25-30 years with respect to dispositions and discontinued operations. At December 31, 1997, these reserves totaled approximately \$199 million. The amount of actual future environmental costs is dependent on the outcome of negotiations with federal and state agencies and may also be affected by new laws, regulations and administrative interpretations, and changes in environmental remediation technology. The Company believes that any future changes in estimates, if necessary, will not materially affect its consolidated financial condition or results of operations.

YEAR 2000 COMPLIANCE

Rayonier believes its information systems will be compliant with year 2000 requirements as a result of normal, planned upgrades, without incurring a material incremental cost.

SAFE HARBOR

Except for the information about past operations and results, the comments in this report are forward-looking and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Changes in the following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements: competitive products and pricing, as well as fluctuations in demand, particularly for specialty fluff pulps and for export and domestic logs and wood products, including MDF; the impact of such market factors on the Company's timber sales in the U.S. and New Zealand; the impact of Asia market conditions on prices and volumes; production costs for specialty pulps, particularly for raw materials and chemicals; governmental policies and regulations affecting the environment, import and export controls and taxes; and interest rate and currency movements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements on Page ii.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by Item 10 with respect to directors is incorporated herein by reference to the definitive proxy statement involving the election of directors filed or to be filed by Rayonier with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K.

The information called for by Item 10 with respect to executive officers is set forth above in Part I under the caption Executive Officers of Rayonier.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference to the definitive proxy statement referred to above in Item 10.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 12 is incorporated herein by reference to the definitive proxy statement referred to above in Item 10.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

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

(a) Documents filed as a part of this report:

1. See Index to Financial Statements on page ii for a list of the financial statements filed as part of this report.
2. See Index to Financial Statement Schedules on page ii for a list of the financial statement schedules filed as a part of this report.
3. See Exhibit Index on pages B, C, D and E for a list of the exhibits filed or incorporated herein as part of this report.

(b) Reports on Form 8-K:

1. Rayonier Inc. filed a Current Report on Form 8-K on January 16, 1998 announcing its election to purchase all of the 5,060,000 outstanding Class A Depositary Units of Rayonier Timberlands, L.P. in January 1998 for a cash purchase price of \$13.00 per unit.

To Our Shareholders

Rayonier management is responsible for the preparation and integrity of the information contained in the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles and, where necessary, include amounts that are based on management's best judgments. Rayonier's system of internal controls includes accounting controls and an internal audit program. This system is designed to provide reasonable assurance that Rayonier's assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, and fraudulent financial reporting is prevented or detected.

Rayonier's internal controls provide for the careful selection and training of personnel and for appropriate divisions of responsibility. The controls are documented in policies, procedures and a written code of conduct that are communicated to Rayonier's employees. Management continually monitors the system of internal controls for compliance. Rayonier's independent public accountants, Arthur Andersen LLP, evaluate and test internal controls as part of their annual audit and make recommendations for improving internal controls. Management takes appropriate action in response to each recommendation. The Board of Directors and the officers of Rayonier monitor the administration of Rayonier's policies and procedures and the preparation of financial reports.

RONALD M. GROSS
Chairman and Chief Executive Officer

GERALD J. POLLACK
Senior Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Rayonier Inc.

We have audited the accompanying consolidated financial statements of Rayonier Inc. (a North Carolina corporation) and subsidiaries as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, as described in the Index to Financial Statements. These financial statements are the responsibility of Rayonier's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rayonier Inc. and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Stamford, Connecticut
January 21, 1998

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

For the Year Ended December 31,
(Thousands of dollars, except per share data)

	1997 -----	1996 -----	1995 -----
SALES	\$ 1,104,228 -----	\$ 1,178,040 -----	\$ 1,260,492 -----
Costs and expenses			
Cost of sales	902,734	981,337	994,982
Selling and general expenses	42,410	39,409	37,043
Other operating (income) expense, net	(7,046)	(1,210)	(5,210)
Provision for dispositions	-- -----	124,587 -----	-- -----
	938,098 -----	1,144,123 -----	1,026,815 -----
OPERATING INCOME	166,130	33,917	233,677
Interest expense	(25,868)	(27,662)	(33,615)
Interest and miscellaneous (expense) income, net	(2,490)	7,762	3,131
Gains from sale of assets	8,395	--	34,763
Minority interest	(25,520) -----	(27,474) -----	(29,897) -----
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	120,647	(13,457)	208,059
Income tax (expense) benefit	(33,328) -----	13,297 -----	(65,711) -----
INCOME (LOSS) FROM CONTINUING OPERATIONS	87,319	(160)	142,348
Provision for discontinued operations, net	-- -----	(98,239) -----	-- -----
NET INCOME (LOSS)	\$ 87,319 =====	\$ (98,399) =====	\$ 142,348 =====
BASIC EPS			
Continuing operations	\$ 3.03	\$ (--)	\$ 4.81
Discontinued operations	-- -----	(3.28) -----	-- -----
Net income (loss)	\$ 3.03 =====	\$ (3.28) =====	\$ 4.81 =====
DILUTED EPS			
Continuing operations	\$ 2.97	\$ (--)	\$ 4.75
Discontinued operations	-- -----	(3.28) -----	-- -----
Net income (loss)	\$ 2.97 =====	\$ (3.28) =====	\$ 4.75 =====

The accompanying Notes to Consolidated Financial Statements are an
integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31,
(Thousands of dollars)

	1997	1996
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	\$ 10,661	\$ 3,432
Accounts receivable, less allowance for doubtful accounts of \$4,481 and \$4,674	115,704	123,435
Inventories	114,148	154,914
Timber purchase agreements	31,758	31,416
Other current assets	13,955	13,223
Deferred income taxes	24,288	23,168
	-----	-----
Total current assets	310,514	349,588
OTHER ASSETS		
	55,791	50,026
TIMBER PURCHASE AGREEMENTS	28,248	23,341
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION	497,110	490,298
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment	1,266,431	1,190,786
Less - accumulated depreciation	562,536	506,308
	-----	-----
	703,895	684,478
	-----	-----
	\$ 1,595,558	\$ 1,597,731
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an
integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31,
(Thousands of dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1997	1996
	-----	-----
CURRENT LIABILITIES		
Accounts payable	\$ 74,269	\$ 87,609
Bank loans and current maturities	4,194	2,243
Accrued taxes	10,973	11,497
Accrued payroll and benefits	18,694	18,340
Accrued interest	6,076	5,154
Other current liabilities	66,085	55,976
Current reserves for dispositions and discontinued operations	26,247	40,003
	-----	-----
Total current liabilities	206,538	220,822
DEFERRED INCOME TAXES	113,442	89,484
LONG-TERM DEBT	421,325	430,667
NON-CURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS	172,615	183,975
OTHER NON-CURRENT LIABILITIES	31,997	30,529
MINORITY INTEREST	16,959	18,864
SHAREHOLDERS' EQUITY		
Common Shares, 60,000,000 shares authorized, 28,283,634 and 29,282,455 shares issued and outstanding	102,175	145,679
Retained earnings	530,507	477,711
	-----	-----
	632,682	623,390
	-----	-----
	\$ 1,595,558	\$ 1,597,731
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an
integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

For the Year Ended December 31,
(Thousands of dollars)

	1997	1996	1995
	-----	-----	-----
OPERATING ACTIVITIES			
Net income (loss)	\$ 87,319	\$ (98,399)	\$ 142,348
Non-cash items included in income			
Depreciation, depletion and amortization	99,309	96,910	95,988
Deferred income taxes	14,045	(80,235)	16,617
Write-off of property, plant and equipment	2,100	94,164	--
Reserve for dispositions and discontinued operations	--	192,623	--
Disposition of New Zealand timber assets	4,634	--	9,440
Increase in other non-current liabilities	1,468	5,325	1,509
Change in accounts receivable, inventories and accounts payable	35,157	2,678	(55,645)
(Increase) decrease in current timber purchase agreements	(342)	16,025	(2,126)
(Increase) decrease in other current assets	(732)	2,189	(2,720)
Increase in accrued liabilities	10,861	9,261	12,156
Reduction in reserves for dispositions	(900)	(5,000)	(4,933)
	-----	-----	-----
CASH FROM OPERATING ACTIVITIES	252,919	235,541	212,634
	-----	-----	-----
INVESTING ACTIVITIES			
Capital expenditures, net of sales and retirements of \$4,691, \$11,544 and \$3,931	(132,272)	(175,200)	(139,395)
Expenditures for dispositions and discontinued operations, net of tax benefits of \$8,793, \$1,185 and \$5,493	(15,423)	(2,049)	(9,352)
Change in timber purchase agreements and other assets	(10,672)	(1,433)	3,232
	-----	-----	-----
CASH USED FOR INVESTING ACTIVITIES	(158,367)	(178,682)	(145,515)
	-----	-----	-----
FINANCING ACTIVITIES			
Issuance of debt	342,226	40,472	35,437
Repayments of debt	(349,617)	(57,298)	(68,923)
Dividends paid	(34,523)	(34,229)	(29,629)
Repurchase of Common Shares	(48,396)	(16,522)	--
Issuance of Common Shares	4,892	3,169	1,451
(Decrease) increase in minority interest	(1,905)	49	(3,701)
	-----	-----	-----
CASH USED FOR FINANCING ACTIVITIES	(87,323)	(64,359)	(65,365)
	-----	-----	-----
CASH AND SHORT-TERM INVESTMENTS			
Increase (decrease) in cash and short-term investments	7,229	(7,500)	1,754
Balance, beginning of year	3,432	10,932	9,178
	-----	-----	-----
Balance, end of year	\$ 10,661	\$ 3,432	\$ 10,932
	=====	=====	=====
Supplemental disclosures of cash flow information Cash paid during			
the year for:			
Interest	\$ 29,951	\$ 30,440	\$ 34,208
	=====	=====	=====
Income taxes	\$ 8,671	\$ 7,462	\$ 41,760
	=====	=====	=====

The accompanying Notes to Consolidated Financial Statements are an
integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands unless otherwise stated)

1. NATURE OF BUSINESS OPERATIONS

Rayonier operates in two major industry segments, Timber and Wood Products and Specialty Pulp Products.

TIMBER AND WOOD PRODUCTS

Rayonier owns, leases or controls approximately 1.5 million acres of timberlands in the U.S. and New Zealand. The Company also purchases and harvests timber and purchases logs, lumber and wood panel products, primarily in North America and New Zealand, for subsequent sale into export markets (primarily Japan, Korea and China), as well as to domestic customers. Rayonier operates three lumber manufacturing facilities in the U.S. that produce dimension and custom lumber products for residential construction and industrial uses, and a medium-density-fiberboard (MDF) facility in New Zealand that produces premium grade MDF sold into Pacific Rim and European markets. The MDF facility began commercial operation on October 1, 1997.

SPECIALTY PULP PRODUCTS

Rayonier is a leading specialty manufacturer of high-grade chemical cellulose, often called dissolving pulp, from which customers produce a wide variety of products, including textiles, industrial and filtration fibers, plastics and other chemical intermediate products. Rayonier also manufactures fluff pulps that customers use to produce diapers and other sanitary products, and specialty paper pulps used in the manufacture of products such as filters and decorative laminates. With the closure of the Port Angeles, WA, pulp mill on February 28, 1997, the Company now operates two pulp mills in the U.S. at Jesup, GA, and Fernandina Beach, FL, with an aggregate annual capacity of 700,000 metric tons. Over half of Rayonier's pulp production is sold to export customers, primarily in Europe and Asia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Rayonier and its subsidiaries. Minority interest represents public unitholders' proportionate share of the partners' capital of Rayonier's consolidated subsidiary, Rayonier Timberlands, L.P. (RTLPL). All significant intercompany balances and transactions are eliminated.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain estimates by management (e.g., useful economic lives of assets) in determining the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments include cash, time deposits and readily marketable debt securities with maturities at date of acquisition of three months or less.

INVENTORIES

Inventories are valued at the lower of cost or market. The cost of manufactured pulp and MDF products is determined on the first-in, first-out (FIFO) basis. Other products are generally valued on an average cost basis. Inventory costs include material, labor and manufacturing overhead. Physical counts of inventories are made at least annually. Potential losses from obsolete, excess or slow-moving inventories are provided currently.

TIMBER PURCHASE AGREEMENTS AND TIMBER-CUTTING CONTRACTS

Rayonier purchases timber for use in its log trading, pulp and wood products businesses. The purchases are classified as current for timber expected to be harvested within one year of the balance sheet date. The remainder is classified as a non-current asset.

Rayonier evaluates the realizability of timber purchases and timber-cutting contracts based on the estimated aggregate cost of such harvests and the sales values to be realized. Losses are recorded in the period that a determination is made that the aggregate harvest costs in a major operating area will not be fully recoverable.

TIMBER AND TIMBERLANDS

The acquisition cost of land, timber, real estate taxes, lease payments, site preparation and other costs relating to the planting and growing of timber are capitalized. Such accumulated costs attributed to merchantable timber are charged against revenue at the time the timber is harvested based on the relationship of harvested timber to the estimated volume of currently merchantable timber. Timber and timberlands are stated at the lower of original cost, net of timber cost depletion, or market value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment additions are recorded at cost, which includes applicable freight, taxes, interest, construction and installation costs. Interest capitalized in connection with major construction projects, primarily the New Zealand MDF facility, amounted to \$5,005, \$2,664, and \$1,346 during 1997, 1996 and 1995, respectively. Upon ordinary retirement or sale of property, accumulated depreciation is charged with the cost of the property removed and credited with the proceeds of salvage value, with no gain or loss recognized. Gains and losses with respect to any significant and unusual retirements of assets are included in operating income.

DEPRECIATION

Pulp and MDF manufacturing facilities are generally depreciated using the units of production method. Depreciation on buildings and other equipment is provided on a straight-line basis over the useful economic lives of the assets involved. Rayonier normally claims the maximum depreciation deduction allowable for tax purposes.

RESEARCH AND DEVELOPMENT

Significant costs are incurred for research and development programs expected to contribute to the profitability of future operations. Such costs are expensed as incurred. Research and development expenditures amounted to \$9,656, \$11,000, and \$8,442 in 1997, 1996 and 1995, respectively.

INCOME TAXES

Income taxes on foreign operations are provided based upon the statutory tax rates of the applicable foreign country. Additional U.S. income taxes have not been provided on approximately \$82 million of undistributed foreign earnings as the Company intends to permanently reinvest such earnings in expanding foreign operations.

FOREIGN CURRENCY TRANSLATION

For significant foreign operations, including Rayonier's New Zealand-based operations, the U.S. dollar is the functional currency. Monetary assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates. Non-monetary assets such as inventories, timber and property, plant and equipment are translated at historical exchange rates. Income and expense items are translated at average exchange rates prevailing during the year, except that inventories, depletion and depreciation charged to operations are translated at historical rates. Exchange gains and losses arising from translation are recognized currently in "Other operating (income) expense, net."

EARNINGS (LOSS) PER COMMON SHARE

In 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share" and restated earnings per share reported in all prior periods to conform with current requirements.

The following table provides details of the calculation of basic and diluted EPS for 1997, 1996 and 1995.

	1997 -----	1996 -----	1995 -----
Income (loss) from continuing operations	\$ 87,319 =====	\$ (160) =====	\$ 142,348 =====
Shares used for determining basic EPS	28,820,115	29,978,012	29,624,049
Dilutive effect of:			
Stock options	389,131	*	175,834
Contingent shares	221,250	*	183,000
Shares used for determining diluted EPS	29,430,496 =====	29,978,012 =====	29,982,883 =====
Basic EPS-continuing operations	\$ 3.03 =====	\$ (--) =====	\$ 4.81 =====
Diluted EPS-continuing operations	\$ 2.97 =====	\$ (--) =====	\$ 4.75 =====

* Outstanding stock options and contingent shares would be antidilutive in 1996 and therefore were excluded.

3. SUBSEQUENT EVENT (RAYONIER TIMBERLANDS, L.P.)

In 1985, Rayonier transferred substantially all of its U.S. timberlands business to Rayonier Timberlands, L.P., a master limited partnership, in exchange for 20 million Class A and 20 million Class B Depository Units. Thereafter, Rayonier offered and sold 5.06 million Class A Units (25.3 percent) to the public. Class A Units participate principally in the revenues and costs associated with RTLP's sales of timber through the Initial Term, that will end on December 31, 2000, and to a significantly lesser extent in subsequent periods.

In January 1998, Rayonier exercised its right to acquire all of the publicly traded Class A Units for a cash purchase price of \$13.00 per unit. The acquisition will be accounted for under the purchase method and was financed by the utilization of existing credit facilities.

RTLP is included in the consolidated financial statements. The following table summarizes the sales and operating income of RTLP, for the three years ended December 31, 1997, by region.

	1997 ----	1996 ----	1995 ----
SALES			
Northwest U.S.	\$ 80,570	\$ 91,691	\$ 95,168
Southeast U.S.	58,555	56,215	65,100
	----- \$ 139,125 =====	----- \$ 147,906 =====	----- \$ 160,268 =====
OPERATING INCOME			
Northwest U.S.	\$ 58,970	\$ 68,083	\$ 73,393
Southeast U.S.	46,440	44,849	51,693
Corporate and other	(1,711)	(1,715)	(1,778)
	----- \$ 103,699 =====	----- \$ 111,217 =====	----- \$ 123,308 =====

4. INCOME TAXES

The provision for income taxes consists of the following:

	1997	1996	1995
	-----	-----	-----
CURRENT			
U.S. federal	\$ 6,531	\$ 5,446	\$ 36,564
State and local	1,292	2,290	2,779
Foreign	1,709	1,596	4,258
	-----	-----	-----
	9,532	9,332	43,601
	-----	-----	-----
DEFERRED			
U.S. federal	24,652	(70,108)	12,386
State and local	540	(6,469)	1,081
Foreign	(1,396)	(2,813)	8,643
	-----	-----	-----
	23,796	(79,390)	22,110
	-----	-----	-----
	\$ 33,328	\$ (70,058)	\$ 65,711
	=====	=====	=====

Deferred income taxes represent the tax effects related to recording revenues and expenses in different periods for financial reporting and tax return purposes. Deferred tax assets (liabilities) at December 31, 1997 and 1996 were related to the following principal timing differences:

	1997	1996
	-----	-----
Accelerated depreciation and depletion	\$ (133,521)	\$ (130,586)
Reserves for dispositions and discontinued operations	39,907	69,601
All other, net	4,460	(5,331)
	-----	-----
	\$ (89,154)	\$ (66,316)
	=====	=====

A reconciliation of the income tax provision at the U.S. statutory rate to the reported income tax provision follows:

	1997	1996	1996*	1995
	-----	-----	-----	-----
Income tax provision at U.S. statutory rate	\$ 42,226	\$ (58,960)	\$ 38,896	\$ 72,821
State and local taxes, net of federal tax benefit	1,191	(2,716)	1,806	2,509
Foreign operations	(5,647)	(4,988)	(4,988)	(4,697)
Foreign sales corporations	(2,200)	(2,391)	(2,391)	(3,816)
Research and development tax credits	(1,675)	--	--	--
All other, net	(567)	(1,003)	(1,003)	(1,106)
	-----	-----	-----	-----
Provision for income taxes - reported	\$ 33,328	\$ (70,058)	\$ 32,320	\$ 65,711
	=====	=====	=====	=====
Effective tax rate - %	27.6	(41.6)	29.1	31.6

* Excludes the tax benefits of \$102 million for the two significant non-cash charges in 1996.

5. INVENTORIES

Rayonier's inventories included the following at December 31, 1997 and 1996:

	1997	1996
	-----	-----
Finished goods	\$ 51,398	\$ 68,441
Work in process	17,491	20,128
Raw materials	19,740	39,650
Manufacturing and maintenance supplies	25,519	26,695
	-----	-----
	\$ 114,148	\$ 154,914
	=====	=====

6. RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS

Dispositions and discontinued operations include Rayonier's Port Angeles, WA, pulp mill, which was closed on February 28, 1997; its interest in the Grays Harbor, WA, pulp and paper complex which was closed in 1992; its wholly owned subsidiary, Southern Wood Piedmont Company, which ceased operations in 1986; and other miscellaneous assets held for disposition.

In the fourth quarter of 1996, Rayonier recorded a disposition charge of \$79 million after-tax, or \$2.63 per share, primarily related to the closure of the Port Angeles pulp mill. The Company concluded that the mill was not competitive in world markets because of long-term high wood costs due to federal environmental restrictions on Northwest timber harvests, viscose pulp capacity additions in lower cost regions of the world and anticipated large expenditures for new environmental regulations. The \$125 million pretax charge included a \$77 million loss on disposal of mill assets with a net book value of \$84 million, accruals of \$40 million for severance, relocation, demolition, environmental cleanup and other items associated with the disposition, and \$8 million for loss on disposal of other non-strategic assets. Dismantling and demolition of the mill began in 1997 and is expected to be substantially completed in 1998. During 1997, Port Angeles pulp product sales contributed \$3 million to operating income.

In the fourth quarter of 1996, the Company also adopted Statement of Position 96-1 "Environmental Remediation Liabilities" issued by the American Institute of Certified Public Accountants. The statement specifically identified future, long-term monitoring and administration expenditures as remediation liabilities that need to be accrued on the balance sheet as an existing obligation. Adoption of the pronouncement resulted in a cash neutral pretax charge of \$155 million, \$98 million after-tax, or \$3.28 per share. Although the Company had already accrued for cleanup and closure remediation liabilities associated with its Southern Wood Piedmont Company (SWP) wood treating business (discontinued in 1986), the cash expenditures for monitoring and administration activities of approximately \$4 million pretax, or 8 cents per share, had been expensed as incurred in 1995 and 1996. These monitoring costs are expected to continue on an annual basis, plus inflation, for approximately 25-30 years as mandated by state and federal regulations. The Company's annual cash flow was not impacted by adoption of the accounting pronouncement.

As of December 31, 1997 and 1996, Rayonier had \$11.5 million of receivables from insurance claims included in "Other assets." Such receivables represent the Company's claim for reimbursements in connection with property damage settlements relating to SWP's discontinued wood preserving operations.

Rayonier currently estimates that expenditures during 1998-1999 for environmental remediation and monitoring costs for all dispositions and discontinued operations will total approximately \$29 million. Such costs will be charged against Rayonier's reserves for estimated environmental obligations (including monitoring and remediation costs) to be incurred over the next 25-30 years with respect to dispositions and discontinued operations. At December 31, 1997, these reserves totaled approximately \$199 million. The amount of actual future environmental costs is dependent on the outcome of negotiations with federal and state agencies and may also be affected by new laws, regulations and administrative interpretations, and changes in environmental remediation technology. The Company believes that any future changes in estimates, if necessary, will not materially affect its consolidated financial condition or results of operations.

7. GAINS FROM SALE OF ASSETS

From time to time Rayonier opportunistically sells non-strategic assets to maximize value from its asset mix. In December 1997, the Company sold a 75 percent interest in approximately 6 percent of its timber holdings in New Zealand to a timber investment fund advised by UBS Resource Investments Int'l. Rayonier acquired a 25 percent interest in two forests owned by the investment fund. Rayonier received net cash proceeds of \$11.7 million and recorded a pretax gain of \$8.4 million, \$5.6 million after-tax, or 19 cents per share. In September 1995, the Company sold a 75 percent interest in approximately 9 percent of its New Zealand timber holdings to the timber investment fund as part of a similar joint venture with the Company. The transaction resulted in a pretax gain of \$34.8 million, \$23.9 million after-tax, or 80 cents per share. Rayonier has marketing and management responsibilities for both joint ventures.

8. DEBT

Rayonier's debt included the following at December 31, 1997 and 1996:

	1997	1996
	-----	-----
Short-term bank loans at a weighted average rate of 6.37%	\$ 123,352	\$ 15,514
Commercial paper at discount rates of 6.00% to 6.13%	56,000	135,000
Medium-term note due 1998 at a variable interest rate of 6.2%	33,000	67,000
Medium-term notes due 1998-1999 at fixed interest rates of 5.84% to 6.16%	16,000	16,000
7.5% notes due 2002	110,000	110,000
Pollution control and industrial revenue bonds due 1998-2015 at fixed interest rates of 5.2% to 8.0%	86,830	88,910
All other	337	486
	-----	-----
Total debt	425,519	432,910
Less:		
Short-term bank loans	1,852	14
Current maturities	2,342	2,229
	-----	-----
Long-term debt	\$ 421,325	\$ 430,667
	=====	=====

Rayonier has revolving credit agreements with a group of banks that provide the Company with unsecured credit facilities totaling \$300 million and expiring in 2002. The revolving credit facilities are used for direct borrowings and as credit support for a commercial paper program. As of December 31, 1997, the Company had \$56 million of outstanding commercial paper, \$25 million of direct borrowings and \$219 million of available borrowings under its revolving credit facilities.

On March 29, 1994, the Company filed a shelf registration statement with the Securities and Exchange Commission on Form S-3 covering \$150 million of new debt securities. The registration statement also served as a post-effective amendment to a 1992 registration statement, which, as amended, permitted Rayonier to offer up to \$174 million of medium-term notes. On August 18, 1994, Rayonier issued \$100 million of variable rate medium-term notes. An additional \$33 million of medium-term notes were issued in 1995 to replace maturing notes. The note outstanding as of December 31, 1997, matures in 1998 and bears interest at a variable rate of three-month LIBOR plus 0.29 percent. In addition, through currently effective shelf registration statements filed with the Securities and Exchange Commission, Rayonier may offer up to \$141 million of new public debt securities.

Required repayments of debt are as follows:

1998	\$ 4,194
1999	17,475
2000	2,420
2001	2,185
2002	323,810
2003-2015	75,435

	\$ 425,519
	=====

Medium-term notes, commercial paper and short-term bank loans totaling \$211.5 million are classified as long-term debt because the Company has the ability and intends to refinance such maturities through continued short-term borrowings, available committed credit facilities or long-term borrowings. The most restrictive long-term debt covenant in effect at December 31, 1997, provided that the ratio of total debt to EBITDA not exceed 4 to 1. As of December 31, 1997, the ratio was 1.9 to 1. In addition, \$361 million of retained earnings was unrestricted as to the payment of dividends.

9. FINANCIAL INSTRUMENTS

INTEREST RATE SWAPS

Rayonier uses interest rate swap agreements to manage exposure to interest rate fluctuations. Outstanding agreements involve the exchange of floating rate interest payments for fixed rate interest payments over the life of the agreement without the exchange of any underlying principal amounts. Rayonier's credit exposure is limited to the fair value of the agreements, and the Company only enters into agreements with highly rated counterparties. The Company does not enter into interest rate swap agreements for trading or speculative purposes and matches the terms and contract notional amounts to existing debt or debt expected to be refinanced. The net amounts paid or received under interest rate swap agreements are recognized as an adjustment to interest expense.

At December 31, 1997, the Company had interest rate swap agreements with a total notional value of \$125 million, expiring January 2, 1998. The agreements effectively convert floating rate obligations to fixed rates ranging from 5.35 to 5.39 percent. The Company has another interest rate swap agreement with a total notional value of \$50 million effective for the period January 2, 1998, through December 31, 1998, and fixing rates at 6.45 percent. If the Company were to terminate its existing interest rate swap agreements, any resulting gain or loss would be deferred and recognized over the remaining life of the related debt.

FOREIGN CURRENCY CONTRACTS

Rayonier enters into forward exchange contracts to help mitigate the adverse impact of foreign currency fluctuations on the Company's New Zealand net currency exposure. Rayonier's forward contracts are intended to cover anticipated operating needs and therefore do not "hedge" firm contracts or commitments in accordance with SFAS No. 52, "Foreign Currency Translation." As a result, the gains and losses on these contracts are included in "Interest and miscellaneous (expense) income, net" based on mark-to-market values at reporting dates. In 1997, the maximum foreign currency contracts outstanding at any point in time totaled \$32,561. At December 31, 1997, the Company held foreign currency contracts maturing through November 1998 totaling \$23,605.

COMMODITY FORWARDS

The Company periodically enters into commodity forwards to fix certain raw material and energy costs. This practice effectively eliminates the risk of a change in product margins resulting from an increase or decrease in fuel oil costs. The Company does not enter into commodity forwards for trading or speculative purposes. The net amounts paid or received under the agreements are recognized as an adjustment to fuel oil expense. There were no contracts outstanding at December 31, 1997.

FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 1997 and 1996, the estimated fair values of Rayonier's financial instruments were as follows:

	1997		1996	
	Carrying Amount -----	Fair Value -----	Carrying Amount -----	Fair Value -----
Cash and short-term investments	\$ 10,661	\$ 10,661	\$ 3,432	\$ 3,432
Debt	425,519	438,310	432,910	440,195
Foreign currency contracts	(2,365)	(2,365)	1,504	1,504
Interest rate swap agreements	-	(287)	-	428

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

Cash and Short-Term Investments - The carrying amount is equal to fair market value.

Debt - The Company's short-term bank loans and floating rate debt approximate fair value. The fair value of fixed rate long-term debt is based upon quoted market prices for these or similar issues, or rates currently available to the Company for debt with similar terms and maturities.

Foreign Currency Contracts - The fair value of foreign currency contracts is based on dealer-quoted market prices of comparable instruments. The contracts are reported at mark-to-market values if not considered a hedge for accounting purposes.

Interest Rate Swap Agreements - The fair value of interest rate swap agreements is based upon the estimated cost to terminate the agreements, taking into account current interest rates and creditworthiness of the counterparties.

10. SHAREHOLDERS' EQUITY

An analysis of activity in shareholders' equity for the three years ended December 31, 1997 follows:

	Common Shares		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		
BALANCE, JANUARY 1, 1995	29,574,807	\$ 157,581	\$ 497,620	\$ 655,201
Net income	-	-	142,348	142,348
Dividends paid	-	-	(29,629)	(29,629)
Incentive stock plans	78,471	1,451	-	1,451
BALANCE, DECEMBER 31, 1995	29,653,278	159,032	610,339	769,371
Net loss	-	-	(98,399)	(98,399)
Dividends paid	-	-	(34,229)	(34,229)
Incentive stock plans	66,977	3,169	-	3,169
Repurchase of Common Shares	(437,800)	(16,522)	-	(16,522)
BALANCE, DECEMBER 31, 1996	29,282,455	145,679	477,711	623,390
Net Income	-	-	87,319	87,319
Dividends paid	-	-	(34,523)	(34,523)
Incentive stock plans	124,679	4,892	-	4,892
Repurchase of Common Shares	(1,123,500)	(48,396)	-	(48,396)
BALANCE, DECEMBER 31, 1997	28,283,634	\$ 102,175	\$ 530,507	\$ 632,682

11. INCENTIVE STOCK PLANS

The 1994 Rayonier Incentive Stock Plan (the 1994 Plan) provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, performance shares and restricted stock, subject to certain limitations. Under the 1994 Plan, the Company may grant options to its employees for up to 4.5 million Common Shares. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Options vest in one-third increments over a three-year period starting from the date of grant.

Restricted stock granted under the 1994 Plan vests after three years. During 1997, 1996 and 1995, 2,000, 27,500 and 6,000 restricted shares were granted with grant-date fair values of \$38.13, \$33.38 and \$30.00 for 1997, 1996 and 1995, respectively.

In 1997, 1996 and 1995, 93,000, 48,000 and 82,500 Common Shares, respectively, were reserved for contingent performance shares. The actual number of performance shares to be issued is contingent upon the Company's total shareholder return, as defined, compared with a competitive peer group of 12 companies within the forest products industry over a three-year period. The grant-date fair values of the 1997, 1996 and 1995 performance shares were \$38.13, \$33.38 and \$30.00 respectively.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" to account for its stock plans. The compensation cost recognized was \$3,904, \$3,737 and \$2,338 in 1997, 1996 and 1995, respectively. Under SFAS No. 123 "Accounting for Stock Based Compensation," net income (loss) and earnings (loss) per share would have been reduced (increased) by \$1,431 or 5 cents per share, \$1,008 or 3 cents per share and \$522 or 2 cents per share for 1997, 1996 and 1995, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1997, 1996, and 1995, respectively: dividend yield of 3.0 percent for 1997 and 3.1 percent for 1996 and 1995; expected volatility of 22.5 percent for all years; risk-free interest rates of 6.3 percent, 5.6 percent and 7.9 percent; and an expected life of 7.5 years for all years. The weighted average fair value of options granted during the year was \$10.46, \$8.39 and \$9.20 for 1997, 1996 and 1995, respectively.

A summary of the status of the Company's stock option plans as of December 31, 1997, 1996 and 1995, and changes during the years then ended is presented below:

	1997		1996		1995	
	Number of Shares	Weighted Average Exercisable Price	Number of Shares	Weighted Average Exercisable Price	Number of Shares	Weighted Average Exercisable Price
Options outstanding at beginning of year	1,268,288	\$29.99	974,614	\$28.64	721,019	\$27.14
Granted - 1994 Incentive Stock Plan	370,500	\$38.34	355,000	\$33.53	346,000	\$30.03
Exercised	(80,345)	\$28.24	(39,477)	\$27.79	(72,471)	\$20.02
Canceled	(6,832)	\$36.01	(21,849)	\$31.38	(19,934)	\$29.72
Outstanding at end of year	1,551,611	\$32.05	1,268,288	\$29.99	974,614	\$28.64
Options exercisable at year-end	857,833	\$29.23	596,001	\$28.13	264,140	\$25.14

The following table summarizes information about stock options outstanding at December 31, 1997:

Range of Exercise Prices	Options Outstanding		Options Exercisable at 12/31/97	Weighted Average Exercise Price
	Number Outstanding at 12/31/97	Weighted Average Remaining Contractual Life		
\$16.57 - \$19.72	90,322	2.9 years	90,322	\$18.47
\$28.88 - \$31.35	752,589	6.5 years	647,783	\$29.93
\$33.38 - \$48.56	708,700	8.5 years	119,728	\$33.35

12. EMPLOYEE BENEFIT PLANS

Employee benefit plan liabilities are estimated 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 these estimates to change.

Pension Plans

Rayonier has pension plans covering substantially all of its employees. The cost is borne by Rayonier. Certain plans are subject to union negotiation. The following table sets forth net periodic pension cost of Rayonier plans and total pension expense for the three years ended December 31:

	1997	1996	1995
Defined Benefit Plans			
Service cost	\$ 4,871	\$ 5,136	\$ 4,022
Interest cost	7,461	7,311	6,348
Return on assets	(21,788)	(14,254)	(23,105)
Net amortization and deferral	13,580	6,672	15,463
Net periodic pension cost of Rayonier plans	4,124	4,865	2,728
Other Pension Cost			
Defined contribution plans	2,437	2,326	1,872
Total pension expense	\$ 6,561	\$ 7,191	\$ 4,600

The following table sets forth the funded status of the Rayonier pension plans, the amounts recognized in the balance sheets of the Company at December 31, 1997 and 1996 and the principal weighted-average assumptions inherent in their determination:

	1997 -----	1996 -----
Actuarial Present Value of Benefit Obligations		
Vested benefits	\$ 101,488	\$ 94,878
	=====	=====
Accumulated benefits	\$ 107,851	\$ 101,064
	=====	=====
Projected benefits	\$ 113,407	\$ 105,899
Plan assets at fair value	119,862	110,397
	-----	-----
Plan assets in excess of projected benefits	6,455	4,498
Unrecognized net gain	(5,167)	(6,532)
Unrecognized past service cost	11,618	12,851
Curtailment effects and termination benefits	(2,952)	-
Unrecognized net assets	(3,505)	(4,369)
	-----	-----
Prepaid pension asset	\$ 6,449	\$ 6,448
	=====	=====
Actuarial Assumptions (%)		
Discount rate	7.00	7.50
Rate of return on invested assets	9.75	9.75
Salary increase assumption	5.00	5.00

The table for 1997 reflects the costs of curtailment and special termination benefits of an hourly Rayonier pension plan as a result of the closure of the Port Angeles pulp mill. See Note 6. The costs of \$2,952 were recorded as part of the 1996 charge of \$125 million primarily related to the Port Angeles pulp mill closure and were accounted for in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits."

Postretirement Health and Life

Rayonier provides health care and life insurance benefits for certain employees upon retirement. The following table sets forth postretirement health care and life insurance benefits expense for the three years ended December 31:

	1997 -----	1996 -----	1995 -----
Service cost	\$ 407	\$ 429	\$ 598
Interest cost	1,305	1,254	1,847
Net amortization and deferral	138	(289)	319
	-----	-----	-----
Net periodic expense of Rayonier plans	1,850	1,394	2,764
Multi-employer plans	592	393	-
	-----	-----	-----
Total postretirement benefits expense	\$ 2,442	\$ 1,787	\$ 2,764
	=====	=====	=====

The following table sets forth the status of the Rayonier postretirement benefit plans other than pensions, the amounts recognized in the balance sheets of the Company at December 31, 1997 and 1996 and the principal weighted-average assumptions inherent in their determination:

	1997 -----	1996 -----
Accumulated postretirement benefit obligation	\$ 20,405	\$ 17,915
Unrecognized net loss	(10,424)	(9,328)
Unrecognized prior service cost	3,951	8,482
	-----	-----
Liability recognized in the balance sheet	\$ 13,932	\$ 17,069
	=====	=====
Actuarial Assumptions (%)		
Discount rate	7.00	7.50
Ultimate health care trend rate	5.00	5.00

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) was 8 percent for 1997, decreasing ratably to 5 percent in the year 2001. Increasing the table of health care trend rates by one percentage point per year would have the effect of increasing the accumulated postretirement benefit obligation by \$567 and the annual expense by \$45.

13. COMMITMENTS

The Company leases certain buildings, machinery and equipment under various operating leases. As of December 31, 1997, minimum rental commitments under operating leases are \$5,704, \$5,085, \$4,619, \$9,959 and \$1,746 for 1998, 1999, 2000, 2001 and 2002, respectively. For the remaining years, such commitments amount to \$3,848, aggregating total minimum lease payments of \$30,961. Total rental expense for operating leases amounted to \$7,545, \$5,609, and \$7,373 in 1997, 1996 and 1995, respectively. Additionally, the Company has indirectly guaranteed approximately \$23.6 million of debt that is secured by equipment used by its vendors to provide products to the Company.

14. CONTINGENCIES

From time to time, Rayonier may become liable with respect to pending and threatened litigation and environmental and other matters.

Legal Proceedings

Rayonier has been designated a potentially responsible party, or has had other claims made against it, under the U.S. Comprehensive Environmental Response, Compensation and Liability Act and/or comparable state statutes at eight sites, all of which relate to operations classified under "Dispositions and Discontinued Operations." Rayonier is a de minimis participant in proceedings involving two of these sites. In addition, the Company is negotiating consent orders with state environmental agencies for environmental remediation at two additional sites. Rayonier believes that an appropriate provision for remediation costs at these sites is included in its reserves for estimated environmental obligations with respect to dispositions and discontinued operations. See Note 6.

In addition, there are various lawsuits pending against or affecting Rayonier and its subsidiaries, some of which involve claims for substantial sums, but whose outcomes are not expected to materially impact the Company's consolidated financial position or results of operations. In particular, Rayonier is one of two defendants in an action seeking indemnity for \$57 million in damages incurred as the result of a fire and explosion at a storage facility where a Rayonier pulp manufacturing by-product was stored. Rayonier is vigorously defending the action, believes that its defenses are meritorious and based on advice of counsel, believes that its liability, if any, will not be material and will be covered by its product liability insurance.

Environmental Matters

Rayonier is subject to stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal that, in the opinion of management, will require substantial expenditures over the next ten years. During 1997, the EPA finalized its Cluster Rules governing air emissions but, due to the specialty nature of Rayonier's products and operations, postponed finalizing water discharge rules governing the Company's pulp mills. The Company continues to work with the EPA to establish appropriate water discharge rules for the pulp mills, but the timing and costs associated with such rulemaking is uncertain. In the opinion of management, future capital costs associated with existing environmental rules will not have a material impact on the Company's consolidated financial position or results of operations.

Over the past several years, the Company has worked with the state of Washington to implement protective measures with respect to several endangered species. The effect has been to restrict harvesting in various habitats on Company land. Such efforts are ongoing and, in the opinion of management, will not have a material impact on the Company's consolidated financial position or results of operations.

15. SEGMENT INFORMATION

Please refer to "Item 7 - Segment Information" where information regarding business segment sales and operating income is provided. Additional segment information for the three years ended December 31 follows (millions of dollars):

	GROSS PLANT ADDITIONS			DEPRECIATION, DEPLETION AND AMORTIZATION			IDENTIFIABLE ASSETS		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
Timber and Wood Products	\$ 75	\$ 109	\$ 72	\$ 31	\$ 28	\$ 26	\$ 828	\$ 797	\$ 737
Specialty Pulp Products	61	71	65	66	60	59	691	703	708
Corporate and other	1	1	3	1	--	1	46	49	49
Dispositions	--	6	3	1	9	10	31	49	154
Total	\$ 137	\$ 187	\$ 143	\$ 99	\$ 97	\$ 96	\$1,596	\$1,598	\$1,648

Custodial capital spending was \$72 million, \$83 million and \$72 million in 1997, 1996 and 1995, respectively. Custodial capital spending is defined as capital expenditures to maintain current earnings level over the cycle and to keep facilities and equipment in safe and reliable condition, and in compliance with regulatory requirements.

GEOGRAPHICAL OPERATING INFORMATION

Information by geographical operating area for the three years ended December 31 follows (millions of dollars):

OPERATING LOCATION	SALES			OPERATING INCOME			IDENTIFIABLE ASSETS		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
United States	\$ 992	\$1,059	\$1,126	\$ 163	\$ 32	\$ 222	\$1,222	\$1,275	\$1,393
New Zealand	90	96	106	8	5	13	357	301	237
All other	22	23	28	(5)	(3)	(1)	17	22	18
Total	\$1,104	\$1,178	\$1,260	\$ 166	\$ 34	\$ 234	\$1,596	\$1,598	\$1,648

EXPORT SALES

Sales of products produced in various countries for export to other countries consisted of the following (millions of dollars):

OPERATING LOCATION	SALES DESTINATION	1997		1996		1995	
		\$	%	\$	%	\$	%
United States	Asia Pacific	\$ 227	46	\$327	54	\$ 368	53
	Western Europe	127	26	138	23	146	21
	All other	77	15	78	12	102	15
		431	87	543	89	616	89
New Zealand	Asia Pacific	46	9	47	8	61	9
	United States	5	1	4	--	3	--
		51	10	51	8	64	9
All other	Primarily Asia Pacific	17	3	13	3	14	2
Total		\$ 499	100	\$607	100	\$ 694	100

16. NEW ZEALAND - FOREIGN CURRENCY EXPOSURE AND RISK MANAGEMENT

Rayonier's New Zealand operations generate approximately 8 percent of the Company's sales. A significant portion of the revenue from Rayonier's New Zealand operations is in U.S. dollars or significantly affected by the New Zealand dollar/U.S. dollar exchange rate. However, most of its cash operating costs are incurred in New Zealand dollars with New Zealand dollar expenses exceeding New Zealand dollar revenues. The Company believes that it has been able to mitigate most of the effect of exchange rate fluctuations of the New Zealand dollar through risk management activities thereby normalizing the contribution of its New Zealand operations toward what it would have been without exchange rate movements. The Company

plans to continue this program but will continue to limit its mark-to-market exposure so as not to have a material effect on EPS if exchange rates move rapidly.

The following summarizes the contribution to Rayonier's earnings from New Zealand operations after consideration of foreign exchange effects (millions of dollars):

	1997 ----	1996 ----	1995 ----
Operating income on a 1995 exchange rate basis	\$ 5	\$ 7	\$ 13
Effect of exchange rate changes	3	(2)	--
	----	----	----
Operating income as reported	8	5	13
Gain (loss) from foreign exchange contracts	(3)	6	1
	----	----	----
Contribution from New Zealand operations	\$ 5 =====	\$ 11 =====	\$ 14 =====

17. QUARTERLY RESULTS FOR 1997 AND 1996 (UNAUDITED)
(thousands of dollars, except per share amounts)

	Quarter Ended				Total Year
	March 31	June 30	Sept. 30	Dec. 31	
1997					
Sales	\$ 260,138	\$ 290,073	\$ 266,853	\$ 287,164	\$ 1,104,228
Operating income	40,473	41,075	41,894	42,688	166,130
Net income	18,396	19,761	23,241	25,921	87,319
Basic EPS	.63	.68	.81	.91	3.03
Diluted EPS	.62	.67	.79	.89	2.97
1996					
Sales	\$ 293,980	\$ 296,667	\$ 285,104	\$ 302,289	\$ 1,178,040
Operating income (loss)	59,892	32,949	31,049	(89,973) a	33,917
Net income (loss)	31,477	15,404	15,568	(160,848) b	(98,399)
Basic EPS	1.06	.52	.53	(5.39) b	(3.28)
Diluted EPS	1.05	.51	.52	(5.39) b	(3.28)

a Includes a pretax charge of \$125 million for dispositions, primarily for the closure of the Port Angeles pulp mill. See Note 6.

b Includes a charge of \$79 million after-tax, or \$2.63 per share, primarily for the closure of the Port Angeles pulp mill and a charge of \$98 million after-tax, or \$3.28 per share, to implement AICPA Statement of Position 96-1 related to future environmental monitoring costs. See Note 6.

SIGNATURES

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

RAYONIER INC.

By KENNETH P. JANETTE

 Kenneth P. Janette
 Vice President and Corporate Controller

March 20, 1998

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

SIGNATURE -----	TITLE -----	DATE -----
* ----- Ronald M. Gross (Principal Executive Officer)	Chairman of the Board, Chief Executive Officer and Director	
GERALD J. POLLACK ----- Gerald J. Pollack (Principal Financial Officer)	Senior Vice President and Chief Financial Officer	March 20, 1998
KENNETH P. JANETTE ----- Kenneth P. Janette (Principal Accounting Officer)	Vice President and Corporate Controller	March 20, 1998
* ----- W. Lee Nutter	President, Chief Operating Officer and Director	
* ----- Rand V. Araskog	Director	
* ----- Donald W. Griffin	Director	
* ----- Paul G. Kirk, Jr.	Director	
* ----- Katherine D. Ortega	Director	
* ----- Burnell R. Roberts	Director	
* ----- Carl S. Sloane	Director	
* ----- Nicholas L. Trivisonno	Director	
* ----- Gordon I. Ulmer	Director	
*By GERALD J. POLLACK ----- Attorney-In-Fact		March 20, 1998

EXHIBIT INDEX

Exhibit No. -----	Description -----	Location -----
2.1	Distribution agreement between ITT Corporation and Rayonier Inc.	Incorporated by reference to Exhibit 2.1 to the Registrant's December 31, 1993 Form 10-K
3.1	Amended and Restated Articles of Incorporation	Incorporated by reference to Exhibit 4(a) to the Registrant's Registration Statement on Form S-8 (Registration No. 33-52437)
3.2	By-Laws	Incorporated by reference to Exhibit 3.2 to the Registrant's December 31, 1995 Form 10-K
4.1	Indenture dated as of September 1, 1992 between the Company and Bankers Trust Company, as Trustee, with respect to certain debt securities of the Company	Incorporated by reference to Exhibit 4.1 to the Registrant's December 31, 1993 Form 10-K
4.2	First Supplemental Indenture dated as of December 13, 1993	Incorporated by reference to Exhibit 4.2 to the Registrant's December 31, 1993 Form 10-K
4.3	\$100 million 364-day Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.1 to the Registrant's March 31, 1995 Form 10-Q
4.4	\$200 million Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.2 to the Registrant's March 31, 1995 Form 10-Q
4.5	Amendment No.1, dated as of June 16, 1995 to the \$100 million 364-day Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.1 to the Registrant's June 30, 1996 Form 10-Q
4.6	Amendment No. 2, dated as of April 12, 1996 to the \$100 million 364-day Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.2 to the Registrant's June 30, 1996 Form 10-Q

EXHIBIT INDEX

Exhibit No. -----	Description -----	Location -----
4.7	Amendment No. 1, dated as of June 16, 1995 to the \$200 million Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.3 to the Registrant's June 30, 1996 Form 10-Q
4.8	Amendment No. 2, dated as of April 12, 1996 to the \$200 million Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.4 to the Registrant's June 30, 1996 Form 10-Q
4.9	Amended and Restated Revolving Credit Agreement dated as of April 11, 1997, for the \$200 million Revolving Credit Agreement dated as of April 14, 1995 as amended as of June 16, 1995 and as of April 12, 1996 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.1 to the Registrant's March 31, 1997 Form 10-Q
4.10	Other instruments defining the rights of security holders, including indentures	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any other instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission
9	Voting trust agreement	None
10.1	Rayonier 1994 Incentive Stock Plan	Filed herewith
10.2	Rayonier Supplemental Senior Executive Severance Pay Plan	Filed herewith
10.3	Rayonier Investment and Savings Plan for Salaried Employees	Filed herewith
10.4	Rayonier Salaried Employees Retirement Plan	Filed herewith

EXHIBIT INDEX

Exhibit No. -----	Description -----	Location -----
10.5	Form of Indemnification Agreement between Rayonier Inc. and its Directors and Officers	Incorporated by reference to Exhibit 10.9 to the Registrant's December 31, 1993 Form 10-K
10.6	Rayonier Inc. Excess Benefit Plan	Incorporated by reference to Exhibit 10.10 to the Registrant's December 31, 1993 Form 10-K
10.7	Amendment to Rayonier Inc. Excess Benefit Plan dated August 18, 1997	Filed herewith
10.8	Rayonier Inc. Excess Savings and Deferred Compensation Plan	Filed herewith
10.9	Form of Rayonier Inc. Excess Savings and Deferred Compensation Plan Agreements	Incorporated by reference to Exhibit 10.13 to the Registrant's December 31, 1995 Form 10-K
10.10	Form of Indemnification Agreement between Registrant and directors of Rayonier Forest Resources Company, its wholly owned subsidiary which is Managing General Partner of Rayonier Timberlands, L.P., who are not also directors of Registrant	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 1994 Form 10-Q
10.11	Description of Rayonier 1994 Incentive Stock Plan Contingent Performance Share Awards	Incorporated by reference to Exhibit 10.1 to the Registrant's June 30, 1994 Form 10-Q
10.12	Form of Rayonier 1994 Incentive Stock Plan Contingent Performance Share Award Agreement	Incorporated by reference to Exhibit 10.1 to the Registrant's June 30, 1994 Form 10-Q
10.13	Form of Rayonier 1994 Incentive Stock Plan Restricted Share Award Agreement	Incorporated by reference to Exhibit 10.17 to the Registrant's December 31, 1995 Form 10-K
10.14	Form of Rayonier 1994 Incentive Stock Non-qualified Stock Option Award Agreement	Incorporated by reference to Exhibit 10.18 to the Registrant's December 31, 1995 Form 10-K
10.15	Rayonier Substitute Stock Option Plan	Incorporated by reference to Exhibit 4(c) to the Registrant's Registration Statement on Form S-8 (File No. 33-52891)
10.16	Form of Rayonier Substitute Stock Option Award Agreements	Incorporated by reference to Exhibit 10.20 to the Registrant's December 31, 1995 Form 10-K
10.17	Split-Dollar Life Insurance Agreement dated June 22, 1994 between Rayonier Inc. and Ronald M. Gross	Incorporated by reference to Exhibit 10.2 to the Registrant's June 30, 1994 Form 10-Q
10.18	Amendment to Split-Dollar Life Insurance Agreement, dated July 22, 1997	Filed herewith

EXHIBIT INDEX

Exhibit No. -----	Description -----	Location -----
10.19	Deferred Compensation / Supplemental Retirement Agreement dated June 28, 1994 between Rayonier Inc. and Ronald M. Gross	Incorporated by reference to Exhibit 10.3 to the Registrant's June 30, 1994 Form 10-Q
10.20	Amendment to Deferred Compensation / Supplemental Retirement Agreement, dated July 22, 1997	Filed herewith
10.21	Other material contracts	None
11	Statement re computation of per share earnings	Not required to be filed
12	Statements re computation of ratios	Filed herewith
13	Annual report to security holders, Form 10-Q or quarterly report to security holders	Not applicable
16	Letter re change in certifying accountant	Not applicable
18	Letter re change in accounting principles	Not applicable
21	Subsidiaries of the Registrant	Incorporated by reference to Exhibit 21 to the Registrant's December 31, 1993 Form 10-K
22	Published report regarding matters submitted to vote of security holders	None
23	Consents of experts and counsel	Filed herewith
24	Powers of attorney	Filed herewith
27	Financial data schedule	Filed herewith
28	Information from reports furnished to state insurance regulatory authorities	Not applicable
99	Additional exhibits	None

1994 RAYONIER INCENTIVE STOCK PLAN

The following is the text of the 1994 Rayonier Incentive Stock Plan as amended effective July 18, 1997:

1. PURPOSE

The purpose of the 1994 Rayonier Incentive Stock Plan is to motivate and reward superior performance on the part of employees of Rayonier and its subsidiaries and to thereby attract and retain employees of superior ability. In addition, the Plan is intended to further opportunities for stock ownership by such employees in order to increase their proprietary interest in Rayonier and, as a result, their interest in the success of the Company. Awards will be made, in the discretion of the Committee, to Key Employees (including officers and directors who are also employees) whose responsibilities and decisions directly affect the performance of any Participating Company and its subsidiaries. Such incentive awards may consist of stock options, stock appreciation rights payable in stock or cash, performance shares, restricted stock or any combination of the foregoing, as the Committee may determine.

2. DEFINITIONS

When used herein, the following terms shall have the following meanings:

"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 or Restricted Stock, or any combination of the foregoing.

"Award Agreement" means the written agreement evidencing each Award granted to a Key Employee under the Plan.

"Beneficiary" means the beneficiary or beneficiaries 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 SPECIFIED IN THE RETIREMENT PLAN.

"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.

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

"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.

"Limited Stock Appreciation Right" means a stock appreciation right which shall become exercisable automatically upon the occurrence of an Acceleration Event as described in Section 9 of the Plan.

"Option" means an option awarded under Section 5 of the Plan to purchase Stock of the Company, which option may be an Incentive Stock Option or a non-qualified stock option.

"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 which at the time such Option is granted qualifies as a "subsidiary" of the Company under Section 425(f) of the Code.

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

"Plan" means the 1994 Rayonier Incentive Stock Plan, as the same may be amended, administered or interpreted from time to time.

"Plan Year" means the calendar year.

"Retirement" means eligibility to receive immediate retirement benefits under a Participating Company pension plan.

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

"Retirement Plan" means the Retirement Plan for Salaried Employees of Rayonier Inc., as amended effective July 18, 1997, and as the same may be thereafter amended from time to time prior to the occurrence of a Change in Control.

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

"Stock" means the common shares of the Company.

"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

The aggregate number of shares of Stock which may be awarded under the Plan in any Plan Year shall be subject to an annual limit. The maximum number of shares of Stock for which Awards may be granted under the Plan in each Plan Year shall be 1.5 percent (1.5%) of the total of the issued and outstanding shares of Stock reported in the Annual Report on Form 10-K of the Company for the fiscal year ending immediately prior to any Plan Year. Any unused portion of the annual limit for any Plan Year shall be carried forward and be made available for awards in succeeding Plan Years.

No more than twenty percent (20%) of such total number of shares on a cumulative basis shall be available for restricted stock and performance shares Awards. In addition to the foregoing, in no event shall more than one million (1,000,000) shares of Stock be cumulatively available for Awards of incentive stock options under the Plan. For any Plan Year, no individual employee may receive an Award of stock options for more than ten percent (10%) of the annual limit on available shares applicable to that Plan Year.

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 Awards under the Plan, there shall be counted against the foregoing limitations the number of shares of Stock which equal the value of performance share Awards, in each case determined as at the dates on which such Awards are granted. If any Awards under the Plan are forfeited, terminated, expire unexercised, are settled in cash in lieu of Stock or are exchanged for other Awards, the shares of Stock which were theretofore subject to such Awards shall again be available for Awards under the Plan to the extent of such forfeiture or expiration of such Awards. Further, 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 may be available for subsequent Awards, provided however, that such shares may be awarded only to those participants who are not directors or executive officers (as that term is defined in the rules and regulations under Section 16 of the Exchange Act).

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) 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.

5. STOCK OPTIONS AND RIGHTS

(a) With respect to Options and Rights, the Committee shall (i) authorize the granting of Incentive Stock Options, non-qualified stock options, or a combination of Incentive Stock Options and non-qualified stock options; (ii) authorize the granting of Rights which 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 which 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 only to Key Employees who may be considered directors or officers of the Company for purposes of Section 16 of the Act.

(d) The exercise period for a non-qualified stock option and any related Right shall not exceed ten years and two days from the date of grant, and the exercise period for an Incentive Stock Option and any related Right 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 purchase price of the shares as to which an Option shall be exercised shall be paid to the Company at the time of exercise either in cash or Stock already owned by the optionee having a total Fair Market Value equal to the purchase price, or a combination of cash and Stock having a total fair market value, as so determined, 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 Option 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, 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 not later than the expiration date specified in Section 5(d) above.

(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 or Rights 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.

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

(i) Upon exercise of a Right, the Key Employee shall be entitled, subject to such terms and conditions the Committee may specify, to receive upon exercise thereof all or a portion of the excess of (A) the Fair Market Value of a specified number of shares of Stock at the time of exercise, as determined by the Committee, over (B) a specified amount which 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 as the Committee shall specify in cash, 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, or a combination of cash and shares of Stock with a combined Fair Market Value at such time equal to any such 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.

(ii) For the purposes of Subsection (i) of this Section 5(l), in the case of any such Right or portion thereof, other than a Right related to an Incentive Stock Option, exercised for cash during a "window period" specified by Rule 16b-3 under the Act, the Fair Market Value of the Stock at the time of such exercise shall be the highest composite daily closing price of the Stock during such window period.

(iii) 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 (the "Performance Period") and Performance Objectives (the "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. 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 criteria or combination of factor as the Committee may deem appropriate, including, but not limited to, minimum earnings per share or return on equity. If during the course of a Performance Period there shall occur significant events which the Committee expects to have a substantial effect on the applicable Performance Objectives during such period, the Committee may revise such Performance Objectives.

(d) 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 which 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.

(e) 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 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. 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.

(f) Each Award of a Performance Share shall be paid in whole shares of Stock, or cash, or a combination of Stock and cash either as a lump sum payment or in annual installments, all as the Committee shall determine, with payment to commence as soon as practicable after the end of the relevant Performance Period.

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 which 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 also 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.

(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) Each outstanding Option granted under the Plan shall become immediately exercisable in full for the aggregate number of shares covered thereby and all related Rights shall also become exercisable upon the occurrence of a Change in Control and shall continue to be exercisable in full for cash for a period of 60 calendar days beginning on the date that such Change in Control occurs and ending on the 60th calendar day following that date; provided, however, that (A) no Right shall become exercisable earlier than six months following the date the Right is granted, and (B) no Option or Right shall be exercisable beyond the expiration date of its original term.

(b) 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 his or her present duties or 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 which 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.

(c) Any Right or portion thereof may be exercised for cash within the 60-calendar-day period following the occurrence of a Change in Control with settlement, except in the case of a Right related to an Incentive Stock Option, based on the "Formula Price" which shall be the highest of (A) the highest composite daily closing price of the Stock during the period beginning on the 60th calendar day prior to the date on which the Right is exercised and ending on the date such Right is exercised, (B) the highest gross price paid for the Stock during the same period of time, as reported in a report on Schedule 13D filed with the Securities and Exchange Commission or (C) the highest gross price paid or to be paid for a share of Stock (whether by way of exchange, conversion,

distribution upon merger, liquidation or otherwise) in any of the transactions set forth in the definition of "Change in Control" in the Retirement Plan.

(d) Upon the occurrence of a Change in Control, Limited Stock Appreciation Rights shall automatically be granted as to any Option with respect to which Rights are not then outstanding; provided, however, that Limited Stock Appreciation Rights shall be provided at the time of grant of any Incentive Stock Option subject to exercisability upon the occurrence of a Change in Control. Limited Stock Appreciation Rights shall entitle the holder thereof, upon exercise of such rights and surrender of the related Option or any portion thereof, to receive, without payment to the Company (except for applicable withholding taxes), an amount in cash equal to the excess, if any, of the Formula Price as that term is defined in Section 9 over the option price of the Stock as provided in such Option; provided that in the case of the exercise of any such Limited Stock Appreciation Right or portion thereof related to an Incentive Stock Option, the Fair Market Value of the Stock at the time of such exercise shall be substituted for the Formula Price. Each such Limited Stock Appreciation Right shall be exercisable only during the period beginning on the first business day following the occurrence of such Change in Control and ending on the 60th calendar day following such date and only to the same extent the related Option is exercisable. In the case of persons who are considered directors or officers of the Company for purposes of Section 16 of the Act, Limited Stock Appreciation Rights shall not be so exercisable until they have been outstanding for at least six months. Upon exercise of a Limited Stock Appreciation Right and surrender of the related Option, or portion thereof, such Option, to the extent surrendered, shall not thereafter be exercisable.

(e) The restrictions applicable to Awards of Restricted Stock issued pursuant to Section 7 shall lapse upon the occurrence of a Change in Control and the Company shall issue stock certificates without a restrictive legend. Key Employees holding Restricted Stock on the date of a Change in Control may tender such Restricted Stock to the Company which shall pay the Formula Price as that term is defined in Section 9; provided, such Restricted Stock must be tendered to the Company within 60 calendar days of the Change in Control.

(f) If a Change in Control occurs during the course of a Performance Period applicable to an Award of Performance Shares pursuant to Section 6, then the Key Employee shall be deemed to have satisfied the Performance Objectives and settlement of such Performance Shares shall be based on the Formula Price, as defined in this Section 9.

10. BENEFICIARY

(a) Each Key Employee shall file with the Company a written designation of one or more persons as the Beneficiary who shall be entitled to receive the Award, if any, payable under the Plan upon his or her death. A Key Employee may from time-to-time revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Company. 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.

(b) If no such Beneficiary designation is in effect at the time of a Key Employee's death, or if no designated Beneficiary survives the Key Employee or if such designation conflicts with law, the Key Employee's estate shall be entitled to receive the Award, if any, payable under the Plan upon his or her death. 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 therefor.

11. ADMINISTRATION OF THE PLAN

(a) Each member of the Committee shall be both a member of the Board and a "non-employee director" within the meaning of Rule 16b-3(b)(3)(i) under the Act or successor rule or regulation. No member of the Committee shall be, or shall have been, eligible to receive an Award under the Plan or any other plan maintained by any Participating Company to acquire stock, stock options, stock appreciation rights, performance shares or restricted stock of a Participating Company at any time within the one year immediately preceding the member's appointment to the Committee.

(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.

(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 which are available for Awards under the Plan or (c) extend the period during which awards may be granted beyond December 31, 2003. 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

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 may 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.

14. 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.

15. EFFECTIVE DATE, TERM OF PLAN AND SHAREHOLDER APPROVAL

The effective date of the Plan was March 1, 1994 and was approved by the Company's shareholders within twelve months before such date. The Plan was amended and restated effective July 18, 1997. No Award shall be granted under this Plan after the Plan's termination date. The Plan's termination date shall be December 31, 2003. The Plan will continue in effect for existing Awards as long as any such Award is outstanding.

RAYONIER, INC.
SUPPLEMENTAL SENIOR EXECUTIVE
SEVERANCE PAY PLAN

Human Resources
July 1997

SUPPLEMENTAL SENIOR EXECUTIVE SEVERANCE PAY PLAN

1. PURPOSE

The Compensation and Management Development Committee (the "Committee") of the Board of Directors of Rayonier Inc. (the "Company") 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, the Senior Executive Severance Pay Plan adopted by the Rayonier Board of Directors on March 1, 1994 is hereby amended and restated as the Supplemental Senior Executive Severance Pay Plan (the "Plan") as set forth as follows:

2. COVERED EMPLOYEES

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

An Executive shall only cease to be a participant in the Plan as a result of termination or amendment of the Plan complying with Section 15 of the Plan, or when he or she ceases to be an 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 the 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 have been paid to Executive.

3. SEPARATION BENEFITS UPON QUALIFYING TERMINATION OF EMPLOYMENT

If, within two years following a Change in Control, (a) an Executive terminates his or her employment for Good Reason, or (b) the Company terminates an Executive's employment, the Executive shall be provided Separation Benefits in accordance with the terms of this Plan, except Separation Benefits shall not be payable where Executive:

- is terminated for Cause;

- terminates employment with the Company prior to the effective date of this Plan;
- voluntarily resigns, 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-expected termination is a "Qualifying Termination."

4. SEPARATION BENEFITS

For purposes of this Plan, Separation Benefits consist of both Scheduled Severance Pay and Additional Severance.

Scheduled Severance Pay shall be determined in accordance with the following schedule, which sets forth the months of Base Pay to be provided to an Executive, based upon Executive's Years of Service as of the Effective Date, and payable as provided in Section 5 below.

YEARS OF SERVICE -----	MONTHS OF BASE PAY	
	TIER I EXECUTIVES -----	TIER II EXECUTIVES -----
Less than 4	24	12
4	25	13
5	26	14
6	27	15
7	28	16
8	29	17
9	30	18
10	31	19
11	32	20
12	33	21
13	34	22
14	35	23
15 or more	36	24

Additional Severance. In addition to Scheduled Severance Pay, upon a Qualifying Termination Executive will be eligible to receive as Additional Severance, the Benefits Continuation Amounts, as provided in Section 7 below, and a Target Bonus Severance, as follows. The Target Bonus Severance shall be based upon the Target Bonus Award established under the Rayonier Incentive Bonus Plan during the year most recently ended prior to the Effective Date of the Qualifying Termination. Tier I Executives are entitled to a Target Bonus Severance which is three times Target Bonus Award, together with an additional amount representing the prorated current year's bonus. Tier II Executives are entitled to a Target Bonus Severance which is two times

Target Bonus Award, together with an additional amount representing the prorated current year's bonus. The prorated current year's bonus shall be determined by multiplying one times the Target Bonus Award by a fraction of the numerator of which 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. The Target Bonus Severance shall be paid to Executive by the Company as a lump sum cash payment within 10-days after the Effective Date of the Qualifying Termination.

5. LUMP SUM PAYMENT OF SCHEDULED SEVERANCE PAY

The Company shall pay the Scheduled Severance Pay to Executive in a lump sum not later than 10 days after the Effective Date, except where Executive is entitled to periodic payments of Salary Continuation under Section 6.

6. PERIODIC PAYMENT OF SCHEDULED SEVERANCE PAY

At Executive's option, subject to the conditions set forth in this Section 6, the Scheduled Severance Pay shall be payable to Executive in the form of equal periodic payments ("Salary Continuation") according to the Company's regular payroll schedule or at any other intervals elected by Executive for a period commencing on the first regular payroll pay date beginning after the Effective Date of Executive's Qualifying Termination (the "Salary Continuation Period").

In order to receive Salary Continuation during a Salary Continuation Period, an Executive must elect such Salary Continuation in writing prior to a Change in Control and specify the Salary Continuation Period, which may not exceed the number of months of Base Pay payable to Executive as Scheduled Severance Pay in accordance with Section 4 above. During the Salary Continuation Period, Executive agrees to perform advisory, consultative and such other services as the Company may, from time to time, reasonably request in order to effect the transition of Executive's duties as a result of Executive's Qualifying Termination. The manner and time devoted to such service shall be determined in the sole reasonable discretion of the Executive.

During such Salary Continuation Period, Executive will remain an active employee of the Company, but Executive's benefits shall be limited as provided in Section 7 below. Notwithstanding Executive's status as an active employee of the Company during the Salary Continuation Period, solely for the purposes of this Plan and the Separation Benefits payable hereunder, Executive's Qualifying Termination shall be deemed to occur as of the commencement of the Salary Continuation Period.

In the event of Executive's death during the Salary Continuation Period, any unpaid Salary Continuation shall be paid in a lump sum to such beneficiary or beneficiaries designated by Executive in writing or, failing such designation, to Executive's spouse if Executive is married or to Executive's estate if Executive is unmarried.

7. BENEFITS CONTINUATION

Additional Severance shall include the Benefits Continuation Amounts, which are comprised of the following:

- A. If Executive is receiving Salary Continuation during a Salary Continuation Period pursuant to Section 6 above, Executive will continue to be eligible to participate

in and shall receive credit for service during the Salary Continuation Period under the following Company employee benefit plans:

- (i) such employee welfare benefit plans, within the meaning of Section 3(1) of ERISA, as the Company may maintain for the benefit of the Company's employees during the Salary Continuation Period, subject to the terms and conditions of such plans; provided, however, that Executive shall not be eligible to participate in any short or long-term disability benefits plans or any business travel accident plans maintained by the Company during the Salary Continuation Period;
- (ii) the Retirement Plan for Salaried Employees of Rayonier and the Rayonier Investment and Savings Plan for Salaried Employees;
- (iii) any excess benefit plan, within the meaning of Section 3(36) of 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 during the Salary Continuation Period, subject to the terms and conditions of such plans (collectively, the "Supplemental Plans"); and
- (iv) the Senior Executive Tax Plan, as applicable to Executive immediately prior to the Qualifying Termination, and any successor thereto.

During the period an Executive is receiving Salary Continuation, Executive will not be eligible to accrue any vacation or participate in any (i) bonus program, (ii) special termination programs, (iii) new awards under any stock option or stock related plan for executives (provided that Executive will be eligible to exercise any outstanding stock options in accordance with the terms of any applicable stock option plan), (iv) new or revised executive compensation programs that may be introduced after the Effective Date and (v) any other executive compensation program, plan, arrangement, practice, policy or perquisites unless specifically authorized by the Company in writing.

The period during which an Executive is receiving Salary Continuation does not count as service for the purpose of any Company long-term incentive award program including, but not limited to, Rayonier's Incentive Stock Plan and any similar plan.

If, for any reason at any time the Company is unable to treat Executive as being eligible for ongoing participation in any Company employee benefit plan as provided in this Section 7A, and if as a result thereof Executive does not receive a benefit or receives a reduced benefit, the Company shall provide such benefits outside such plan at no additional cost (including without limitation tax cost) to Executive, or at the Company's option, make available equal benefits from other sources.

If the length of Executive's Salary Continuation Period is less than 36 months, by reason of:

- (i) the payment intervals elected by Executive pursuant to Section 6 above; or
- (ii) fewer than 36 months of Base Pay being payable to Executive pursuant to Section 4 above according to the Company's regular payroll schedule; or
- (iii) the acceleration of Executive's Salary Continuation as provided in Section 10 below;

the Company shall pay to Executive in a lump sum not more than 10 days after the end of Executive's Salary Continuation Period, as the same may be shortened by reason of the acceleration of Executive's Salary Continuation as provided in Section 10 below, 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 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, any excess benefit plan, within the meaning of Section 3(36) of ERISA, or any supplemental executive retirement plan within the meaning of Section 3(2) of ERISA, maintained by ITT Corporation (the "ITT Supplemental Plans"), and the Supplemental Plans (collectively, the "Plans") had Executive accumulated additional eligibility service as a fully vested participant in the Plans and additional benefit service in all the Plans other than the Retirement Plan for Salaried Employees of ITT Corporation and the ITT Supplemental Plans equal to the difference between 36 months and the number of months of eligibility and benefit service credited to Executive under the Plans during the Salary Continuation Period and as if Executive were three years older than his attained age at the beginning of the Salary Continuation Period, 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 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 lump sum and based on Executive's age on such date.

Notwithstanding the foregoing, for purposes of calculating the above lump sum, Executive shall not be required to contribute to the Rayonier Investment and Savings Plan for Salaried Employees or the Rayonier Inc. Excess Savings and Deferred Compensation Plan as a condition to receiving such lump sum nor shall the Company be required to include in such lump sum amounts attributable to contributions Executive would have made under the Rayonier Investment and Savings Plan for Salaried Employees or the Rayonier Inc. Excess Savings and Deferred Compensation Plan had Executive continued to participate in those plans. The Company shall only be obligated to include in such lump sum the Company contributions that would have been made under the Rayonier Investment and Savings Plan for Salaried Employees and the Rayonier Inc. Excess Savings and Deferred Compensation 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 termination of the

Salary Continuation Period, without allocating any deemed earnings to said Company contributions.

B. If the Executive has not elected Salary Continuation under Section 6, the Company shall pay the Executive in a lump sum in cash on the Effective Date, 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 "Plans"), in effect on the Effective Date, 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 such Plans, without regard to "vesting" thereunder, had Executive accumulated an additional 3 years of eligibility service as a fully vested participant in the Plans and an additional 3 years of benefit service in all the 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 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 lump sum and based on Executive's age on such date.

Notwithstanding the foregoing, for purposes of calculating the above lump sum, Executive shall not be required to contribute to the Rayonier Investment and Savings Plan for Salaried Employees or the Rayonier Inc. Excess Savings and Deferred Compensation Plan as a condition to receiving such lump sum nor shall the Company be required to include in such lump sum amounts attributable to contributions Executive would have made under the Rayonier Investment and Savings Plan for Salaried Employees or the Rayonier Inc. Excess Savings and Deferred Compensation Plan had Executive continued to participate in those plans. The Company shall only be obligated to include in such lump sum the Company contributions that would have been made under the Rayonier Investment and Savings Plan for Salaried Employees and the Rayonier Inc. Excess Savings and Deferred Compensation 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, without allocating any deemed earnings to said Company contributions.

C. Regardless of whether Executive has elected Salary Continuation pursuant to Section 6 or is receiving a lump sum payment of Scheduled Severance Pay pursuant to Section 5, the Company shall provide to Executive the following additional benefits:

- (i) Ensure that options to purchase the Common Shares of the Company ("Stock Options") granted to Executive prior to the Effective Date by the Company will become immediately exercisable in full in accordance with the respective Plan, provided that no option shall be exercisable after the termination date of such option.
- (ii) Immediately vest in and grant to Executive all outstanding Performance Shares and Restricted Stock ("Common Shares") awarded to Executive prior to the Effective Date by the Company without remaining restrictions as if all performance objectives had been achieved in accordance with the respective Plan documents.
- (iii) Outplacement services, the scope and provider of which shall be selected by Executive in his or her sole discretion, until Executive is employed on a full time, comparable work basis, for a period not to extend beyond the second anniversary of the Effective Date of Executive's Qualifying Termination.

D.

If there has been a Change in Control and 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 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. The arbitrators shall have discretion to award punitive damages to the Executive if it is found that the Company's actions or failures to act which led to the Executive submitting a dispute to arbitration and/or the Company's actions or failures to act during the pendency of the arbitration proceeding make such an award appropriate in the circumstances.

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.

8. DEFINITIONS

The following terms not otherwise defined in this Plan have the indicated meaning:

"Base Pay" shall mean the annual base salary rate payable to Executive at the Effective Date, 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. 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 Effective Date.

"Target Bonus Award" shall mean the Standard Bonus Target Percentages of base salaries as defined under the Rayonier Incentive 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 for the year most recently ended prior to the Effective Date.

"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.

"Change in Control" shall have the definition set forth in the Retirement Plan for Salaried Employees of Rayonier Inc. as amended effective July 18, 1997, and as the same may be thereafter 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.

"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.

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

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"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 miles from his or her previous principal place of business; or (iv) any purported termination of the Plan otherwise than as expressly permitted by this Plan. For purposes of this Plan, any good faith determination of "Good Reason" made by Executive shall be conclusive.

"Normal Retirement Date" shall mean the first of the month that coincides with or follows Executive's 65th birthday.

"Separation Benefits" shall mean the benefits described in Sections 4 and 6 that are provided to Executive upon a Qualifying Termination under this Plan.

"Years of Service" shall mean the total number of completed years of employment, inclusive of credited ITT system service, from Executive's date of hire to the Effective Date, rounded up or down to the nearest whole year. The ITT system service date of hire is the date from which employment in the ITT system is recognized in conjunction with Rayonier service for purposes of determining eligibility and vesting under the applicable ITT and Rayonier retirement plans covering Executive on the Effective Date.

9. Certain Additional Payments by the Company

- (a) Anything in this Plan to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of any Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.
- (b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by such nationally recognized certified public accounting firm as may be designated by Executive (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and Executive within fifteen business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group effecting the Change of Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

(c) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the thirty-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim;
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;
- (iii) cooperate with the Company in good faith in order effectively to contest such claim; and
- (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option either direct Executive to pay the tax claimed and sue for a refund or contest the claim in a permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance and

further provided that an extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

- (d) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 9(c), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid."

10. PAYMENT ACCELERATION

If during the period an Executive is receiving Salary Continuation, the Company, in its reasonable judgment exercised by the Board of Directors determines that the Executive (i) engages in any activity that is inimical to the best interests of the Company, (ii) publicly disparages the Company; (iii) fails to comply with any Company Covenant Against Disclosure and Assignment of Rights to Intellectual Property; (iv) without Rayonier Inc.'s prior consent, engages in, becomes affiliated with, or becomes employed by any business competitive with the Company; or (v) fails to comply with applicable provisions of the Rayonier Code of Corporate Conduct or applicable Rayonier Inc. corporate policies, then the Company may, upon written notice to Executive, pay the entire unpaid balance of the scheduled Severance Pay to Executive as a nondiscounted lump sum together with the amounts payable as a result of the termination of the Salary Continuation Period under Section 7A.

11. 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.

12. 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. The term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by this Plan.

13. ADMINISTRATION OF PLAN

The Company is the Named Fiduciary for the Plan under ERISA. The Rayonier Board of Directors Compensation and Management Development Committee (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.

14. 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 Rayonier Board of Directors Compensation and Management Development Committee and must be received within thirty 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 days of the claim unless the Company determines additional time, not exceeding ninety 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 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 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 days of the written request for review, unless the Company determines additional time, not exceeding sixty 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 days or any such extended period, the Company shall be deemed to have denied the claim.

15. TERMINATION OR AMENDMENT

The Company's Board of Directors may terminate or amend this Plan ("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. 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 by the Board in accordance with the foregoing shall be made by action of the Board 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 the Board has taken such action.

16. 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.

17. 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 Participant 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, 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.

18. 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 Executive employment for any specified period and does not limit the right of the Company to terminate the employment of Executive at any time.

The section headings contained in this Plan are included solely from 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.

19. ADOPTION DATE AND AMENDMENT

This Plan was first adopted by Rayonier Inc.'s Board of Directors, effective March 1, 1994 ("Adoption Date") and does not apply to any termination of employment that occurred or which was communicated to Executive prior to the Adoption Date.

On May 16, 1997, the Committee approved changes to the Plan, effective as of June 1, 1997. Subsequently on July 18, 1997, the Committee approved additional changes to the Plan as contained herein, effective retroactive to June 1, 1997.

APPENDIX A
SENIOR EXECUTIVE OFFICERS

TIER I

TIER II

SCHEDULE 1
RAYONIER BENEFIT PLANS

1. The Retirement Plan for Salaried Employees of Rayonier Inc.
2. The Rayonier Excess Benefit (Retirement) Plan
3. The Rayonier Investment and Savings Plan for Salaried Employees
4. The Rayonier Excess Savings and Deferred Compensation Plan
5. The Rayonier 1994 Incentive Stock Plan
6. Rayonier Supplemental Senior Executive Severance Pay Plan
7. Vacation Benefits for Salaried Employees (Human Resources Practice 29.0)

RAYONIER INVESTMENT AND SAVINGS PLAN
FOR SALARIED EMPLOYEES

AS AMENDED AND RESTATED

EFFECTIVE JULY 18, 1997

(EXCEPT AS OTHERWISE INDICATED)

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RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES

AS AMENDED AND RESTATED EFFECTIVE JULY 18, 1997

ARTICLE ONE
Introduction and Purpose

Rayonier Inc. ("Rayonier") established the Rayonier Investment and Savings Plan for Salaried Employees (the "Plan") as of March 1, 1994. The Plan is hereby amended and restated effective as of July 18, 1997 (except as otherwise indicated). The Plan contains assets received from the ITT Investment and Savings Plan for Salaried Employees. The purpose of the Plan is to increase the level of ownership of Rayonier Shares by salaried employees of Rayonier, to provide a convenient way for such salaried employees to increase their financial security for emergencies and financial hardships and to supplement retirement income by saving on a regular and long-term basis, thereby offering these employees an additional incentive to continue their careers with Rayonier. The Plan is intended to meet the requirements of sections 401(a), 401(k), 401(m) and 501(a) of the Internal Revenue Code of 1986, as amended.

ARTICLE TWO
Definitions

1. "ACCOUNTS" SHALL MEAN, WITH RESPECT TO ANY MEMBER OR DEFERRED MEMBER, THE BASIC INVESTMENT ACCOUNT, SUPPLEMENTAL INVESTMENT ACCOUNT, COMPANY CONTRIBUTION ACCOUNT AND RETIREMENT ACCOUNT.

2. "ACTUAL CONTRIBUTION PERCENTAGE" SHALL MEAN, WITH RESPECT TO A SPECIFIED GROUP OF EMPLOYEES REFERRED TO IN SECTIONS 4.2(b) AND 4.2(c), THE AVERAGE OF THE RATIOS, CALCULATED SEPARATELY FOR EACH EMPLOYEE IN THAT GROUP, OF (a) THE AFTER-TAX SAVINGS AND MATCHING COMPANY CONTRIBUTION MADE BY THE EMPLOYEE FOR A PLAN YEAR AND, AT THE OPTION OF THE COMPANY, THE RETIREMENT CONTRIBUTION MADE FOR THE EMPLOYEE FOR THE PLAN YEAR UNDER SECTION 5.1(a) TO (b) THE EMPLOYEE'S SALARY FOR THAT PLAN YEAR. SUCH ACTUAL CONTRIBUTION PERCENTAGE SHALL BE COMPUTED TO THE NEAREST ONE-HUNDREDTH OF ONE PERCENT OF THE EMPLOYEE'S SALARY. FOR PURPOSES OF THIS SECTION 2.2, SALARY SHALL

EXCLUDE COMPENSATION PAID TO THE EMPLOYEE WHILE THE EMPLOYEE IS NOT A PLAN MEMBER.

3. "ACTUAL DEFERRAL PERCENTAGE" SHALL MEAN, WITH RESPECT TO A SPECIFIED GROUP OF EMPLOYEES REFERRED TO IN SECTIONS 4.1(c) AND 4.2(c), THE AVERAGE OF THE RATIOS, CALCULATED SEPARATELY FOR EACH EMPLOYEE IN THAT GROUP, OF (a) THE AMOUNT OF BEFORE-TAX SAVINGS MADE ON THE EMPLOYEE'S BEHALF FOR A PLAN YEAR AND, AT THE OPTION OF THE COMPANY, THE RETIREMENT CONTRIBUTION MADE FOR THE EMPLOYEE FOR THE PLAN YEAR UNDER SECTION 5.1(a) TO (b) THE EMPLOYEE'S SALARY FOR THAT PLAN YEAR. SUCH ACTUAL DEFERRAL PERCENTAGE SHALL BE COMPUTED TO THE NEAREST ONE-HUNDREDTH OF ONE PERCENT OF THE EMPLOYEE'S SALARY. FOR PURPOSES OF THIS SECTION 2.3, SALARY SHALL EXCLUDE COMPENSATION PAID TO THE EMPLOYEE WHILE THE EMPLOYEE IS NOT A PLAN MEMBER.

4. "AFFILIATE" SHALL MEAN--

(a) any corporation which is a member of the same controlled group of corporations (within the meaning of Code section 414(b)) as the Employer,

(b) any trade or business (whether or not incorporated) which is under common control with the Employer within the meaning of Code section 414(c),

(c) any organization which, together with the Employer, is a member of an affiliated service group within the meaning of Code section 414(m),

(d) any other entity required to be aggregated with the Employer pursuant to regulations under Code section 414(o).

5. "AFTER-TAX SAVINGS" SHALL MEAN THE CONTRIBUTIONS MADE BY A MEMBER PURSUANT TO SECTION 4.2.

6. "BASIC AFTER-TAX INVESTMENT ACCOUNT" SHALL MEAN THAT PORTION OF THE TRUST FUND WHICH, WITH RESPECT TO ANY MEMBER OR DEFERRED MEMBER, IS ATTRIBUTABLE TO BASIC AFTER-TAX SAVINGS AND ANY INVESTMENT EARNINGS AND GAINS OR LOSSES THEREON.

7. "BASIC AFTER-TAX SAVINGS" SHALL MEAN THE CONTRIBUTIONS MADE BY A MEMBER WHICH ARE CREDITED TO THE BASIC AFTER-TAX INVESTMENT ACCOUNT IN ACCORDANCE WITH SECTION 4.2(a)(i).

8. "BASIC BEFORE-TAX INVESTMENT ACCOUNT" SHALL MEAN THAT PORTION OF THE TRUST FUND WHICH, WITH RESPECT TO ANY MEMBER OR DEFERRED MEMBER, IS ATTRIBUTABLE TO BASIC BEFORE-TAX SAVINGS AND ANY INVESTMENT EARNINGS AND GAINS OR LOSSES THEREON.

9. "BASIC BEFORE-TAX SAVINGS" SHALL MEAN THE CONTRIBUTIONS MADE ON A MEMBER'S BEHALF WHICH ARE CREDITED TO THE BASIC BEFORE-TAX INVESTMENT ACCOUNT IN ACCORDANCE WITH SECTION 4.1(a)(i).

10. "BASIC INVESTMENT ACCOUNT" SHALL MEAN THAT PORTION OF THE TRUST FUND WHICH, WITH RESPECT TO ANY MEMBER OR DEFERRED MEMBER, INCLUDES THE BASIC BEFORE-TAX INVESTMENT ACCOUNT AND THE BASIC AFTER-TAX INVESTMENT ACCOUNT.

11. "BASIC SAVINGS" SHALL MEAN THE BASIC AFTER-TAX SAVINGS CONTRIBUTED BY A MEMBER AND THE BASIC BEFORE-TAX SAVINGS CONTRIBUTED ON A MEMBER'S BEHALF.

12. "BEFORE-TAX SAVINGS" SHALL MEAN THOSE CONTRIBUTIONS MADE ON A MEMBER'S BEHALF PURSUANT TO SECTION 4.1.

13. "BENEFICIARY" SHALL MEAN SUCH PERSON OR PERSONS, OR ENTITY OR ENTITIES, AS DESIGNATED FROM TIME TO TIME BY THE MEMBER OR DEFERRED MEMBER, ON A FORM MADE AVAILABLE BY THE PLAN COMMITTEE FOR SUCH PURPOSE, TO RECEIVE, IN THE EVENT OF THE MEMBER'S OR DEFERRED MEMBER'S DEATH, THE VALUE OF THE MEMBER'S OR DEFERRED MEMBER'S ACCOUNTS AT THE TIME OF DEATH. IN THE CASE OF A MEMBER OR DEFERRED MEMBER WHO IS MARRIED, THE BENEFICIARY SHALL BE THE MEMBER'S OR DEFERRED MEMBER'S SPOUSE UNLESS SUCH SPOUSE CONSENTS IN WRITING ON A FORM WITNESSED BY A NOTARY PUBLIC TO THE DESIGNATION OF ANOTHER PERSON, TRUST, OR OTHER ENTITY AS BENEFICIARY. FOR PURPOSES OF THIS

SECTION 2.13, A DEFERRED MEMBER SHALL NOT INCLUDE A DEFERRED MEMBER WHO IS AN ALTERNATE PAYEE DESIGNATED AS SUCH PURSUANT TO A QUALIFIED DOMESTIC RELATIONS ORDER.

14. "BOARD OF DIRECTORS" SHALL MEAN THE BOARD OF DIRECTORS OF RAYONIER OR OF ANY SUCCESSOR BY MERGER, PURCHASE OR OTHERWISE.

15. "BREAK IN SERVICE" SHALL MEAN A FIVE CONSECUTIVE YEAR PERIOD IN WHICH AN EMPLOYEE DOES NOT HAVE ANY HOURS WORKED, WHICH SHALL BE TREATED AS COMMENCING ON THE DATE OF SEVERANCE FROM SERVICE.

16. "CHANGE IN CONTROL" SHALL HAVE THE MEANING SPECIFIED IN THE RETIREMENT PLAN FOR SALARIED EMPLOYEES OF RAYONIER INC. AS AMENDED EFFECTIVE JULY 18, 1997, AND AS THE SAME MAY BE THEREAFTER AMENDED FROM TIME TO TIME PRIOR TO THE OCCURRENCE OF A CHANGE IN CONTROL.

17. "CODE" MEANS THE INTERNAL REVENUE CODE OF 1986, AS AMENDED FROM TIME TO TIME. REFERENCES TO ANY SECTION OF THE CODE SHALL INCLUDE ANY SUCCESSOR PROVISION THERETO.

18. "COMPANY" SHALL MEAN RAYONIER OR ANY SUCCESSOR BY MERGER, PURCHASE OR OTHERWISE WITH RESPECT TO ITS EMPLOYEES, ANY PARTICIPATING LOCATION WITH RESPECT TO ITS EMPLOYEES, AND ANY PARTICIPATING CORPORATION WITH RESPECT TO ITS EMPLOYEES.

19. "COMPANY CONTRIBUTION ACCOUNT" SHALL MEAN THAT PORTION OF THE TRUST FUND WHICH, WITH RESPECT TO ANY MEMBER OR DEFERRED MEMBER, IS ATTRIBUTABLE TO ANY CONTRIBUTIONS MADE ON THE MEMBER'S OR DEFERRED MEMBER'S BEHALF BY THE COMPANY PURSUANT TO SECTION 5.1 WITH RESPECT TO BASIC SAVINGS AND ANY INVESTMENT EARNINGS AND GAINS OR LOSSES THEREON, AND/OR ANY CONTRIBUTIONS AND INVESTMENT EARNINGS THEREON MADE ON THE MEMBER'S OR DEFERRED MEMBER'S BEHALF AND TRANSFERRED TO THE TRUST FUND PURSUANT TO A PRIOR PLAN TRANSFER.

20. "COMPENSATION" SHALL MEAN, FOR PURPOSES OF SECTIONS 2.28 AND 5.4, TOTAL WAGES AND OTHER COMPENSATION PAID TO OR FOR THE MEMBER AS REPORTED ON THE MEMBER'S FORM W-2, WAGE AND TAX STATEMENT, PLUS ELECTIVE CONTRIBUTIONS UNDER SECTIONS 401(K) AND 125 OF THE CODE. IN NO EVENT SHALL COMPENSATION EXCEED THE INDEXED DOLLAR LIMIT PRESCRIBED UNDER SECTION 401(a)(17) OF THE CODE.

21. "DEFERRED MEMBER" SHALL MEAN A MEMBER WHO HAS TERMINATED EMPLOYMENT WITH THE COMPANY AND WHOSE VESTED SHARE WILL BE DEFERRED IN ACCORDANCE WITH SECTION 10.1(a). "DEFERRED MEMBER" SHALL ALSO INCLUDE AN ALTERNATE PAYEE DESIGNATED AS SUCH PURSUANT TO A QUALIFIED DOMESTIC RELATIONS ORDER.

22. "DISABILITY" SHALL MEAN, WITH RESPECT TO A MEMBER, THE TOTAL DISABILITY OF SUCH MEMBER THAT RESULTS IN THE MEMBER QUALIFYING FOR BENEFITS UNDER THE RAYONIER LONG TERM DISABILITY PLAN FOR SALARIED EMPLOYEES.

23. "EFFECTIVE DATE" SHALL MEAN MARCH 1, 1994, WITH RESPECT TO THE ORIGINAL EFFECTIVE DATE OF THE PLAN, AND JULY 18, 1997 (EXCEPT AS OTHERWISE INDICATED) WITH RESPECT TO THIS AMENDMENT AND RESTATEMENT, BOTH SUCH DATES WITH RESPECT TO THOSE PARTICIPATING CORPORATIONS AND PARTICIPATING LOCATIONS THAT WERE PARTICIPATING IN THE PLAN ON SUCH DATE AND WITH RESPECT TO ANY OTHER PARTICIPATING CORPORATION OR PARTICIPATING LOCATION SHALL MEAN THE DATE AS OF WHICH SUCH PARTICIPATING CORPORATION OR PARTICIPATING LOCATION BEGINS ITS

PARTICIPATION IN THE PLAN AS AUTHORIZED BY THE BOARD OF DIRECTORS OF RAYONIER.

24. "EMPLOYEE" SHALL MEAN ANY PERSON REGULARLY EMPLOYED BY THE COMPANY WHO THE COMPANY CONSIDERS TO BE A SALARIED EMPLOYEE FOR PURPOSES OF THE COMPANY'S OTHER EMPLOYEE BENEFIT PLANS, WHO IS PAID FROM A PAYROLL MAINTAINED IN THE CONTINENTAL UNITED STATES AND WHO RECEIVES REGULAR AND STATED COMPENSATION OTHER THAN A PENSION OR RETAINER, REGARDLESS OF HOW ANY PERSON MAY BE CLASSIFIED BY THE INTERNAL REVENUE SERVICE, ANY STATE OR OTHER GOVERNMENTAL AUTHORITY, OR JUDICIAL DECISION. HOWEVER, EXCEPT AS THE BOARD OF DIRECTORS OR THE PLAN COMMITTEE, PURSUANT TO AUTHORITY DELEGATED TO IT BY THE BOARD OF DIRECTORS, MAY OTHERWISE PROVIDE ON A BASIS UNIFORMLY APPLICABLE TO ALL PERSONS SIMILARLY SITUATED, AND, EXCEPT AS SPECIFIED BELOW, NO PERSON SHALL BE AN "EMPLOYEE" FOR PURPOSES OF THE PLAN WHOSE TERMS AND CONDITIONS OF EMPLOYMENT ARE DETERMINED BY A COLLECTIVE BARGAINING AGREEMENT WITH THE COMPANY WHICH DOES NOT MAKE THIS PLAN APPLICABLE TO SUCH PERSON, OR WHO IS A LEASED EMPLOYEE AS DEFINED IN CODE SECTION 414(n).

25. "ENROLLMENT DATE" SHALL MEAN THE FIRST DAY OF ANY MONTH.

26. "FUNDS" SHALL MEAN THE INVESTMENT FUNDS SPECIFIED IN EXHIBIT A TO THIS PLAN AND MADE A PART HEREOF, AS THE SAME MAY FROM TIME TO TIME BE CHANGED BY ACTION OF THE RAYONIER PENSION FUND TRUST AND INVESTMENT COMMITTEE.

27. "HARDSHIP COMMITTEE" SHALL MEAN THE INVESTMENT AND SAVINGS PLAN HARDSHIP COMMITTEE OR COMMITTEES ESTABLISHED HEREUNDER FOR THE PURPOSES PROVIDED IN ARTICLE THIRTEEN.

28. "HIGHLY COMPENSATED EMPLOYEE" SHALL MEAN, FOR PLAN YEARS BEGINNING BEFORE JANUARY 1, 1997, AN EMPLOYEE WHO PERFORMS SERVICE FOR THE COMPANY OR AN AFFILIATE DURING THE DETERMINATION YEAR AND WHO, DURING THE LOOK-BACK YEAR:

(a) received compensation from the Company or an Affiliate in excess of \$75,000 (as adjusted pursuant to section 415(d) of the Code);

(b) received compensation from the Company or an Affiliate in excess of \$50,000 (as adjusted pursuant to section 415(d) of the Code) and was a member of the top-paid group for such year; or

(c) was an officer (within the meaning of Code section 416(i)) of the Company or an Affiliate and received compensation during such year that is greater than 50 percent of the dollar limitation in effect under section 415(b)(1)(A) of the Code.

The term Highly Compensated Employee also includes:

(d) An Employee who is both described above if the term "determination year" is substituted for the term "look-back-year" and is one of the 100 Employees who received the most compensation from the Company or an Affiliate during the determination year; and

(e) An Employee who is a 5 percent owner (as defined in Code section 416(i)(1)(A)(iii)) at any time during the look-back year or determination year.

For this purpose, the determination year shall be the Plan Year. The look-back year shall be the twelve-month period immediately preceding the determination year.

If an Employee is, during a determination year or look-back year, a family member of either (i) a 5 percent owner who is an active or former Employee or (ii) a Highly Compensated Employee who is one of the 10 most Highly Compensated Employees ranked on the basis of compensation paid by the Company and Affiliates during such year, then the family member and the 5 percent owner or top-ten Highly Compensated Employee shall be aggregated. In such case, the family member and 5 percent owner or top-ten Highly Compensated Employee shall be treated as a single Employee receiving compensation and Plan contributions equal to the sum of such compensation and contributions of the family member and 5 percent owner or top-ten Highly Compensated Employee. For purposes of this section, family member includes the spouse, lineal ascendants and descendants of the Employee or former Employee and the spouses of such lineal ascendants and descendants.

The top-paid group consists of the top 20 percent of Employees ranked on the basis of compensation received during the year. For purposes of determining the number of Employees in the top-paid group, Employees described in Code section 414(q)(8) and Q & A 9(b) of Treasury regulations section 1.414(q)-t are excluded.

The number of officers is limited to 50 (or, if lesser, the greater of 3 Employees or 10 percent of Employees) excluding those Employees who may be excluded in determining the top-paid group. When no officer has compensation in excess of 50 percent of the Code section 415(b)(1)(A) limit, the highest paid officer is treated as highly compensated.

For purposes of this section, compensation is compensation within the meaning of Code section 415(c)(3) including elective contributions to a cafeteria plan under Code section 125 or a cash or deferred arrangement under Code section 401(k).

For purposes of determining the Actual Contribution Percentage and the Actual Deferral Percentage, "Highly Compensated Employee" shall mean an individual determined by the Company during a given Plan Year to be likely to meet the foregoing criteria for a given Plan Year.

Notwithstanding the foregoing, the Plan Committee may elect to determine the definition of "Highly Compensated Employee" under the simplified identification method provided in Revenue Procedure 93-42, including the use of a snapshot date as provided therein.

For Plan Years beginning after December 31, 1996, "Highly Compensated Employee" means an Employee described in Code section 414(q) and the regulations thereunder, and generally means an Employee who performed services for the Company or an Affiliate during the determination year and is in one or more of the following groups:

(a) Employees who at any time during the determination year or look-back year were 5 percent owners of the Company.

(b) Employees who received compensation during the look-back year from the Company or an Affiliate in excess of \$80,000 (as adjusted pursuant to section 415(d) of the Code) and were in the Top Paid Group of Employees during the look-back year.

The determination year shall be the Plan Year for which testing is being performed, and the look-back year shall be the immediately preceding twelve-month period.

The top-paid group consists of the top 20 percent of Employees ranked on the basis of compensation received during the year. For purposes of determining the number of Employees in the top-paid group, Employees described in Code section 414(q)(8) and Q & A 9(b) of Treasury regulations section 1.414(q)-t are excluded.

In determining who is a Highly Compensated Employee, Employees who are non-resident aliens and who received no earned income (within the meaning of Code section 911(d)(2)) from the Company or an Affiliate constituting United States source income within the meaning of Code section 861(a)(3) shall not be treated as Employees. Additionally, Leased Employees within the meaning of Code section 414(n)(2) and 414(o)(2) shall be considered Employees unless such Leased Employees are covered by a plan described in Code section 414(n)(5) and are not covered in any qualified plan maintained by the Company or an Affiliate. The exclusion of Leased Employees for this purpose shall be applied on a uniform and consistent basis for all of the Company's retirement plans. Highly Compensated Former Employees shall be treated as Highly Compensated Employees without regard to whether they performed services during the determination year.

29. "HOURS WORKED" SHALL MEAN HOURS FOR WHICH AN EMPLOYEE IS COMPENSATED WHETHER OR NOT THE EMPLOYEE HAS WORKED, SUCH AS PAID HOLIDAYS, PAID VACATION, PAID SICK LEAVE AND PAID TIME OFF, AND BACK PAY FOR THE PERIOD FOR WHICH IT WAS AWARDED, AND EACH SUCH HOUR SHALL BE COMPUTED AS ONLY ONE HOUR, EVEN THOUGH THE EMPLOYEE IS COMPENSATED AT MORE THAN THE STRAIGHT TIME RATE. WITH RESPECT TO ANY PERIOD FOR WHICH AN EMPLOYEE IS COMPENSATED BUT HAS NOT WORKED, HOURS COUNTED SHALL BE INCLUDED ON THE BASIS OF THE EMPLOYEE'S NORMAL WORK-DAY OR WORK-WEEK. THIS DEFINITION OF HOURS WORKED SHALL BE APPLIED IN COMPLIANCE WITH 29 CODE OF FEDERAL REGULATIONS SECTION 2530.200B-2(b) AND (c), AS PROMULGATED BY THE UNITED STATES DEPARTMENT OF LABOR, IN A CONSISTENT AND NONDISCRIMINATORY MANNER.

30. "ITT PLAN" SHALL MEAN THE ITT INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES AS IN EFFECT ON FEBRUARY 28, 1994.

31. "LOAN VALUATION DATE" SHALL MEAN THE LAST DAY OF THE CALENDAR MONTH IN WHICH A MEMBER'S PROPERLY COMPLETED APPLICATION FOR A LOAN UNDER THE PLAN AS TRANSMITTED BY THE COMPANY IS RECEIVED BY THE SAVINGS PLAN ADMINISTRATOR.

32. "MATCHING COMPANY CONTRIBUTION" MEANS THE CONTRIBUTION ALLOCATED TO A MEMBER'S COMPANY CONTRIBUTION ACCOUNT PURSUANT TO SECTION 5.1(b).

33. "MEMBER" SHALL MEAN ANY PERSON WHO HAS BECOME A MEMBER AS PROVIDED IN ARTICLE THREE OR ON WHOSE BEHALF A PRIOR PLAN TRANSFER HAS BEEN MADE.

34. "NON-U.S. CITIZEN EMPLOYEE" SHALL MEAN ANY PERSON WHO IS CONSIDERED A SALARIED EMPLOYEE FOR PURPOSES OF THE COMPANY'S EMPLOYEE BENEFIT PLANS, WHO IS

(a) not a citizen of the United States,

(b) paid from a payroll maintained in the continental United States, and

(c) employed by the Company in a regular position (as distinguished from a temporary assignment) in the continental United States.

35. "PARTICIPATING CORPORATION" SHALL MEAN ANY SUBSIDIARY OR AFFILIATED COMPANY OF RAYONIER OR DESIGNATED DIVISION(S) OR UNIT(S) ONLY OF SUCH SUBSIDIARY OR AFFILIATE WHICH, BY APPROPRIATE ACTION OF THE BOARD OF DIRECTORS OR BY A DESIGNATED OFFICER OF RAYONIER PURSUANT TO AUTHORIZATION DELEGATED TO SUCH OFFICER BY THE BOARD OF DIRECTORS HAS BEEN DESIGNATED AS A PARTICIPATING CORPORATION IN THE PLAN AS TO ALL OF ITS EMPLOYEES OR AS TO THE EMPLOYEES OF ONE OR MORE OF ITS OPERATING OR OTHER UNITS AND THE BOARD OF DIRECTORS OF WHICH SHALL HAVE TAKEN APPROPRIATE ACTION TO ADOPT THIS PLAN.

36. "PARTICIPATING LOCATION" SHALL MEAN ANY LOCATION OF RAYONIER OR DESIGNATED UNIT(S) ONLY OF SUCH LOCATION WHICH BY APPROPRIATE ACTION OF THE BOARD OF DIRECTORS OR BY A DESIGNATED OFFICER OF RAYONIER PURSUANT TO AUTHORIZATION DELEGATED TO SUCH OFFICER BY THE BOARD OF DIRECTORS HAS BEEN DESIGNATED AS A PARTICIPATING LOCATION IN THIS PLAN.

37. "PLAN" SHALL MEAN THE RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES AS SET FORTH HEREIN OR AS AMENDED FROM TIME TO TIME.

38. "PLAN COMMITTEE" SHALL MEAN THE INVESTMENT AND SAVINGS PLAN COMMITTEE ESTABLISHED HEREUNDER FOR THE PURPOSES OF ADMINISTERING THE PLAN AS PROVIDED IN ARTICLE TWELVE.

39. "PLAN YEAR" SHALL MEAN THE CALENDAR YEAR.

40. "PRIOR PLAN TRANSFER" SHALL MEAN THAT PORTION OF THE ACCOUNT OF ANY MEMBER OR DEFERRED MEMBER THAT IS ATTRIBUTABLE TO AMOUNTS TRANSFERRED ON THE MEMBER'S OR DEFERRED MEMBER'S BEHALF FROM THE ITT PLAN.

41. "RAYONIER SHARES" SHALL MEAN COMMON SHARES OF RAYONIER INC.

42. "RETIREMENT" SHALL MEAN EARLY OR NORMAL RETIREMENT UNDER THE RETIREMENT PLAN FOR SALARIED EMPLOYEES OF RAYONIER. NORMAL RETIREMENT MAY BE ELECTED UNDER THE ABOVE-STATED RETIREMENT PLAN ON OR AFTER THE FIRST DAY OF THE CALENDAR MONTH COINCIDENT WITH OR NEXT FOLLOWING THE 65TH ANNIVERSARY OF AN EMPLOYEE'S BIRTH. EARLY RETIREMENT MAY BE ELECTED AT ANY TIME AFTER THE 50TH ANNIVERSARY OF AN EMPLOYEE'S BIRTH, PROVIDED SERVICE REQUIREMENTS SPECIFIED IN THE STATED RETIREMENT PLANS ARE MET. "RETIREMENT" FOR MEMBERS NOT COVERED BY THE ABOVE STATED RETIREMENT PLAN SHALL MEAN SEPARATION FROM SERVICE ON OR AFTER ATTAINING AGE 65.

43. "RETIREMENT CONTRIBUTION" MEANS THE COMPANY CONTRIBUTION ALLOCATED TO A MEMBER'S RETIREMENT ACCOUNT PURSUANT TO SECTION 5.1(a).

44. "RETIREMENT ACCOUNT" SHALL MEAN THAT PORTION OF THE TRUST FUND WHICH, WITH RESPECT TO ANY MEMBER OR DEFERRED MEMBER, IS ATTRIBUTABLE TO RETIREMENT CONTRIBUTIONS.

45. "SALARY" SHALL MEAN AN EMPLOYEE'S COMPENSATION FROM THE COMPANY AT THE EMPLOYEE'S BASE RATE, DETERMINED PRIOR TO ANY ELECTION BY THE MEMBER PURSUANT TO SECTION 4.1(a) HEREOF AND PRIOR TO ANY ELECTION BY THE MEMBER PURSUANT TO SECTION 125 OF THE CODE, EXCLUDING ANY OVERTIME, BONUS, FOREIGN SERVICE ALLOWANCE OR ANY OTHER FORM OF COMPENSATION, EXCEPT TO THE EXTENT OTHERWISE DEEMED "SALARY" FOR PURPOSES OF THE PLAN UNDER SUCH NONDISCRIMINATORY RULES AS ARE ADOPTED BY THE PLAN COMMITTEE WITH RESPECT TO ALL MEMBERS OR ANY PARTICULAR PARTICIPATING COMPANY OR PARTICIPATING LOCATION, AND LIMITED TO A DOLLAR AMOUNT WHICH IS INDEXED ANNUALLY AND DETERMINED IN ACCORDANCE WITH SECTION 401(a)(17) OF THE CODE.

46. "SAVINGS PLAN ADMINISTRATOR" SHALL MEAN THE SAVINGS PLAN ADMINISTRATOR DESIGNATED BY THE COMPANY.

47. "SERVICE" SHALL MEAN THE PERIOD OF ELAPSED TIME BEGINNING ON THE EARLIER OF (i) THE DATE AN EMPLOYEE COMMENCES EMPLOYMENT WITH THE COMPANY AND (ii) THE DATE AN EMPLOYEE COMMENCES ANY SERVICE CREDITED UNDER THE ITT PLAN, AND ENDING ON THE MOST RECENT SEVERANCE DATE, WHICH SHALL BE THE EARLIER OF (i) THE DATE THE EMPLOYEE QUILTS, IS DISCHARGED, RETIRES OR DIES OR (ii) THE FIRST ANNIVERSARY OF THE DATE ON WHICH THE EMPLOYEE IS FIRST ABSENT FROM SERVICE, WITH OR WITHOUT PAY, FOR ANY REASON SUCH AS VACATION, SICKNESS, DISABILITY, LAYOFF OR LEAVE OF ABSENCE. IF SERVICE IS INTERRUPTED FOR MATERNITY OR PATERNITY REASONS, MEANING AN INTERRUPTION OF SERVICE BY REASON OF (a) THE PREGNANCY OF THE EMPLOYEE, (b) THE BIRTH OF A CHILD OF THE EMPLOYEE OR (c) THE PLACEMENT OF A CHILD WITH THE EMPLOYEE BY REASON OF ADOPTION, OR FOR PURPOSES OF CARING FOR A NEWBORN CHILD OF THE EMPLOYEE IMMEDIATELY FOLLOWING THE BIRTH OR ADOPTION OF THE NEWBORN, THEN THE DATE OF SEVERANCE FROM SERVICE SHALL BE THE EARLIER OF (i) THE DATE THE EMPLOYEE QUILTS, IS DISCHARGED, RETIRES OR DIES, OR (ii) THE SECOND ANNIVERSARY OF THE DATE ON WHICH THE EMPLOYEE IS FIRST ABSENT FROM SERVICE. IF AN EMPLOYEE TERMINATES AND IS LATER REEMPLOYED WITHIN 12 MONTHS OF (i) THE EMPLOYEE'S DATE OF TERMINATION OR (ii) THE FIRST DAY OF AN ABSENCE FROM SERVICE IMMEDIATELY PRECEDING THE EMPLOYEE'S DATE OF TERMINATION, IF EARLIER, THE PERIOD BETWEEN THE EMPLOYEE'S SEVERANCE DATE AND THE EMPLOYEE'S DATE OF REEMPLOYMENT SHALL BE INCLUDED IN THE EMPLOYEE'S SERVICE. WITH RESPECT TO SERVICE FOR PURPOSES OF THE VESTING SCHEDULE IN SECTION 5.2, IF AN EMPLOYEE TERMINATES AND IS LATER REEMPLOYED AFTER 12 OR MORE MONTHS HAVE ELAPSED SINCE THE EMPLOYEE'S SEVERANCE DATE, THE PERIOD OF SERVICE PRIOR TO THE EMPLOYEE'S SEVERANCE DATE SHALL BE INCLUDED IN SERVICE.

For purposes of eligibility for membership in the Plan provided in Article Three, an Employee whose employment with the Company is on a less than full-time basis shall be eligible if the Employee is regularly scheduled to complete or has completed at least 1,000 Hours Worked in a twelve consecutive month period of employment measured from the date on which such Employee's Service commences or from any subsequent anniversary thereof.

After such an Employee has become a Member of the Plan as provided in Article Three, Service for purposes of meeting the requirements for vesting shall be determined in accordance with the first paragraph of this section 2.47.

Under the circumstances hereinafter stated and upon such conditions as the Plan Committee shall determine on a basis uniformly applicable to all employees similarly situated, the period of Service of an employee shall be deemed not to be interrupted by an absence of the type hereinafter stated and the period of such absence shall be included in determining the length of an employee's Service:

(a) if a leave of absence has been authorized by the Company or any subsidiary or affiliate of the Company, for the period of such authorized leave of absence only; or

(b) if an Employee enters service in the armed forces of the United States and if the Employee's right to re-employment is protected by the Selective Service Act or any similar law then in effect and if the employee returns to regular employment within the period during which the right to re-employment is protected by any such law.

48. "SUPPLEMENTAL AFTER-TAX INVESTMENT ACCOUNT" SHALL MEAN THAT PORTION OF THE TRUST FUND WHICH, WITH RESPECT TO ANY MEMBER OR DEFERRED MEMBER, IS ATTRIBUTABLE TO SUPPLEMENTAL AFTER-TAX SAVINGS AND ANY INVESTMENT EARNINGS AND GAINS OR LOSSES THEREON.

49. "SUPPLEMENTAL AFTER-TAX SAVINGS" SHALL MEAN THE CONTRIBUTIONS MADE BY A MEMBER WHICH ARE CREDITED TO THE SUPPLEMENTAL AFTER-TAX INVESTMENT ACCOUNT IN ACCORDANCE WITH SECTION 4.2(a)(ii) AND/OR WHICH ARE CREDITED ON THE MEMBER'S BEHALF PURSUANT TO A PRIOR PLAN TRANSFER AND/OR A ROLLOVER CONTRIBUTION TO THE PLAN PURSUANT TO SECTION 4.5.

50. "SUPPLEMENTAL BEFORE-TAX INVESTMENT ACCOUNT" SHALL MEAN THAT PORTION OF THE TRUST FUND WHICH, WITH RESPECT TO ANY MEMBER OR DEFERRED MEMBER, IS ATTRIBUTABLE TO SUPPLEMENTAL BEFORE-TAX SAVINGS AND ANY INVESTMENT EARNINGS AND GAINS OR LOSSES THEREON.

51. "SUPPLEMENTAL BEFORE-TAX SAVINGS" SHALL MEAN THE CONTRIBUTIONS MADE ON A MEMBER'S BEHALF WHICH ARE CREDITED TO THE SUPPLEMENTAL BEFORE-TAX INVESTMENT ACCOUNT IN ACCORDANCE WITH SECTION 4.1(a)(ii) AND/OR WHICH ARE CREDITED ON THE MEMBER'S BEHALF PURSUANT TO A PRIOR PLAN TRANSFER.

52. "SUPPLEMENTAL INVESTMENT ACCOUNT" SHALL MEAN THAT PORTION OF THE TRUST FUND WHICH, WITH RESPECT TO ANY MEMBER OR DEFERRED MEMBER, INCLUDES THE SUPPLEMENTAL BEFORE-TAX INVESTMENT ACCOUNT AND THE SUPPLEMENTAL AFTER-TAX INVESTMENT ACCOUNT.

53. "SUPPLEMENTAL SAVINGS" SHALL MEAN THE SUPPLEMENTAL AFTER-TAX SAVINGS CONTRIBUTED BY A MEMBER, SUPPLEMENTAL BEFORE-TAX SAVINGS CONTRIBUTED ON A MEMBER'S BEHALF, AND THE SUPPLEMENTAL AFTER-TAX SAVINGS AND SUPPLEMENTAL BEFORE-TAX SAVINGS CREDITED ON A MEMBER'S BEHALF PURSUANT TO A PRIOR PLAN TRANSFER.

54. "TERMINATION OF EMPLOYMENT" SHALL MEAN SEPARATION FROM THE EMPLOYMENT OF THE COMPANY FOR ANY REASON, INCLUDING, BUT NOT LIMITED TO, RETIREMENT, DEATH, DISABILITY, RESIGNATION OR DISMISSAL BY THE COMPANY; PROVIDED, HOWEVER, THAT TRANSFER IN EMPLOYMENT BETWEEN THE COMPANY AND ANY OTHER SUBSIDIARY OR AFFILIATE OF RAYONIER SHALL NOT BE DEEMED TO BE "TERMINATION OF EMPLOYMENT." WITH RESPECT TO ANY LEAVE OF ABSENCE AND ANY PERIOD OF SERVICE IN THE ARMED FORCES OF THE UNITED STATES, SECTION 2.47 SHALL GOVERN.

55. "TRUST FUND" SHALL MEAN THE AGGREGATE FUNDS HELD BY THE TRUSTEE UNDER THE TRUST AGREEMENT OR AGREEMENTS ESTABLISHED FOR THE PURPOSES OF THIS PLAN, CONSISTING OF THE FUNDS DESCRIBED IN ARTICLE SIX.

56. "TRUSTEE" SHALL MEAN THE TRUSTEE OR TRUSTEES AT ANY TIME ACTING AS SUCH UNDER THE TRUST AGREEMENT OR AGREEMENTS ESTABLISHED FOR THE PURPOSES OF THIS PLAN.

57. "VALUATION DATE" SHALL MEAN THE DATE OR DATES, AS APPLICABLE, ON WHICH THE TRUST FUND IS VALUED IN ACCORDANCE WITH ARTICLE SEVEN.

58. "VESTED COMPANY CONTRIBUTION ACCOUNT" SHALL MEAN, WITH RESPECT TO A MEMBER OR DEFERRED MEMBER, THAT PORTION OF THE

COMPANY CONTRIBUTION ACCOUNT WHICH IS VESTED IN ACCORDANCE WITH THE TERMS OF SECTION 5.2.

59. "VESTED SHARE" SHALL MEAN, WITH RESPECT TO A MEMBER OR DEFERRED MEMBER, THAT PORTION OF THE ACCOUNTS VESTED IN ACCORDANCE WITH THE TERMS OF SECTIONS 4.4 AND 5.2.

60. "WITHDRAWAL VALUATION DATE" SHALL MEAN, WITH RESPECT TO WITHDRAWALS MADE PURSUANT TO SECTIONS 8.2 AND 8.3 AND WITH RESPECT TO WITHDRAWALS MADE AFTER AGE 59-1/2 PURSUANT TO SECTION 8.4, THE LAST DAY OF THE CALENDAR MONTH IN WHICH A MEMBER'S PROPERLY COMPLETED REQUEST FOR A WITHDRAWAL UNDER THE PLAN AS TRANSMITTED BY THE COMPANY IS RECEIVED BY THE SAVINGS PLAN ADMINISTRATOR. WITH RESPECT TO WITHDRAWALS MADE PRIOR TO AGE 59-1/2 PURSUANT TO SECTION 8.4, "WITHDRAWAL VALUATION DATE" SHALL MEAN THE LAST DAY OF THE CALENDAR MONTH IN WHICH A MEMBER'S PROPERLY COMPLETED REQUEST FOR A WITHDRAWAL UNDER THE PLAN AS TRANSMITTED BY THE COMPANY IS APPROVED BY THE RELEVANT HARDSHIP COMMITTEE.

ARTICLE THREE
Membership

3.1. Membership. All Employees of the Company who were members of the ITT Plan on or before the original Effective Date of this Plan shall remain Members of the Plan. All Employees of the Company who were Members of this Plan on or before the Effective Date of the amendment and restatement of this Plan shall remain Members of the Plan. Any other Employee shall become a Member on any Enrollment Date following the Employee's date of hire, provided that the Employee has filed an enrollment form in accordance with section 3.2; however, an Employee whose employment with the Company is on a less than full-time basis shall become a Member on any Enrollment Date coinciding with or next following fulfillment of the conditions of section 2.47.

3.2. Enrollment Form. A Member must file an enrollment form approved by the Plan Committee with the Company at least 15 days prior to an Enrollment Date. By filing the enrollment form, the Employee shall designate a Beneficiary and may:

(a) designate the rate of After-Tax Savings,

(b) authorize the Company to make regular payroll deductions of the amount of After-Tax Savings, if any,

(c) designate the rate of Before-Tax Savings,

(d) authorize the Company to reduce Salary by the amount of Before-Tax Savings, if any,

(e) make an investment election as described in section 6.2.

(f) make a rollover contribution to the Plan, as described in section 4.5.

ARTICLE FOUR
Member Savings

4.1. Member Before-Tax Savings.

(a) Each Member may elect, subject to the provisions of section 4.1(b), to have the Member's subsequent Salary reduced by 2%, 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, 11%, 12%, 13%, 14%, 15% or 16%, and have that amount contributed to the Trust Fund by the Company that employs said Member. Such election shall be effective with the first payroll paid on or after the date as of which the election is to apply. From time to time and in order to comply with section 401(k)(3) of the Code, the Plan Committee may impose a limitation on the extent to which a Member who is a Highly Compensated Employee may reduce the Member's Salary in accordance herewith, based on the Plan Committee's reasonable projection of savings rates of Members who are not Highly Compensated Employees.

(i) Basic Before-Tax Savings--Contributions under this section which are not in excess of 6% of such Member's Salary for the month for which such contributions are made shall be known as "Basic Before-Tax Savings" and shall be credited to the Member's Basic Before-Tax Investment Account; and

(ii) Supplemental Before-Tax Savings--Contributions under this section which are in excess of the maximum allowed under the preceding paragraph (i) shall be known as "Supplemental Before-Tax Savings" and shall be credited to the Member's Supplemental Before-Tax Investment Account.

Before-Tax Savings shall also include amounts credited on a Member's behalf pursuant to a Prior Plan Transfer. As of any January 1, April 1, July 1, or October 1, a Member may elect to change the rate of the Member's Salary reduction by giving the Company at least 15 days' prior written notice on a form approved by the Plan Committee for such purpose.

(b) The maximum dollar amount of Before-Tax Savings that may be made on behalf of any Member for a calendar year shall be the maximum amount determined by the Secretary of the Treasury, pursuant to section 402(g) of the Code. In the event the foregoing limitation is exceeded for any calendar year, the excess Before-Tax Savings as adjusted for investment

experience will be deemed to have been distributed to the Member and recontributed to the Plan as After-Tax Savings or returned to the Member on behalf of whom such Before-Tax Savings were contributed, in accordance with the Member's election. Any amounts so returned to the Member will be returned no later than the April 15 following the end of the calendar year for which the contributions were made. However, in the event the Member participated in more than one qualified defined contribution plan under which the Member contributed pursuant to a salary deferral arrangement, the Member shall notify the Committee by March 1 of the following calendar year of the amount of the excess deferrals to be allocated to this Plan and such portion of the excess deferrals so allocated shall be recontributed to the Plan as After-Tax Savings or returned to the Member as provided in the preceding sentence.

(c) With respect to each Plan Year, the Actual Deferral Percentage for Highly Compensated Employees who are Members shall not exceed the greater of: (a) 125 percent of the Actual Deferral Percentage for all other Employees who are Members or (b) the lesser of (i) 200 percent of the Actual Deferral Percentage of all other Employees who are Members or (ii) the Actual Deferral Percentage of all other Employees who are Members plus 2 percentage points. In the event the Actual Deferral Percentage for Highly Compensated Employees for any Plan Year exceeds the limits described in the preceding sentence, then the amount of excess deferrals, determined by reducing contributions made on behalf of Highly Compensated Employees in order of the Actual Deferral Percentages beginning with the highest of such percentages, as adjusted for investment experience, will be distributed to the Members on whose behalf such deferrals were made or, under rules to be adopted by the Committee, such Members may elect to recharacterize such adjusted deferrals as After-Tax Savings. Any distribution of the adjusted excess deferrals will be made to the Highly Compensated Employees on the basis of the respective portion of the adjusted excess deferrals attributable to each of such employees and will be returned to the employees on whose behalf such contributions were made within 2-1/2 months following the end of the Plan Year for which the deferrals were made. In the event that any portion of a Member's Before-Tax Savings, as adjusted for investment experience, is returned or recharacterized pursuant to section 4.1(b) as a result of the annual limit applicable to Before-Tax Savings, such Member's Average Deferral Percentage shall be determined before such excess deferral is returned. Any such adjusted excess deferrals that are recharacterized shall be treated as (a) annual additions pursuant to section 5.4 and (b) Before-Tax Savings for purposes of their withdrawability prior to Termination of Employment and shall be subject to the financial hardship requirement provisions of section 8.4.

4.2. Member After-Tax Savings.

(a) By authorizing payroll deductions, each Member may elect to contribute to the Trust Fund 1%, 2%, 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, 11%, 12%, 13%, 14%, 15% or 16% of the Member's Salary in such payroll period, effective with the first payroll paid on or after the date as of which the election is to apply. A Member may not contribute more than the difference between 16% of the Member's Salary and the amount of savings the Member elected pursuant to section 4.1. A Member who contributes only After-Tax Savings in accordance with this section 4.2 shall be subject to a minimum contribution of 2% of the Member's Salary. From time to time and

in order to comply with section 401(m) of the Code, the Plan Committee may impose an additional limit on the extent to which a Member who is a Highly Compensated Employee may contribute to the Trust Fund as After-Tax Savings, based on the Plan Committee's reasonable projection of savings rates of Members who are not Highly Compensated Employees. Each Member's contributions shall be paid monthly into the Trust Fund and shall be credited as follows:

(i) Basic After-Tax Savings--Contributions by a Member that are not in excess of the difference between 6% of such Member's Salary for the month for which such contributions are made and the amount credited as Basic Before-Tax Savings for that month shall be known as "Basic After-Tax Savings" and shall be credited to the Basic After-Tax Investment Account; and

(ii) Supplemental After-Tax Savings--Any contributions by a Member that are in excess of the maximum allowed under the preceding paragraph (i) shall be known as "Supplemental After-Tax Savings" and shall be credited to the Supplemental After-Tax Investment Account.

After-Tax Savings may also include amounts credited on a Member's behalf pursuant to a Prior Plan Transfer.

As of January 1, April 1, July 1 or October 1, a Member may elect to change the Member's after-tax contribution rate by giving the Company at least 15 days' prior written notice on a form approved by the Plan Committee for such purpose.

(b) With respect to each Plan Year, the Actual Contribution Percentage for Highly Compensated Employees who are Members shall not exceed the greater of (a) 125 percent of the Actual Contribution Percentage for all other Employees who are Members or (b) the lesser of (i) 200 percent of the Actual Contribution Percentage of all other Employees who are Members or (ii) the Actual Contribution Percentage of all other Employees who are Members plus 2 percentage points. In the event the Actual Contribution Percentage for Highly Compensated Employees for any Plan Year exceeds the limits described in the preceding sentence, such excess contributions determined by reducing contributions made on behalf of Highly Compensated Employees in order of the Actual Contribution Percentages beginning with the highest such percentages, as adjusted for investment experience, will be returned to, or paid to, the employees for whom such contributions were made within 2-1/2 months following the end of the Plan Year for which the contributions were made.

A Member's Actual Contribution Percentage shall be determined after a Member's excess Before-Tax Savings are either recontributed to the Plan as After-Tax Savings or paid to the Member.

(c) Notwithstanding the provisions of section 4.1(c) and section 4.2(b) above, in no event shall the sum of the Actual Deferral Percentage of the group of eligible Highly Compensated

Employees and the Actual Contribution Percentage of such group, after applying the provisions of section 4.1(c) and section 4.2(b) above, exceed the "aggregate limit" as such term is defined under regulations prescribed by the Secretary of the Treasury under section 401(m) of the Code. In the event the aggregate limit is exceeded for any Plan Year, the Actual Contribution Percentages of the Highly Compensated Employees shall be reduced to the extent necessary to satisfy the aggregate limit in accordance with the procedure set forth in section 4.2(b) above.

4.3. Suspension and Resumption of Member Savings. A Member may suspend the Member's savings under section 4.1 and section 4.2 by giving to the Company written notice on a form approved by the Plan Committee for such purpose. Such suspension will become effective with the first payroll paid in the month following the date written notice is received by the Company. If a Member takes a withdrawal from the Supplemental Before-Tax Investment Account and Basic Before-Tax Investment Account under section 8.4 the Member may elect to suspend savings for a period of not less than 12 months in lieu of disclosing the Member's financial resources. Such suspension will become effective in the third month following the month in which the Valuation Date of the Member's distribution occurs. No Matching Company Contributions shall be made during the period of a Member's suspension although the Member will continue to be considered a Member for purposes of sections 4.1(c), 4.2(b) and 4.2(c).

A Member who suspends savings in accordance with the first sentence of the preceding paragraph may resume savings under section 4.1 and/or under section 4.2 as of any January 1, April 1, July 1 or October 1 after the date the suspension commenced by giving to the Company at least 15 days' prior written notice on a form approved by the Plan Committee for such purpose. A Member who elects to suspend savings in accordance with the third sentence of the preceding paragraph may resume savings under section 4.1 and/or under section 4.2 as of any January 1, April 1, July 1, or October 1 following a period of suspension of not less than 12 months, by giving to the Company at least 15 days' prior written notice on a form approved by the Plan Committee for such purpose.

4.4. Vesting of Member's and Deferred Member's Contributions. Each Member's and Deferred Member's Basic Investment Account and Supplemental Investment Account shall at all times be fully vested.

4.5. Rollovers and Transfers. Each Employee shall be entitled to transfer amounts to the Trust Fund from an employees' trust described in section 401(a) of the Code, from an employee annuity described in section 403(a) of the Code, from an individual retirement account described in section 408(a) of the Code, or from an individual retirement annuity described in section 408(b) of the Code, but only if such amounts constitute rollover contributions within the meaning of sections 402(a)(5), 403(a)(4), or 408(d)(3) of the Code or such amounts are transferred directly from the trustee or custodian holding such amounts to the Trustee. The Plan Committee may require such information or documentation with respect to any such proposed transfer as it deems necessary or desirable to confirm that it will qualify as a rollover contribution within the meaning of the aforesaid sections of the Code or that the source of the amounts proposed to be transferred is tax-qualified.

ARTICLE FIVE
Company Contributions

5.1. Company Contributions.

(a) Retirement Contributions. The Company shall contribute each Plan Year to the Retirement Account of a Member an amount equal to one-half of one percent of the Member's Salary for the Plan Year.

(b) Matching Company Contributions. The Company, with respect to each Member employed by it, shall contribute to the Trust Fund an amount equal to 60% of such Member's Basic Savings for the corresponding month. The Matching Company Contributions with respect to a Member shall be paid into the Trust Fund and credited to such Member's Company Contribution Account. No Matching Company Contributions shall be made with respect to a Member's Supplemental Savings. Notwithstanding the foregoing, no Matching Company Contributions shall be made with respect to a Member's Basic Savings which were made during a suspension period following a withdrawal prior to Termination of Employment as provided in sections 8.2, 8.3 and 8.4 herein.

(c) Contributions in Cash or Shares. Company contributions shall be made in either cash or Rayonier Shares, as the Company shall determine (including authorized but unissued Rayonier Shares).

(d) Contributions From Profits. Contributions under this Article V shall be made from the Company's profits, which shall mean the net income of the Company for the Company's fiscal year as determined by the Company according to generally accepted accounting principles and practices, but without regard to any federal, state, or local income and/or franchise taxes which may be payable with respect to such income.

5.2. Vesting. A Member shall be vested in, and have a nonforfeitable right to, the Member's Company Contribution Account and in accordance with the following schedule:

Years of Service -----	Nonforfeitable Percentage -----
less than 1 year.....	0%
1 but less than 2 years	20%
2 but less than 3 years	40%
3 but less than 4 years	60%
4 but less than 5 years	80%
5 or more years	100%

Notwithstanding the foregoing schedule, a Member shall immediately be fully vested in the Member's Company Contribution Account in the event of any one of the following:

- (a) attainment of age 65,
- (b) the Member's Retirement,
- (c) the Member's Disability,
- (d) the Member's death,
- (e) termination of the Plan,
- (f) complete discontinuance of Company contributions, or
- (g) a Change in Control.

A Member shall at all times be fully vested in, and shall have a nonforfeitable right to 100 percent of, the portion of the Member Retirement Account.

5.3. Forfeitures.

(a) In the event of Termination of Employment of a Member for any reason other than the foregoing listed in (a) through (d) of section 5.2, then the portion of the Member's Company Contribution Account in which the Member is not vested in accordance with section 5.2 shall be forfeited. However, if the Member is reemployed by the Company prior to the expiration of a Break in Service, the provisions of section 10.7 shall apply.

(b) If a Member shall have withdrawn all or a portion of the value of the Member's Vested Company Contribution Account at any time before Termination of Employment, then all or a portion of the excess of the value of the Member's Company Contribution Account over the value of the Member's Vested Company Contribution Account shall be forfeited as provided in section 8.3. However, the Member may restore such forfeited amounts in accordance with the provisions of section 8.6.

(c) As soon as practicable after an event giving rise to a forfeiture shall have occurred, the amount of any forfeiture under the foregoing subdivisions of this section 5.3, reduced by any forfeited amounts restored to a Member's Accounts, shall be applied to reduce future Company contributions under section 5.1.

(d) In the event of the termination of the Plan or complete discontinuance of Company contributions hereunder, any forfeitures not previously applied in accordance with the foregoing provisions of this section shall be credited proportionately to the Accounts of all Members as provided in section 14.2(b).

5.4. Maximum Annual Additions.

(a) Notwithstanding any other provision of the Plan, except as otherwise provided in this section 5.4(a), the annual addition to a Member's Accounts for any Plan Year, when added to the Member's annual addition for that Plan Year under any other qualified defined contribution plan of the Company or any subsidiary or affiliate of the Company, shall not exceed an amount which is equal to the lesser of (i) 25% of the Member's aggregate Compensation for that Plan Year determined after (A) any reduction of Salary pursuant to section 4.1(a) and (B) after any reduction of Salary as a result of elective contributions pursuant to section 125 of the Code, or (ii) \$30,000. As of January 1 of each Plan Year, one-quarter of the dollar limitation in effect under section 415(b)(1)(A) of the Code, if greater, shall become effective as the alternative maximum permissible annual addition during that Plan Year in lieu of \$30,000.

(b) For purposes of this section 5.4, the "annual addition" for a Plan Year to a Member's Accounts under this Plan shall be the sum of (i) the amount of such Member's Before-Tax Savings for such Plan Year, (ii) the amount of such Member's After-Tax Savings for such Plan Year, and (iii) all contributions by the Company or any subsidiary or affiliate of the Company to such Member's Company Contribution Account or Retirement Account for such Plan Year.

(c) For purposes of this section 5.4, the term subsidiary or affiliate shall mean any such company within the controlled group of companies within the meaning of Code section 414, except the phrase "more than 50 percent" shall be substituted for the phrase "at least 80 percent" each place it appears in section 1563(a)(1) of such Code.

(d) In the event that it is determined that the annual additions to a Member's Accounts for any Plan Year would be in excess of the limitations contained herein, such annual additions shall be reduced to the extent necessary to bring such annual additions within the limitations contained in this section 5.4. The Member's allocable share of Company contributions for such Plan Year shall be reduced and reallocated to the other Members in the Plan, in the proportion that the Salary of each other Member bears to the total Salaries for all such other Members for such Plan Year; subject, however, to the limitations contained in section 5.4(a).

(e) In the event that any Member of this Plan is a participant in any other defined contribution plan (whether or not terminated), maintained by the Company or any subsidiary or affiliate of the Company the total amount of annual additions to such Member's accounts under all such defined contribution plans shall not exceed the limitations set forth in this section 5.4.

If it is determined that as a result of the limitations set forth in this Subparagraph (e), the annual additions to such Member's accounts must be reduced:

(i) first, the annual additions to such Member's accounts under other defined contribution plans shall be reduced to the extent necessary and to the extent permitted by law so that the limitations described in section 5.4(a) are not exceeded; and

(ii) second, if after application of clause (i), the annual additions to such Member's accounts are still in excess of the permissible amount, the annual additions to such Member's Account under this Plan shall be reduced.

In the event that any Member of the Plan is also a participant in any defined benefit plan maintained by the Company or any subsidiary or affiliate of the Company, it is intended that the benefits under such defined benefit plan shall be reduced prior to the application of the limitations contained in section 5.4(a) to the annual additions to such Member's Accounts under this Plan to the extent necessary to satisfy the requirements of section 415(e) of the Code.

ARTICLE SIX
Investment of Contributions

6.1. Investment Funds. Pursuant to the provisions of this Article Six, contributions to the Plan shall be invested by the Trustee in Fund A, described below, and such additional Funds as may be specified in Exhibit A attached to this Plan and made a part hereof.

FUND A--a fund, together with the earnings thereon, invested primarily in Rayonier Shares (the "Rayonier Common Share Fund"). Rayonier Shares shall be purchased by the Trustee regularly on the open market, in accordance with a nondiscretionary purchase program, by the exercise of stock rights or by private purchase; provided, however, that at the option and direction of Rayonier, authorized and unissued Rayonier Shares may be contributed to the Trustee as provided in section 5.1.

In any Fund, regardless of its primary investment objective, the Trustee temporarily may hold cash or make short-term investments in obligations of the United States Government, commercial paper, an interim investment fund for tax qualified employee benefit plans established by the Trustee or other investments of a short-term nature, unless otherwise provided by applicable law.

6.2. Investment of Contributions. Contributions under the Plan shall be invested by the Trustee as follows:

(a) Matching Company Contributions and Retirement Contributions shall be invested entirely in Fund A, except when a Member who has attained age 55 elects to have all or part of the Member's Matching Company Contributions or Retirement Contributions transferred to or invested in a Fund investing in fixed income investments pursuant to section 6.5.

(b) Contributions for Member savings made pursuant to section 4.1 or section 4.2 shall be invested, in multiples of 5%, in any one or more of the Funds as elected by the Member.

A Company Contribution Account shall be established for each Member in each Fund to which Matching Company Contributions made pursuant to section 5.1 with respect to the Member have been made or transferred. A Retirement Account shall be established for each Member in each Fund in which

Retirement Contributions with respect to the Member have been made. A Basic After-Tax Investment Account, a Basic Before-Tax Investment Account, a Supplemental After-Tax Investment Account, and a Supplemental Before-Tax Investment Account, as applicable, shall be established for each Member in each Fund to which such Member's savings have been directed.

6.3. Change in Investment Election. Not more than once in any calendar month, by giving to the Company prior written notice on a form approved by the Plan Committee for such purpose, a Member may change the Member's investment election within the limitation set forth in section 6.2 with respect to savings to be made for any payroll paid on or after the effective date of such notice. The effective date of notice shall be the first day of the calendar month immediately following the date on which properly completed written notice is received by the Company.

6.4. Redistribution of Member Savings. Not more than once in any calendar month, by giving written notice to the Company on a form approved by the Plan Committee for such purpose, a Member, Deferred Member or Beneficiary who was the spouse of a Member and who elects to defer receipt of the Member's or Deferred Member's Vested Share in accordance with section 10.1(a) or (b) may elect to redistribute on any Valuation Date all or part, in multiples of 5%, of the Member's Basic Investment Account and/or Supplemental Investment Account among the Funds. The Valuation Date applicable to the redistribution reallocation shall be the last day of the calendar month in which properly completed written notice is received by the Savings Plan Administrator.

6.5. Investment Option at Age 55. By giving to the Company written notice on a form approved by the Plan Committee for such purpose, any Member who has attained age 55 shall have an option to elect the following:

(a) to have transferred to a Fund investing in fixed income investments all or part, in multiples of 5%, of such Member's previously credited Company Contribution Account and/or Retirement Account,

(b) to have invested in a Fund investing in fixed income investments all or part, in multiples of 25%, of such Member's future Matching Company Contributions and Retirement Contributions, and

(c) if a Member is age 55 or older when the Member joins the Plan or becomes a Member, the Member can have all or part of the Matching Company Contributions and Retirement Contributions made on such Member's behalf invested in a Fund investing in fixed income investments in multiples of 25% thereof.

A Member may make the elections described above only once, and if a Member desires to make more than one type of election, such elections must be made simultaneously.

The Valuation Date applicable with respect to transfers and investments made in accordance with subparagraph (a) above shall be the last day of the calendar month in which the Member's request is filed with the Company. The effective date applicable with respect to investments made in accordance with

subparagraph (b) above shall be the first day of the calendar month following the calendar month in which the Member's request is filed with the Company.

6.6. Voting of Rayonier Shares. Each Member, Deferred Member, and Beneficiary (in the event of the death of the Member or Deferred Member) is, for the purposes of this section 6.6, hereby designated a named fiduciary within the meaning of section 402(a)(2) of the Employee Retirement Income Security Act of 1974, as amended, with respect to the Rayonier Shares allocated to the Member's, Deferred Member's, or Beneficiary's Account. Each Member, Deferred Member, and Beneficiary may direct the Trustee as to the manner in which the Rayonier Shares allocated to the applicable Accounts are to be voted. Before the applicable annual or special meeting of shareholders of Rayonier there shall be sent to each Member, Deferred Member and such Beneficiary a copy of the proxy solicitation material for such meeting, together with a form requesting instructions to the Trustee on how to vote the Rayonier Shares allocated to such Member's, Deferred Member's and Beneficiary's Accounts. Upon receipt of such instructions, the Trustee shall vote such shares as instructed. In lieu of voting fractional shares as instructed by Members, Deferred Members or Beneficiaries, the Trustee may vote the combined fractional Rayonier Shares to the extent possible to reflect the directions of Members, Deferred Members or Beneficiaries with allocated fractional shares of stock. The Trustee shall vote Rayonier Shares allocated to Accounts under the Plan but for which the Trustee received no valid voting instructions in the same manner and in the same proportion as the Rayonier Shares in the Accounts in the respective funds with respect to which the Trustee received valid voting instructions are voted. Instructions to the Trustee shall be in such form and pursuant to such regulations as the Plan Committee may prescribe.

Any instructions received by the Trustee from Members, Deferred Members and Beneficiaries regarding the voting of Rayonier Shares shall be confidential and shall not be divulged by the Trustee to the Company, or to any director, officer, employee or agent of the Company, it being the intent of this provision of section 6.6 to ensure that the Company (and its directors, officers, employees and agents) cannot determine the voting instructions given by any Member, Deferred Member or Beneficiary.

6.7. Return of Contributions. Notwithstanding anything herein to the contrary, upon the Company's request, a deposit which was made by a mistake of fact, or conditioned upon qualification of the Plan or any amendment thereof or upon the deductibility of the contribution under section 404 of the Code, shall be returned to the Company within one year after the payment of the deposit, the denial of the qualification, or the disallowance of the deduction (to the extent disallowed), whichever is applicable. All Matching Company Contributions and Retirement Contributions are hereby conditioned upon their deductibility under section 404 of the Code.

ARTICLE SEVEN

Credits to Members' Accounts, Valuation and Allocation of Assets

7.1. Crediting Savings and Contributions. Before-Tax Savings and After-Tax Savings made on behalf of or by a Member shall be allocated to the Basic Investment Account or Supplemental Investment Account of such Member, as appropriate, as soon as practicable after such contributions are

transferred to the Trust Fund. Matching Company Contributions and Retirement Contributions made on behalf of a Member shall be allocated to the appropriate account as soon as practicable after contribution to the Trust Fund.

7.2. Credits to Members' Accounts. At the end of each month in which the Plan is in effect and operation, the amount of each Member's credit in each of the Funds A, B, C and D shall be expressed and credited in dollars of contributions by the Member and Company contributions and Rayonier Shares allocated to a Member's Accounts for such month. For the purposes of section 6.6 and Article Fifteen, a Member's interest in Fund A shall be converted into Rayonier Shares at any time of determination by dividing the value of all Rayonier Shares in Fund A by the value of such Member's interest in Fund A at the time. The resulting number of Rayonier Shares shall be deemed allocated to such Member.

7.3. Valuation of Assets. As of the last business day of each month after the first month in which the Plan is in operation, the Trustee shall determine the total fair market value of all assets then held by it in each fund.

7.4. Allocation of Assets. At the end of each month when the value of all assets in each Fund has been determined pursuant to section 7.3, the Trustee shall determine the gain or loss in the value of such assets in each of the Funds. Such gain or loss shall be allocated pro rata by fund to the balances credited to the Accounts of all Members and Deferred Members immediately prior to the end of such month, not including new contributions to that fund at the end of that month for that month.

ARTICLE EIGHT

Withdrawals Prior to Termination of Employment

8.1. General Conditions for Withdrawals. Subject to the restrictions in sections 8.7 and 8.9, at any time before Termination of Employment, a Member may file with the Company a written notice on a form approved by the Plan Committee requesting a withdrawal from the Member's Accounts. Any such withdrawal shall be payable only in cash and shall be in accordance with the conditions of sections 8.2, 8.3, or 8.4. For purposes of this Article Eight, a Member's Accounts shall be valued as of the applicable Withdrawal Valuation Date. Amounts to be distributed to Members will not participate in the investment experience of the Plan after the Withdrawal Valuation Date. Such amounts generally will be paid within approximately six weeks following the Withdrawal Valuation Date.

8.2. Withdrawals from Supplemental After-Tax Investment Account and Basic After-Tax Investment Account. Subject to the provisions of sections 8.1, 8.7 and 8.9, one and only one withdrawal from a Member's Supplemental After-Tax Investment Account and Basic After-Tax Investment Account may be made by a Member in any six-month period before Termination of Employment. Such withdrawal may be:

- (a) any specified whole dollar amount which is less than the full value of the Member's Supplemental After-Tax Investment Account and Basic After-Tax Investment Account, or

(b) the full value of the Member's Supplemental After-Tax Investment Account, or

(c) the full value of the Member's Basic After-Tax Investment Account.

For a withdrawal in accordance with subparagraph (a) above, certain conditions will apply: (i) the amount withdrawn must be at least \$300; (ii) if the amount withdrawn exceeds the value of the Member's Supplemental After-Tax Savings and investment earnings and gains thereon (such value for this purpose will be determined as of the Valuation Date immediately preceding the applicable Withdrawal Valuation Date), Matching Company Contributions will be suspended and will not be resumed for a period of at least three months following the applicable Withdrawal Valuation Date; (iii) if a Member has accounts in more than one Fund, the amount withdrawn shall be prorated among such accounts based on their respective values; and (iv) further Basic and Supplemental Savings by the Member under the Plan may be continued without interruption.

For a withdrawal in accordance with subparagraph (b) above, further Basic and Supplemental Savings by the Member under the Plan may be continued without interruption.

For a withdrawal in accordance with subparagraph (c) above, certain conditions will apply: (i) the Member must simultaneously withdraw the Member's Supplemental After-Tax Investment Account, if any; (ii) Matching Company Contributions will be suspended and will not be resumed for a period of three months following the applicable Withdrawal Valuation Date; and (iii) further Basic and Supplemental Savings by the Member under the Plan may be continued without interruption.

8.3. Withdrawal of Vested Company Contribution Account. Subject to the provisions of sections 8.1, 8.7 and 8.9, not more frequently than once in any six-month period, a Member who has withdrawn the maximum amount available from the Member's Supplemental After-Tax Investment Account and Basic After-Tax Investment Account pursuant to section 8.2 may withdraw, in 25 percent increments, all or a portion of the value of the Member's Vested Company Contribution Account attributable to Company Contributions, other than those Company Contributions made within the last twenty-four months; provided, however, that a Member who has participated in the Plan for at least sixty months shall also be able to withdraw Company Contributions made within the last twenty-four months. Such Member may continue the Member's Basic and Supplemental Savings under the Plan without interruption; however, Matching Company Contributions will be suspended for a period of three months following the applicable Withdrawal Valuation Date. Such three-month suspension period shall run concurrently with any three-month suspension period resulting from a withdrawal pursuant to section 8.2.

8.4. Withdrawal from Supplemental Before-Tax Investment Account and Basic Before-Tax Investment Account.

(a) Subject to the provisions of sections 8.1, 8.7 and 8.9, a Member who has not attained age 59-1/2 may withdraw all or a portion of the Member's Supplemental Before-Tax Investment Account and the Member's Basic Before-Tax Investment Account, except for that portion of each such Account which represents investment earnings credited to the Account subsequent to December 31, 1988, in the ITT Plan and this Plan, only if the Member is able to

establish to the satisfaction of the Hardship Committee that a bona fide financial hardship exists and only if the Member has obtained (i) all distributions (other than hardship distributions) available under all other retirement plans maintained by the Company, including this Plan and (ii) all non-taxable loans available under all retirement plans maintained by the Company, including this Plan, provided that the loan repayments do not result in a financial hardship for the Member. For this purpose, a bona fide financial hardship shall mean an immediate and heavy need to draw on financial resources not reasonably available from other sources of the Member. Bona fide financial hardships shall include cash down payments and/or closing costs associated with the purchase of a Member's principal residence; medical expenses for a Member, the Member's spouse or dependents, or expenses necessary for those persons to obtain medical care, which were not paid or reimbursed by insurance; tuition expenses and related educational fees for post-secondary education for a Member, the Member's spouse or dependents for the next academic year; payments to prevent a Member's eviction from the Member's principal residence or foreclosure of a mortgage on such residence; and any other reasons which the Hardship Committee may deem appropriate. A Member's withdrawal from Before-Tax Investment Accounts, together with the Member's concomitant withdrawal from After-Tax Investment and Vested Company Contribution Accounts and Plan loan, if any, shall be limited to the amount of the financial need plus taxes on such withdrawals for which the Member is liable. A Member may demonstrate lack of other reasonably available financial resources by disclosing on a form approved by the Hardship Committee for such purpose relevant details of the Member's personal and family finances or, alternatively, the Hardship Committee may deem that the Member has no other financial resources reasonably available if (i) the Member agrees to cease all Before-Tax Savings and After-Tax Savings for a period of not less than 12 months and (ii) in the calendar year in which the Member is eligible to resume saving under the Plan, to have the Member's maximum permissible Before-Tax Savings to the Plan, as defined in section 4.1(b), reduced by any Before-Tax Savings made on the Member's behalf in the previous calendar year. The Hardship Committee shall make determinations of financial hardship in a uniform and nondiscriminatory manner, with reference to all the relevant facts and circumstances and in accordance with applicable tax law under section 401(k) of the Code. Subsequent to the attainment of age 59-1/2, a Member may at any time before Termination of Employment, and without regard to financial hardship, withdraw all or a portion of the Member's Supplemental Before-Tax Investment Account and the Member's Basic Before-Tax Investment Account.

Notwithstanding the foregoing, for a withdrawal in accordance with (a) above, Matching Company Contributions will be suspended for a period of at least three months following the applicable Withdrawal Valuation Date.

8.5. Ordering of Withdrawals. For purposes of processing a withdrawal, Basic After-Tax Savings made by a Member attributable to the ITT Plan on or after January 1, 1987 and to this Plan, and investment earnings and gains thereon and Supplemental After-Tax Savings made by a Member to the ITT Plan on or after January 1, 1987 and to this Plan, and investment earnings and gains thereon shall constitute a separate contract (Contract II) and all remaining amounts in the Plan with respect to a Member shall constitute another contract (Contract I) for purposes of section 72(e) of the Code. The Plan Committee shall maintain records of withdrawals, contributions, earnings and other additions and

subtractions attributable to each separate contract and shall credit or charge the appropriate contract, and adjust the non-taxable basis of each contract, for transactions properly allocable to such contract. For purposes of processing a withdrawal under section 8.2 or 8.3, such withdrawals will be deducted from the Member's Accounts in Contract I and Contract II in the following order: (i) the value of the Member's Supplemental After-Tax Investment Account in Contract I, (ii) the value of the Member's Supplemental After-Tax Investment Account in Contract II, (iii) the value of the Member's Basic After-Tax Investment Account in Contract I, (iv) the value of the Member's Basic After-Tax Investment Account in Contract II and (v) the value of the Member's Vested Company Contribution Account.

For purposes of processing a withdrawal from Before-Tax Investment Accounts under section 8.4 by a Member who has attained age 59-1/2, such withdrawal will be deducted from the Member's Accounts in Contract I. Any nontaxable savings in such Member's Accounts in Contract I are first applied toward such withdrawal.

8.6. Repayment of Withdrawal From Plan. If a Member makes a withdrawal pursuant to section 8.3 and the Member forfeits all or a portion of the value of the Member's Company Contribution Account, the Member shall be permitted to repay in full the amounts previously withdrawn from the Member's Basic After-Tax Investment Account and the Member's Vested Company Contribution Account to the Plan by giving to the Company prior written notice on a form approved by the Plan Committee for such purpose. At the Member's option, the Member may repay the amount of the Member's Supplemental After-Tax Investment Account.

Such payment may be made at any time after the three month suspension of Matching Company Allocations described in section 8.3 above, provided the Member is then eligible for the Plan and further provided the Member has not incurred a Break in Service. Such repayment amounts shall be invested in the same or equivalent Funds in the same amounts as were withdrawn from each Fund. In the event that an equivalent Fund shall be unavailable at the time of such repayment, the amount of such repayment or the portion thereof otherwise allocable to such unavailable Fund shall be invested as directed by the Member on such form as the Plan Committee shall provide. Upon such repayment the Plan Committee shall instruct the Trustee to restore the balance of the Member's Accounts in each Fund to its value at the time of the withdrawal payment. However, repayments of amounts previously withdrawn from the short-term U.S. Government Obligations Fund of the ITT Plan (which was eliminated from the ITT Plan effective July 1, 1993) will be invested in the Fund that invests in fixed income investments. With respect to a Member who has exercised the investment option at age 55 pursuant to section 6.5, repayment and restoration of the Member's Company Contribution Account shall be made in accordance with the Member's election pursuant to such section 6.5 in effect at the time of repayment.

8.7. Withdrawal Limitation after Loan Application. A Member who has applied for a loan in accordance with Article Nine may not apply for a withdrawal of any type from the Member's Accounts before the third calendar month following the Loan Valuation Date which is applicable to the Member's loan. A Member may, however, file application for a withdrawal, subject to the conditions of sections 8.2, 8.3, or 8.4, at the same time the Member files application with the Company for a loan provided such withdrawal and loan applications are appended together upon transmittal to and receipt by the Savings Plan Administrator. (See section 9.7 for similar loan limitation after withdrawal application.)

8.8. Direct Rollover. Certain withdrawals or portions thereof paid on or after January 1, 1993 pursuant to this Article Eight may be "eligible rollover distributions" as defined and discussed in section 10.8, and shall be treated as such to the extent required under section 402 of the Code.

8.9. Withdrawals by Officers and Directors. Notwithstanding any provision of Article Eight to the contrary, in no event may a withdrawal by a Member who is an officer or director of the Company and who is subject to Section 16 of the Securities and Exchange Act of 1934, as amended, include any amounts deducted from those portions, if any, of a Member's Accounts that are invested in Fund A, nor may any repayment of such withdrawal pursuant to section 8.6 be invested in Fund A. Any provision of this Article Eight regarding the proportionate withdrawal from or repayment to the Fund by such Members shall be applied excluding Fund A.

ARTICLE NINE
Loans

9.1. General Conditions for Loans. Subject to the restrictions in sections 9.6 and 9.7, at any time before Termination of Employment, a Member may file with the Company a written notice on forms approved by the Plan Committee requesting a loan from the Member's Accounts. By filing the loan forms, the Member:

- (a) specifies the amount and the term of the loan,
- (b) agrees to the annual percentage rate of interest,
- (c) agrees to the finance charge,
- (d) promises to repay the loan, and
- (e) authorizes the Company to make regular payroll deductions to repay the loan.

9.2. Amounts Available for Loans. Subject to the following sentence, a Member may request a loan in any specified whole dollar amount which must be at least \$1,000 but which may not exceed the lesser of 50% of the Vested Share, or \$50,000 reduced by the difference (if any) between the Member's highest outstanding loan balance, if any, during the prior one-year period and the outstanding loan balance on the date on which the loan is made. In no event may a Member borrow any amount from the Member's Retirement Account, however, the Member's Retirement Account balance may be taken into consideration in determining the amount available for a loan. For purposes of determining amounts available for loans, a Member's Vested Share shall be determined based on the latest information available to the Company at the time the Member files a loan request with the Company. Notwithstanding the foregoing, such amounts may automatically be borrowed from a Member's Retirement Account as may be necessary to fulfill the loan request of such Member if, as a result of a decrease in market value, the amount available for loan on the Loan Valuation Date is less than the amount calculated as being available for loan at the time the Member filed the loan request with the Company.

9.3. Account Ordering for Loans. For purposes of processing a loan, the amount of such loan will be deducted from the Member's Accounts in the following order: (i) the value of the Member's Before-Tax Savings (including investment earnings and gains or losses thereon), (ii) the value of the Member's After-Tax Savings (including investment earnings and gains or losses thereon), and (iii) the Member's Vested Company Contribution Account. A loan is deducted from a Member's Accounts as of the Loan Valuation Date. Amounts so deducted and distributed to a Member as a Plan loan will not participate in the investment experience of the Plan except as such amounts are repaid to the Member's Accounts.

9.4. Interest Rate for Loans. The Plan Committee shall establish and communicate to Members a reasonable market rate of interest for loans.

9.5. Term and Repayment of Loan. A Member may elect to repay a loan no less frequently than on a monthly basis over a period of 12, 24, 36, 48, or 60 months. A Member who is using a loan to acquire the Member's own principal residence may elect to repay a loan over a period of 120 or 180 months. No extension of the loan term shall be permitted after the loan is made. Repayment of the loan is made to the Member's Accounts from which the loan amount was deducted in inverse order to the Account Ordering for Loans described in section 9.3. Repayments are invested in the Member's Accounts in accordance with the Member's current investment election. Repayments of amounts deducted from the Member's Vested Company Contribution Account are invested in accordance with the investment direction applicable to the Member's Company contributions at the time of repayment under the terms of the Plan. Loan repayments are not credited with investment experience under the Plan until the first of the month following the month in which such repayments are made.

9.6. Frequency of Loan Requests. A Member may have only one loan outstanding at any time. A Member who fully repays a loan may not apply for another loan before the third calendar month following the last day of the month in which the loan is repaid.

9.7. Loan Limitation after Withdrawal Application. A Member who requests a withdrawal of any type in accordance with Article Nine may not apply for a loan before the third calendar month following the applicable Withdrawal Valuation Date. A Member may, however, file application for a loan, subject to the conditions of sections 9.1 and 9.2, at the same time the Member files application with the Company for a withdrawal provided such loan and withdrawal applications are appended together upon transmittal to and receipt by the Savings Plan Administrator. (See section 8.7 for similar withdrawal limitation after loan application.)

9.8. Prepayment of Loans. A Member may prepay the entire outstanding balance of a loan, with interest to date of prepayment, at any time. The date of prepayment will be the last day of the month in which the prepayment is made.

9.9. Outstanding Loan Balance at Termination of Employment. Upon the Member's Termination of Employment, the outstanding balance of any loan shall become due and payable and shall either be canceled or, if the Member so elects, prepaid in full to the Member's Accounts with interest to the

date of prepayment; such prepayment date may not be later than the Valuation Date of the Member's distribution at Termination of Employment or the date the Member becomes a Deferred Member.

9.10. Loan Default during Employment. Under certain circumstances, including, but not limited to, the Member's failure to make repayment or the bankruptcy of the Member, the Plan Committee may declare a Member's loan to be in default. In the event default is declared, the outstanding loan balance and any accrued interest may be treated as a withdrawal prior to Termination of Employment subject to the provisions of Article Eight.

9.11. Incorporation by Reference. Any additional rules or restrictions as may be necessary to implement and administer Plan loans shall be in writing and communicated to Members. Such further documentation is hereby incorporated into the Plan by reference, and pursuant to subparagraph (b) of section 12.2, the Plan Committee is hereby authorized to make such revisions to these rules as it deems necessary or appropriate on the advice of counsel.

9.12. Loans to Officers and Directors. Notwithstanding any provision of Article Nine to the contrary, in no event may a loan to a Member who is an officer or director of the Company and who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, include any amounts deducted from those portions, if any, of a Member's Accounts that are invested in Fund A, nor may any repayments of such a loan be invested in Fund A.

ARTICLE TEN Distributions

10.1. General.

(a) Upon Termination of Employment, a Member may apply for distribution of the value of the Member's Vested Share. Alternatively, upon Termination of Employment, a Member whose Vested Share as of the Valuation Date of the month in which the Member files appropriate application with the Savings Plan Administrator exceeds \$3,500 or, effective January 1, 1998, \$5,000, may elect to defer distribution of such Vested Share until the January 31 Valuation Date immediately following the Member's attainment of age 70-1/2. A Member who terminates employment and elects to defer distribution of the Member's Vested Share shall become a Deferred Member. A Deferred Member may, however, file application for distribution of the Deferred Member's Vested Share at any time prior to the January 31 following the Member's attainment of age 70-1/2. If a Member terminates employment and does not apply for a distribution of the Member's Vested Share, or does not elect to defer distribution of the Member's Vested Share, within 60 days of the Member's Termination of Employment, and the value of the Member's Vested Share as of the Valuation Date coincident with or next following the 60th day after the Member's Termination of Employment exceeds \$3,500, or, effective January 1, 1998, \$5,000, such Member will be deemed to be a Deferred Member; provided, however, that distribution of the Vested Share of a Member so deemed to be a Deferred Member shall commence not later than the 60th day after the close of the Plan Year in which the later of the following events occurs: (i) the Member's attainment of age 65, or (ii) the date of the Member's Termination of Employment. A Deferred Member may elect to redistribute the Member's Basic

Investment Account and/or Supplemental Investment Account in accordance with section 6.4 among the Funds and to make the investment election described in section 6.5.

(b) Upon the death of a Member or Deferred Member, the value of such Member's or Deferred Member's Vested Share shall be distributed to the Member's or Deferred Member's Beneficiary. If the distribution of a Member's Vested Share has begun and the Member or Deferred Member dies before the Member's or Deferred Member's interest has been distributed, the remaining portion of such Vested Share shall be distributed at least as rapidly as under the method of distribution selected as of the Member's or Deferred Member's date of death. If a Member or Deferred Member dies before the Member or Deferred Member has begun to receive any distribution of the Member's or Deferred Member's Vested Share (and distributions are not to be made in the form of an annuity to the Member's or Deferred Member's spouse) then the Member's or Deferred Member's Vested Share shall be distributed by December 31 of the calendar year in which the fifth anniversary of the Member's or Deferred Member's date of death occurs. This distribution requirement, however, shall not apply to any portion of the deceased Member's or Deferred Member's Vested Share that is payable to or for the benefit of a designated Beneficiary. In such event, such portion may, at the election of the Member or Deferred Member (or the Member's or Deferred Member's Beneficiary), be distributed over the life of such Beneficiary (or over a period not extending beyond the life expectancy of such Beneficiary) provided such distribution begins not later than December 31 of the calendar year immediately following the calendar year in which the Member or Deferred Member died. In the event the Member's or Deferred Member's spouse (determined as of the date of the Member's or Deferred Member's death) is the Member's or Deferred Member's Beneficiary, the requirement that distributions commence within one year of a Member's or Deferred Member's death shall not apply if the value of the Vested Share to be distributed to the spouse Beneficiary exceeds \$3,500, or effective January 1, 1998, \$5,000. Such spouse Beneficiary may elect to defer receipt of the Member's or Deferred Member's Vested Share until the date as of which the Member or Deferred Member would have reached age 70-1/2. If the value of the Vested Share to be distributed to a spouse Beneficiary exceeds \$3,500 or, effective January 1, 1998, \$5,000 and such spouse Beneficiary neither files application for distribution of such Vested Share nor elects to defer receipt of such Vested Share, then such spouse Beneficiary shall be deemed to have deferred receipt of such Vested Share until the January 31 Valuation Date immediately following the date as of which the Member or Deferred Member would have attained age 70-1/2. A spouse Beneficiary may, however, file application for distribution of such Vested Share at any time prior to the January 31 Valuation Date immediately following the year in which the Member or Deferred Member would have attained age 70-1/2.

For purposes of this section 10.1(b), the spouse of a Member or a Deferred Member shall be treated as a Beneficiary if a trust of which such spouse is a primary beneficiary is designated as the Beneficiary of the Member or Deferred Member, provided that such trust meets the requirements of Prop. Treasury Regulations section 1.401(a)(9)-1, D-5 (or any successor regulation).

(c) A Member who attains age 70-1/2 on or after January 1, 1988 must commence distribution of the Member's Vested Share by no later than (i) the April 1 following the year in which the Member attains age 70-1/2 or (ii) effective January 1, 1997, the calendar year in which the Member retires; provided, however, that clause (ii) shall not apply to a Member who attains age 70-1/2 before January 1, 1998 and elects not to have it apply and in the case of a Member who is a 5 percent owner at any time during the 5 Plan Year period ending in the calendar year in which the Member attains age 70-1/2, or, in the case of an Employee who becomes a 5 percent owner during any subsequent Plan Year, clause (ii) shall no longer apply, and distribution of the Member's Vested Share must commence by April 1st of the calendar year following the calendar year in which such subsequent Plan Year ends. The Vested Share of such Member shall be paid under the payment method described in section 10.3(c) (i) below, if permissible under the terms of that payment method. If payment under the terms of that payment method is not permissible, the Vested Share of the Member shall be paid in an immediate lump sum. Alternatively, the Member may elect that the Member's Vested Share be paid under the payment method described in section 10.3(c) (ii) below, if permissible under the terms of that payment method, or in an immediate lump sum. Payment of the Vested Share of a Member who has been required to commence payments pursuant to this section shall be made no less frequently than annually, and once such payment has commenced, the Member may not elect an alternate method for payment of such Vested Share while the Member is still an Employee.

10.2. Valuation Date and Conditions of Distribution.

(a) The value of any distribution will be determined as of the Valuation Date of the calendar month in which a properly completed application for the distribution by the Member, Deferred Member or Beneficiary, as transmitted by the Company, is received by the Savings Plan Administrator. In no event, however, may the Valuation Date of a Member's Accounts precede the Valuation Date of the month in which Termination of Employment occurs.

(b) Application by the Member, Deferred Member or Beneficiary must be in writing on a form approved by the Plan Committee.

(c) Generally, all funds distributed will be paid within approximately six weeks following the applicable Valuation Date. If part of the distribution is to be paid in stock, the stock certificate will be distributed after the check representing the cash distribution.

10.3. Methods of Distribution. After Termination of Employment occurs, and as soon as practicable following application by the Member, Deferred Member or Beneficiary, distributions under the Plan shall be made in the following manner:

(a) all distributions from the Funds other than Fund A shall be made in cash;

(b) unless the Member, Deferred Member or Beneficiary elects to take cash for distributions from Fund A, distributions from Fund A shall be in Rayonier Shares, except that any fractional interest in a share shall be paid in cash;

(c) all distributions of cash and Rayonier Shares shall be made as soon as practicable after receipt of the application by the Member, Deferred Member or Beneficiary in accordance with section 10.2(b).

However, with prior written notice on a form approved by the Plan Committee for such purpose, a Member who is terminating employment after attaining age 55 or a Member or Beneficiary of a Member or Deferred Member who is terminating employment by reason of Retirement, death or Disability may elect a distribution in the method of payment described in (i) or (ii) below. With prior written notice on a form approved by the Plan Committee for such purpose, a Deferred Member who elects to receive a distribution after attaining age 55 may elect to receive distribution in the method of payment described in (i) or (ii) below.

(i) Provided the value of the Member's or Deferred Member's vested Accounts is at least \$3,500, or, effective January 1, 1998, \$5,000, and the first payment is at least \$1,000, by payment in not more than twenty annual installments, with all such installments to be paid in cash, as follows: the amount of the annual installments to be paid to each Member or Deferred Member or, in the event of death, to the Member's or Deferred Member's Beneficiary shall be based upon the value of The Member's or Deferred Member's Accounts as of the Valuation Date coinciding with or next following the date of receipt by the Savings Plan Administrator of a properly completed application as transmitted by the Company and each anniversary thereof, and shall be determined by multiplying such value by a fraction, the numerator of which shall be one and the denominator of which shall be the number of unpaid annual installments. Notwithstanding the foregoing, the number of annual installments elected may not exceed the life expectancy of the Member or Deferred Member, or if the Member or Deferred Member is married, the joint life expectancy of the Member or Deferred Member and the spouse or in the event of the Member's or Deferred Member's death, the life expectancy of the Beneficiary. Any Member or Deferred Member or Beneficiary who elects annual installment payments may, at any time thereafter (but with the consent of the spouse of the Member or Deferred Member, if applicable), elect by filing a request with the Plan Committee to receive in a lump sum the remaining value of any unpaid annual installments. The Valuation Date applicable to such election shall be the last day of the calendar month in which a request to receive the remaining value of any unpaid annual installments is received by the Savings Plan Administrator.

For purposes of this section 10.3(c) (i), the spouse of a Member or a Deferred Member shall be treated as a Beneficiary if a trust of which such spouse is a primary beneficiary is designated as the Beneficiary of the Member or Deferred Member, provided that such trust meets the requirements of Prop. Treasury Regulations section 1.401(a)(9)-1, D-5 (or any successor regulation).

(ii) Provided the value of the Member's or Deferred Member's vested Accounts is at least \$3,500 or, effective January 1, 1998, \$5,000, and the first payment is

at least \$1,000, by payment in annual cash installments over the Member's or Deferred Member's life expectancy or the joint life expectancies of the Member or Deferred Member and the Member's or Deferred Member's spouse or in the event of the death of the Member or the Deferred Member, over the life expectancy of the Member's or Deferred Member's Beneficiary, as actuarially determined at the time of commencement of the initial installment and which may, in the case of payments to a Member or Deferred Member and/or to the Member's or Deferred Member's spouse, be redetermined annually thereafter. The amount of such installments will be based on the value of the Member's or Deferred Member's Accounts as of the Valuation Date coinciding with or next following the date of receipt by the Savings Plan Administrator of a properly completed application as transmitted by the Company and each anniversary thereof, and shall be determined by multiplying such value by a fraction, the numerator of which shall be one and the denominator of which shall be the number of years and fraction thereof of the Member's or Deferred Member's or Beneficiary's life expectancy as the case may be (or the joint life expectancies of the Member or Deferred Member and the Member's or Deferred Member's spouse) based on age at the time of the initial installment (if life expectancy is not to be recalculated) or at the time the installment is payable (if life expectancy is to be recalculated). Any Member or Deferred Member or Beneficiary who elects annual cash installment payments over the Member's or Deferred Member's or Beneficiary's life expectancy or over the joint life expectancies of the Member or Deferred Member and the Member's or Deferred Member's spouse may not thereafter elect to receive in a lump sum the remaining value of the Accounts.

If a Member or Deferred Member elects a distribution as provided in the paragraph (i) or (ii) of this section 10.3(c) and the Member or Deferred Member dies prior to receipt of the cash and/or Rayonier Shares comprising such distribution, then the Member or Deferred Member shall be considered to have terminated employment by reason of death and the Beneficiary of such Member or Deferred Member may elect a distribution as provided in paragraph (i) or (ii) of this section 10.3(c).

The Vested Share of a Member who, following Termination of Employment, fails to apply for distribution of such Vested Share, shall be paid entirely in cash, provided that the value of such Vested Share is less than \$3,500 or, effective January 1, 1998, \$5,000, on a Valuation Date no earlier than the second Valuation Date following the Member's or Deferred Member's Termination of Employment. Alternative methods of distribution may apply to that portion of a Member's or a Deferred Member's Accounts attributable to a Prior Plan Transfer.

In no event shall the foregoing provisions permit the distribution of a Member's Accounts to commence later than the date specified in section 10.1(c).

10.4. Death of Spouse Who is a Beneficiary. Upon the death of a spouse who individually is a Beneficiary with Accounts remaining in the Plan, the remaining value of all such Accounts shall be paid to the estate of the spouse Beneficiary.

10.5. Proof of Death and Right of Beneficiary or Other Person. The Plan Committee may require and rely upon such proof of death and such evidence of the right of any Beneficiary or other person to receive the undistributed value of the Accounts of a deceased Member, Deferred Member or Beneficiary as the Plan Committee may deem proper, and its determination of death and of the right of such Beneficiary or other person to receive payment shall be conclusive.

10.6. Completion of Appropriate Forms. The Plan Committee has prescribed forms providing written notice to the Company in order for a distribution to be made under the Plan. No distribution shall be made under the Plan unless such forms are properly filed by the Member, Deferred Member or Beneficiary; however, if a distribution is due to a Member, Deferred Member or Beneficiary under the terms of the Plan, the Savings Plan Administrator will take necessary action to cause the distribution to be made.

10.7. Restoration of Prior Forfeiture.

(a) On Repayment of Accounts Following Rehire

If a Member's employment is terminated otherwise than by Retirement or Disability and as a result of such termination an amount to the Member's credit is forfeited, such amount shall be subsequently restored to the Member's Accounts provided the Member is reemployed by the Company prior to the expiration of a Break in Service, and, after giving prior written notice on a form approved by the Plan Committee for such purpose, the Member repays to the Trust Fund an amount in cash equal to the full amounts of the Member's Basic Investment Account, the Member's Vested Company Contribution Account and the Member's Retirement Account distributed to the Member from the Trust Fund on account of the Member's Termination of Employment. (At the Member's option, the Member may repay the amount of the Member's Supplemental Investment Account.) Such repayment must be made within five years of the date the Member again becomes eligible to become a Member of the Plan. Such repayment shall be invested in the same or equivalent Funds in the same amounts as were withdrawn from each Fund. In the event that an equivalent Fund shall be unavailable at the time of such repayment, the amount of such repayment or the portion thereof otherwise allocable to such unavailable Fund shall be invested as directed by the Member on such form as the Plan Committee shall provide. Repayment of amounts previously distributed from the short-term U.S. Government Obligations Fund under the ITT Plan (which was eliminated effective July 1, 1993 from the ITT Plan) will be reinvested in a Fund investing in fixed income investments. With respect to a Member who had exercised the investment option at age 55 pursuant to section 6.5, repayment and restoration of the Member's Company Contribution Account and Retirement Account shall be made in accordance with the Member's election pursuant to such section 6.5.

Upon such repayment, the Trustee shall restore the balance of the Member's Accounts in each Fund to its value at the time the distribution was made. Any amounts restored under this paragraph shall be repaid as amounts included in the Member's Basic After-Tax Investment Account and Supplemental After-Tax Investment Account.

(b) On Rehire of Deferred Member

If a Deferred Member whose employment terminated otherwise than by Retirement or Disability and as a result of such termination an amount to the Deferred Member's credit was forfeited, such amount shall be subsequently restored to the Deferred Member's Accounts at its current value assuming such amount, from the time of termination to the date of restoration, was subject to the same overall investment experience as the Member's Matching Company Contributions while such Member was a Deferred Member, provided the Deferred Member is reemployed by the Company prior to the expiration of a Break in Service. Such restoration shall be made as of the Valuation Date next following the date the Savings Plan Administrator is informed of the Deferred Member's reemployment provided such Deferred Member is again eligible to become a Member of the Plan. Such restoration of the Company Contribution Account shall be invested in Fund A. However, with respect to a Deferred Member who had exercised the investment option at age 55 pursuant to section 6.5, the restoration and transfer of the Company Contribution Account and the remainder of the Retirement Account shall be made in accordance with the Member's election pursuant to such section 6.5.

10.8. Direct Rollover of Certain Distributions. Notwithstanding any other provision of this Plan, with respect to any withdrawal or distribution from the Plan pursuant to Article Eight or this Article Ten which is (a) payable on and after January 1, 1993 to a "distributee" and (b) determined by the Plan Administrator to be an "eligible rollover distribution," such distributee may elect, at the time and in a manner prescribed by the Plan Committee for such purpose, to have the Plan make a "direct rollover" of all or part of such withdrawal or distribution to an "eligible retirement plan" which accepts such rollover. The following definitions apply to the terms used in this section 10.8:

(a) "Distributee" means a Member or Deferred Member. In addition, the Member's or Deferred Member's spouse Beneficiary and the Member's or Deferred Member's spouse or former spouse who is the alternate payee under a qualified domestic relations order as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(b) "Eligible rollover distribution" is any withdrawal or distribution of all or any portion of a Member or Deferred Member's Vested Share owing to the credit of a distributee, except that the following distributions shall not be eligible rollover distributions: (i) any distribution that is one of a series of substantially equal periodic payments made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more, (ii) any distribution required under section 401(a) (9) of the Code, and (iii) the portion of a distribution not includable in gross income.

(c) "Eligible retirement plan" means an individual retirement account described in section 408(a) of the Code, an annuity plan described in section 403(a) of the Code or a qualified trust described in section 401(a) of the Code that accepts the eligible rollover distribution. However, in the case of an eligible rollover distribution to the spouse Beneficiary of the Member or

Deferred Member, an eligible retirement plan is an individual retirement account or individual retirement annuity only.

(d) "Direct rollover" means a payment by the Plan directly to the eligible retirement plan specified by the distributee.

In the event that the provisions of this section 10.8 or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this section 10.8 or applicable part thereof shall be ineffective without necessity of further amendment of the Plan.

ARTICLE ELEVEN
Management of Funds

11.1. Rayonier Pension Fund Trust and Investment Committee. The Rayonier Pension Fund Trust and Investment Committee shall be responsible, except as otherwise herein expressly provided, for the management of the assets of the Plan. Said Committee is designated a named fiduciary of the Plan within the meaning of section 402(a) of the Employee Retirement Income Security Act of 1974 and shall have the authority, powers and responsibilities delegated and allocated to it from time to time by resolutions of the Board of Directors, including, but not by way of limitation, the authority to establish one or more trusts for the Plan pursuant to trust instrument(s) approved or authorized by the Committee and subject to the provisions of such trust instrument(s) to:

(i) provide, consistent with the provisions of the Plan, direction to the Trustee thereunder, which may involve but need not be limited to direction of investment of Plan assets and the establishment of investment criteria, and

(ii) appoint and provide for use of investment advisors and investment managers.

In discharging its responsibility, the Committee shall evaluate and monitor the investment performances of the Trustee and investment managers, if any.

11.2. Trust Fund. All the funds of the Plan shall be held by a Trustee appointed from time to time by the Rayonier Pension Fund Trust and Investment Committee in one or more trusts under a trust instrument or instruments approved or authorized by said Committee for use in providing the benefits of the Plan; provided that no part of the corpus or income of the Trust Fund shall be used for, or diverted to, purposes other than for the exclusive benefit of Members, Deferred Members, and Beneficiaries and to defray reasonable administrative expenses as described herein.

11.3. Reports to Members and Deferred Members. At least annually at a time to be determined by the Plan Committee, each Member and Deferred Member shall be furnished a written statement setting forth the value of each of the Accounts, together with a statement of the amounts contributed to each such Account by the Member and Deferred Member and by the Company on the Member's or Deferred

Member's behalf and the vested amount of the Company Contribution Account and Retirement Account, or the earliest time a portion of the Company Contribution Account and Retirement Account will become vested.

11.4. Fiscal Year. The fiscal year of the Plan and the Trust shall end on the 31st day of December of each year or at such other date as may be designated by the Rayonier Pension Fund Trust and Investment Committee.

ARTICLE TWELVE
Administration of Plan

12.1. Appointment of Plan Committee. From time to time, the Board of Directors or an officer of Rayonier to whom authority has been delegated by the Board shall appoint a Plan Committee of not less than five persons to serve during the pleasure of the appointing Board or officer and shall designate a Chairman of the Plan Committee from among the members and a Secretary who may be, but need not be, one of the members of the Plan Committee. Any person so appointed may resign at any time by delivering a written resignation to the Secretary of Rayonier and the Chairman or Secretary of the Plan Committee. Notwithstanding any vacancies, the Plan Committee may act so long as there are at least three members of the Plan Committee.

12.2. Powers of Plan Committee.

(a) The Plan Committee is designated a named fiduciary within the meaning of section 402(a)(2) of the Employee Retirement Income Security Act of 1974, and shall have authority and responsibility for general supervision of the administration of the Plan.

(b) The Plan Committee shall establish such policies, rules and regulations as it may deem necessary to carry out the provisions of the Plan and transactions of its business, including, without limitation, such rules and regulations which may become necessary with respect to loans and any defaults thereof.

(c) Except as to matters which are required by law to be determined or performed by the Board of Directors, or which from time to time the Board may reserve to itself or allocate or delegate to officers of Rayonier or to another committee, the Plan Committee shall determine any question arising in the administration, interpretation and application of the Plan, including the right to remedy possible ambiguities, inconsistencies or commissions. Such determinations shall be final, conclusive and binding on all parties affected thereby.

(d) The Plan Committee shall have the right to exercise powers reserved to the Board of Directors hereunder to the extent that the right to exercise such powers may from time to time be allocated or delegated to the Plan Committee by the Board of Directors and to such further extent that, in the judgment of the Plan Committee, the exercise of such powers does not involve any material cost to the Company.

(e) The Plan Committee may retain counsel, employ agents and provide for such clerical, accounting and other services as it may require in carrying out the provisions of the Plan.

(f) The Plan Committee may appoint from its number such committees with such powers as it shall determine and may authorize one or more of its number or any agent to execute or deliver any instrument or make any payment on its behalf.

(g) The Plan Committee may delegate to an administrator the responsibility of administering and operating the details of the Plan in accordance with the provisions of the Plan and any policies which, from time to time, may be established by the Plan Committee.

12.3. Plan Committee Action. Action by the Plan Committee may be taken by majority vote at a meeting upon such notice, or upon waiver of notice, at such time and place as it may determine from time to time; or action may be taken by unanimous written consent of the members without a meeting with the same effect for all purposes as if assented to at a meeting.

12.4. Compensation. Members of the Plan Committee shall not receive any compensation for their services as such, and, except as required by law, no bonds or other security shall be required of them in such capacity in any jurisdiction.

12.5. Committee Liability. Each member of the Plan Committee as well as the Rayonier Pension Fund Trust and Investment Committee and the Hardship Committee shall use that degree of care, skill, prudence and diligence in carrying out the member's duties that a prudent person, acting in a like capacity and familiar with such matters, would use in conduct of a similar situation. A member of any Committee shall not be liable for the breach of fiduciary responsibility of another fiduciary unless:

(a) the person participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or

(b) by the person's failure to discharge the person's duties solely in the interest of the Members and other persons entitled to benefits under the Plan, for the exclusive purpose of providing benefits and defraying reasonable expenses of administering the Plan not met by the Company, such person has enabled such other fiduciary to commit a breach; or

(c) the person has knowledge of a breach by such other fiduciary and does not make reasonable efforts to remedy the breach; or

(d) if the Committee of which the person is a member improperly allocates responsibilities among its members or to others and the person fails to review prudently such allocation.

12.6. Claims Procedure.

(a) Denial of Claim. If the Plan Committee denies, in whole or in part, a claim for benefits made by any Member, Deferred Member, or Beneficiary, the Plan Committee shall give the Member, Deferred Member, or Beneficiary written notice within 90 days following the date on which the claim is filed, which notice shall set forth--

- (1) the specific reason or reasons for the denial;
- (2) specific reference to pertinent Plan provisions on which the denial is based;
- (3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (4) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period of 90 days.

If the claim has not been granted, and if written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(b) Claim Review Procedure. A Member, Deferred Member, Beneficiary, or the authorized representative of either shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Plan Committee at the following address:

Rayonier Inc.
1177 Summer Street
Stamford, CT 06905
ATTN: Corporate Secretary

Within 30 days following receipt of such requests for review, the Plan Committee shall meet to review its prior decision denying the claim. The Plan Committee shall inform the Member, Deferred Member, or Beneficiary of the time and place of its review in order that the Member, Deferred Member, Beneficiary, or the authorized representative or either may have an opportunity to appear to review pertinent documents, to submit issues and comments in writing, and to present evidence supporting the claim.

Not later than 60 days after receipt of the request for review, the Plan Committee shall render and furnish to the claimant a written decision which shall include specific reasons for the decision, and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Plan Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(c) Exhaustion of Remedy. No claimant shall institute any action or proceeding in any state or federal court of law or equity, or before any administrative tribunal or arbitrator, for a claim for benefits under the Plan, until the claimant has first exhausted the procedures set forth in this section.

12.7. Indemnity for Liability. To the maximum extent allowed by law and to the extent not otherwise indemnified, the Company shall indemnify the members (and former members) of the Plan Committee, and any other current or former officer, director, or employee of the Company, against any and all claims, losses, damages, and expenses, including counsel fees, incurred by such persons and any liability, including any amounts paid in settlement with the Company's approval, arising from such person's action or failure to act.

ARTICLE THIRTEEN
Hardship Committee

13.1. Appointment of Hardship Committee. From time to time, the Chairman of the Plan Committee shall appoint a Hardship Committee of not less than three persons who may be, but need not be, members of the Plan Committee and shall designate a Chairman of the Hardship Committee from among the members and a Secretary who may be, but need not be, one of the members of the Hardship Committee. Any person so appointed may resign at any time by delivering a written resignation to the Chairman of the Plan Committee. Notwithstanding any vacancies, the Hardship Committee may act so long as there are two members of the Hardship Committee.

13.2. Powers of Hardship Committee.

(a) The Hardship Committee is designated a named fiduciary within the meaning of section 402(a) of the Employee Retirement Income Security Act of 1974, and shall have authority to determine whether a bona fide financial hardship exists as a condition for a Member's withdrawal from the Member's Supplemental Before-Tax Investment Account and the Member's Basic Before-Tax Investment Account under section 8.4 herein. The Hardship Committee shall take into account all pertinent facts and circumstances and shall base its determination on the meaning of hardship as construed by the applicable tax law, including cases and Internal Revenue Service guidelines thereunder. A determination by the Hardship Committee as to the existence or absence of a hardship shall be final, conclusive and binding.

(b) The Hardship Committee shall establish such policies, rules and regulations as they may deem necessary to carry out the provisions of the Plan and transactions of their business.

(c) The Hardship Committee may retain counsel, employ agents and provide for such clerical, accounting and other services as they may require in carrying out the provisions of the Plan.

(d) The Hardship Committee may appoint from its number such committees with such powers as it shall determine and may authorize one or more of its number or any agent to execute or deliver any instrument or make any payment on its behalf.

13.3. Hardship Committee Action. Action by the Hardship Committee shall be taken by majority vote at a meeting upon such notice, or upon waiver of notice, at such time and place as it may determine from time to time; or action may be taken by written consent of a majority of the members without a meeting with the same effect for all purposes as if assented to at a meeting.

13.4. Compensation. No member of the Hardship Committee shall receive any compensation for services as such.

ARTICLE FOURTEEN
Amendment and Termination

14.1. Amendment. The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan; provided that no such modification or amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of Members, Deferred Members, and Beneficiaries and for the purpose of defraying reasonable administrative expenses as described herein, or shall increase the duties of the Trustee without its consent thereto in writing. Except as may be required to conform with governmental regulations, no such amendment shall adversely affect the rights of any Member or Deferred Member with respect to contributions made on the Member's or Deferred Member's behalf prior to the date of such amendment.

14.2. Termination of Plan.

(a) The Plan is entirely voluntary on the part of the Company. The Board of Directors reserves the right at any time to terminate the Plan, the trust agreement and the trust hereunder or to suspend, reduce or partially or completely discontinue contributions thereto. In the event of such termination or partial termination of the Plan or complete discontinuance of contributions, the interests of Members and Deferred Members shall automatically become nonforfeitable.

(b) In the event of such termination or partial termination or complete discontinuance, any forfeitures not previously applied in accordance with section 5.3 shall be credited ratably to the Accounts of all Members and Deferred Members in proportion to the amounts of Matching Company Allocations made pursuant to section 5.1 credited to that portion of their respective Retirement Accounts that is attributable to Matching Company Allocations during the current calendar year, or, if no Matching Company Allocations have been made during the current calendar year, then in proportion to such Matching Company Allocations during the last previous calendar year during which such Matching Company Allocations were made.

14.3. Merger or Consolidation of Plan. The Plan may not be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan unless each Member, Deferred Member, or Beneficiary under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit such person would have been entitled to receive immediately before the merger, consolidation, or transfer if the Plan had then terminated.

ARTICLE FIFTEEN
Tender Offer

15.1. Applicability. The provisions of this Article Fifteen shall apply in the event any person, either alone or in conjunction with others, makes a tender or exchange offer, or otherwise offers to purchase or solicits an offer to sell to such person one percent or more of the outstanding Rayonier Shares.

Such event shall herein be referred to as a "tender offer". As to any tender offer, each Member and Deferred Member (or Beneficiary in the event of the death of the Member or Deferred Member) shall have the right to determine confidentially whether shares held subject to the Plan will be tendered.

15.2. Instructions to Trustee. In the event a tender offer for Rayonier Shares is commenced, the Plan Committee, promptly after receiving notice of the commencement of such tender offer, shall transfer certain of its recordkeeping functions to an independent recordkeeper. The functions so transferred shall be those necessary to preserve the confidentiality of any directions given by the Members and Deferred Members (or Beneficiary in the event of the death of the Member or Deferred Member) in connection with the tender offer. A Trustee may not take any action in response to a tender offer except as otherwise provided in this Article Fifteen. Each Member, Deferred Member, and Beneficiary is, for all purposes of this Article Fifteen, hereby designated a named fiduciary within the meaning of section 402(a)(2) of the Employee Retirement Income Security Act of 1974, as amended, with respect to the Rayonier Shares allocated to the Member's, Deferred Member's, or Beneficiary's Accounts. Each Member and Deferred Member (or Beneficiary in the event of the death of the Member or Deferred Member) may direct the Trustee to sell, offer to sell, exchange or otherwise dispose of the Rayonier Shares allocated to any such individual's Accounts in accordance with the provisions, conditions and terms of such tender offer and the provisions of this Article Fifteen; provided, however, that such directions shall be confidential and shall not be divulged by the Trustee or independent recordkeeper to the Company or to any director, officer, employee or agent of the Company, it being the intent of this provision of section 15.2 to ensure that the Company (and its directors, officers, employees and agents) cannot determine the direction given by any Member, Deferred Member or Beneficiary. Such instructions shall be in such form and shall be filed in such manner and at such time as the Trustee may prescribe. The confidentiality provision of this section shall likewise apply to the directions given to, and actions taken by, the Trustee pursuant to section 15.5.

15.3. Trustee Action on Member Instructions. The Trustee shall sell, offer to sell, exchange or otherwise dispose of the Rayonier Shares allocated to the Member's, Deferred Member's or Beneficiary's Accounts with respect to which it has received directions to do so under this Article Fifteen. The proceeds of a disposition directed by a Member, Deferred Member or Beneficiary from the Accounts under this Article Fifteen shall be allocated to such individual's Accounts and be governed by the provisions of section 15.5 or other applicable provisions of the Plan and the trust agreements established under the Plan.

15.4. Action With Respect to Members Not Instructing the Trustee or Not Issuing Valid Instructions. To the extent to which Members, Deferred Members and Beneficiaries do not issue valid

directions to the Trustee to sell, offer to sell, exchange or otherwise dispose of the Rayonier Shares allocated to their Accounts, such individuals shall be deemed to have directed the Trustee that such Accounts remain invested in Rayonier Shares subject to all provisions of the Plan, including section 15.5.

15.5. Investment of Plan Assets after Tender Offer. To the extent possible, the proceeds of a disposition of Rayonier Shares in an individual's Accounts shall be reinvested in Rayonier Shares by the Trustee as expeditiously as possible in the exercise of the Trustee's fiduciary responsibility and shall otherwise be held by the Trustee subject to the provisions of the Trust Agreement and the Plan. In the event that Rayonier Shares are no longer available to be acquired following a tender offer, the Company may direct the substitution of new employer securities for the Rayonier Shares or for the proceeds of any disposition of Rayonier Shares. Pending the substitution of new employer securities or the termination of the Plan and trust, the Trust Fund shall be invested in such securities as the Trustee shall determine; provided, however, that, pending such investment, the Trustee shall invest the cash proceeds in short-term securities issued by the United States of America or any agency or instrumentality thereof or any other investments of a short-term nature, including corporate obligations or participations therein and interim collective or common investment funds.

ARTICLE SIXTEEN

General and Administrative Provisions

16.1. Payment of Expenses. An annual charge to the Plan trust of up to .25% of the market value of the assets held by such trust, is charged and applied to satisfy expenses incurred in conjunction with Plan administration, including, but not limited to, investment management, trustee, record-keeping, and audit fees; the Company will pay the balance of all such expenses.

The annual charge will be deducted equally from each of the Plan's investment funds (the Rayonier Common Share Fund, Index Fund, Fixed Income Fund and Balanced Fund).

16.2. Source of Payment. Benefits under the Plan shall be payable only out of the Trust Fund, and the Company shall not have any legal obligation, responsibility or liability to make any direct payment of benefits under the Plan. Neither the Company nor the Trustee guarantees the Trust Fund against any loss or depreciation or guarantees the payment of any benefit hereunder. No person shall have any rights under the Plan with respect to the Trust Fund, or against the Company, except as specifically provided for herein.

16.3. Inalienability of Benefits. Except as specifically provided in the Plan or as applicable law may otherwise require or as may be required under the terms of a qualified domestic relations order, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempts so to do shall be void, nor shall any such benefit be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of the person entitled to such benefit; and in the event that the Plan Committee shall find that any Member, Deferred Member or Beneficiary who is or may become entitled to benefits hereunder has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge,

encumber or charge any of the benefits under the Plan, except as specifically provided in the Plan or as applicable law may otherwise require, then such benefit shall cease and terminate, and in that event the Plan Committee shall hold or apply the same to or for the benefit of such Member, Deferred Member or Beneficiary who is or may become entitled to benefits hereunder, such person's spouse, children, parents or other blood relatives, or any of them.

16.4. No Right to Employment. Nothing herein contained nor any action taken under the provisions hereof shall be construed as giving any Employee the right to be retained in the employ of the Company.

16.5. Uniform Action. Action by the Plan Committee and the Hardship Committees shall be uniform in nature as applied to all persons similarly situated, and no such action shall be taken which will discriminate in favor of Members who are Highly Compensated Employees.

16.6. Headings. The headings of the sections in this Plan are placed herein for convenience of reference and in the case of any conflict, the text of the Plan, rather than such headings, shall control.

16.7. Use of Pronouns. Any masculine pronoun used herein shall be equally applicable to both men and women, and words used in the singular are intended to include the plural, whenever appropriate.

16.8. Construction. The Plan shall be construed, regulated and administered in accordance with the laws of the State of Connecticut, subject to the provisions of applicable Federal laws.

ARTICLE SEVENTEEN
Top-Heavy Provisions

17.1. Determination of Top-Heavy Status. For purposes of this Article Seventeen, the Plan shall be "top-heavy" with respect to any Plan Year, if, as of the last day of the preceding Plan Year, the value of the aggregate of the Accounts under the Plan for "key employees" exceeds 60 percent of the value of the aggregate of the Accounts under the Plan for all Employees. The value of such Accounts shall be determined as of the Valuation Date coincident with or immediately preceding the last day of such preceding Plan Year, in accordance with sections 416(g)(3) and (4) of the Code and Article Seven of this Plan. The determination as to whether an Employee will be considered a "key employee" shall be made in accordance with the provisions of sections 416(i)(1) and (5) of the Code and any regulations thereunder, and, where applicable, on the basis of the Employee's remuneration from the Company, or a subsidiary or affiliate of the Company, as reported on Form W-2 for the applicable Plan Year. For purposes of determining whether the Plan is top-heavy, the account balances under the Plan will be combined with the account balances or the present value of accrued benefits under any other qualified plan of the Company or its subsidiaries or affiliates in which there are members who are "key employees" or which enables the Plan to meet the requirements of section 401(a)(4) or 410 of the Code; and, in the Company's discretion, may be combined with the account balances or the present value of accrued benefits under any other qualified plan of the Company or its subsidiaries or affiliates in which all members are non-key employees, if the contributions or benefits under the other plan are at least

comparable to the benefits provided under this Plan.

17.2. Minimum Requirements. For any Plan Year with respect to which the Plan is top-heavy, an additional Company contribution shall be allocated on behalf of each Member (or each Employee eligible to become a Member) who is not a "key employee," and who has not separated from service as of the last day of the Plan Year, to the extent that the amounts allocated to the Accounts as a result of contributions made on the Member's behalf under sections 5.1 and 5.2 for the Plan Year would otherwise be less than 3% of the Member's remuneration (as reported on Form W-2 for that Plan Year). However, if the greatest percentage of remuneration (as reported on Form W-2 for that Plan Year and limited to a dollar amount that is indexed annually in accordance with section 401(a)(1) of the Code) contributed on behalf of a "key employee" under section 4.1 or allocated to the Accounts as a result of contributions made pursuant to section 5.1 for the Plan Year would be less than 3%, such lesser percentage shall be substituted for "3%" in the preceding sentence. Notwithstanding the foregoing provisions of this section 17.2, no minimum contribution shall be made with respect to a Member (or an Employee eligible to become a Member) if the required minimum benefit under section 416(c)(1) of the Code is provided by the Retirement Plan for Salaried Employees of Rayonier Inc.

* * * * *

IN WITNESS WHEREOF, RAYONIER INC. has caused this instrument to be executed effective as of July 18, 1997.

RAYONIER INC.

By: John P. O'Grady

Senior Vice President, Administration

Date: July 18, 1997

RETIREMENT PLAN
FOR SALARIED EMPLOYEES
OF RAYONIER INC.

Effective as of March 1, 1994
And Further Amended Through January 1, 1998

RETIREMENT PLAN FOR SALARIED EMPLOYEES
OF RAYONIER INC.

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RETIREMENT PLAN FOR SALARIED EMPLOYEES
OF RAYONIER INC.

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FOREWORD

The Plan as set forth in this document is known as the Retirement Plan for Salaried Employees of Rayonier Inc. (hereinafter called the Plan).

Unless otherwise expressly provided in this Plan and consistent with applicable law, (i) the rights and benefits of any Member who retires or whose employment is terminated, whichever first occurs, are determined in accordance with the provisions of the Plan in effect at the time of such retirement or termination, and (ii) no revision to the Plan shall deprive any Member who retires or whose employment is terminated prior to such revisions, of any rights and benefits which theretofore had accrued under the Plan.

This Plan is intended to qualify under the Internal Revenue Code of 1986.

Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of Connecticut, to the extent such laws are not superseded by applicable federal law.

RETIREMENT PLAN FOR SALARIED EMPLOYEES

OF RAYONIER INC.

ARTICLE 1 - DEFINITIONS

- 1.01 Accrued Benefit shall mean, as of any date of determination, the retirement allowance computed under Section 4.01(b) on the basis of the Member's Benefit Service and applicable components of the Plan formula as of the determination date and with respect to the amount determined under Section 4.01(b)(i)(4), the applicable components of the Prior Salaried Plan as of the determination date.
- 1.02 Annual Dollar Limit shall mean the amount in effect under Section 401(a)(17) of the Code which is for Plan Years beginning in 1994, \$150,000, except that if for any calendar year after 1994 the cost-of-living adjustment, as hereafter defined, is equal to or greater than \$10,000, then the Annual Dollar Limit (as previously adjusted under this Section) for any Plan Year beginning in any subsequent calendar year shall be increased by the amount of such cost-of-living adjustment, rounded to the next lowest multiple of \$10,000. The cost-of-living adjustment shall equal the excess of (i) \$150,000 increased by the adjustment made under Section 415(d) of the Code for the calendar year except that the base period for purposes of Section 415(d)(1)(A) of the Code shall be the calendar quarter beginning October 1, 1993 over (ii) the Annual Dollar Limit in effect for the Plan Year beginning in the calendar year.
- 1.03 Annuity Starting Date shall mean the first day of the first period for which an amount is due on behalf of a Member or former Member as an annuity or any other form of payment under the Plan.

- 1.04 Appendix shall mean the tables of factors which are used in determining the amount of the various forms of benefits payable under the Plan.
- 1.05 Associated Company shall mean any subsidiary or affiliated company of Rayonier Inc. not participating in the Plan which is (i) a component member of a controlled group of corporations (as defined in Section 414(b) of the Code), which controlled group of corporations includes as a component member Rayonier Inc., (ii) any trade or business under common control (as defined in Section 414(c) of the Code) with Rayonier Inc., (iii) any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes Rayonier Inc. or (iv) any other entity required to be aggregated with Rayonier Inc. pursuant to regulations under Section 414(o) of the Code, during the period such entity is described in clause (i), (ii), (iii), or (iv). Notwithstanding the foregoing, for purposes of the preceding sentence and Section 4.08 of the Plan, the definitions of Section 414(b) and (c) of the Code shall be modified as provided in Section 415(h) of the Code.
- 1.06 Beneficiary shall mean any person or entity named by a Member by written designation to receive certain benefits payable in the event of his or her death as provided under Section 4.07.
- 1.07 Benefit Service shall mean employment recognized as such for the purposes of computing a benefit under the Plan as provided under Article 2.
- 1.08 Board of Directors shall mean the Board of Directors of Rayonier Inc. or of any successor to Rayonier Inc. by merger, purchase or otherwise.

1.09 Change in Control shall mean 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 Securities Exchange Act of 1934 (the "Act") disclosing that any person, other than the Corporation or any employee benefit plan sponsored by the Corporation, is the beneficial owner (as the term is defined in Rule 13d-3 under the Act) directly or indirectly, of securities representing 20 percent or more of the total voting power represented by the Corporation'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 Corporation or any employee benefit plan sponsored by the Corporation, of shares pursuant to a tender offer or exchange offer to acquire any Voting Securities of the Corporation (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 20 percent or more of the total voting power represented by the Corporation's then outstanding Voting Securities (all as calculated under clause (i)); or (iii) the approval by the shareholders of the Corporation of (A) any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving corporation (other than a merger of the Corporation in which holders of Common Shares of the Corporation 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 Corporation 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 Corporation; or (iv) a change in the composition of the Board of Directors of the Corporation 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 Corporation which vote generally in the election of members of the Board of Directors 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 of Directors 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 Directors 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 second 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.

- 1.10 Code shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.11 Company shall mean Rayonier Inc. (formerly known as ITT Rayonier Corporation) with respect to its Employees; and any Participating Unit with respect to its Employees. When used herein, the term Company shall collectively include Rayonier Inc. and any Participating Unit.
- 1.12 Compensation shall mean the total remuneration paid to a Member (whether before or after membership in the Plan) for services rendered on and after the Effective Date, including annual base salary, overtime, leadman's pay, shift differential, and bonuses paid under the Rayonier Inc. local bonus and gain share plans as in effect on March 1, 1994 (determined prior to any pre-tax contributions under a "qualified cash or deferred arrangement," as defined under Section 401(k) of the Code and its applicable regulations, or under a "cafeteria plan," as defined under Section 125 of the Code and its applicable regulations), and for Members who receive no other source of remuneration from the Company, commissions, but excluding, except to the extent specifically

included above, foreign service pay, automobile allowance, separation pay, incentive pay or other special pay or allowances of similar nature, commissions for any Member who receives any other form of remuneration from the Company, bonuses, and the cost of any public or private employee benefit plan, including the Plan; provided however, Compensation taken into account for any purpose under the Plan shall not exceed the Annual Dollar Limit.

1.13 Early Retirement Date shall mean the date as determined in the manner set forth in Section 4.03.

1.14 Effective Date of the Plan shall mean March 1, 1994.

1.15 Eligibility Service shall mean any employment recognized as such for the purposes of meeting the eligibility requirements for membership in the Plan and for eligibility for benefits under the Plan as provided under Article 2.

1.16 Employee shall mean any person regularly employed by the Company who is paid from a payroll maintained in the continental United States, Hawaii, Puerto Rico or the U.S. Virgin Islands and who receives regular and stated compensation other than a pension or retainer; provided, however, that except as the Board of Directors or the Retirement Committee, pursuant to the authority delegated to it by the Board of Directors, may otherwise provide on a basis uniformly applicable to all persons similarly situated, no person shall be an Employee for purposes of the Plan who is (i) engaged as a consultant, (ii) a non-resident alien, (iii) paid on an hourly basis and who, under the Company's employment classification practices, is considered as an hourly-rated employee for purposes of the Company's employee benefit plans, (iv) accruing benefits in respect of current

service under any other pension, retirement, qualified profit-sharing or other similar plan of the Company (other than the Rayonier Inc. Investment and Savings Plan for Salaried Employees,) or of any Associated Company (v) a Leased Employee; and provided further, that no person shall be an Employee for purposes of the Plan whose terms and conditions of employment are determined by a collective bargaining agreement with the Company which does not make this Plan applicable to such person. In addition, effective January 1, 1998, any person considered to be an independent contractor by the Company shall not be considered an Employee even if he is reclassified as an employee by any taxing authority such as the Internal Revenue Service or any other authority or agency.

- 1.17 Equivalent Actuarial Value shall mean equivalent value of a benefit under the Plan determined on the basis of the applicable factors set forth in Appendix A, except as otherwise specified in the Plan. In any other event, Equivalent Actuarial Value shall be determined on the same actuarial basis utilized to compute the factors set forth in Appendix A.
- 1.18 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.19 Final Average Compensation shall mean the sum of
- (a) The average of a Member's annual base salary recognized as Compensation received in any five calendar years of Eligibility Service in which such annual base salary was highest, plus

(b) The average of a Member's annual Compensation in excess of annual base salary received in any five calendar years of Eligibility Service in which such Compensation was highest; provided, however, that the calendar years on which such averages are based shall be any five calendar years during the last 120 calendar months of a Member's Eligibility Service or, if the Member has less than five calendar years of Eligibility Service, all of his or her calendar years of Eligibility Service; provided, further, however, that (i) the annual base salary earned in any calendar year and taken into account for purposes of "Final Average Compensation", and (ii) the amount in excess of base annual salary earned in any calendar year and taken into account for purposes of "Final Average Compensation", and (iii) the sum of (i) and (ii) taken into account for any calendar year, each shall not exceed the Annual Dollar Limit. If the Member terminates employment before the last day of the calendar year or otherwise experiences an interruption in Eligibility Service, the Retirement Committee shall, in accordance with rules uniformly applicable to all persons similarly situated, determine the amount of the Member's Final Average Compensation. The term Eligibility Service as used in this Section shall include all service recognized as Eligibility Service for purposes of eligibility requirements under Article 2.

1.20 Hour of Service shall mean hours of employment as defined pursuant to the provisions of Section 2.01(b).

1.21 IRS Interest Rate shall mean the annual rate of interest on 30-year Treasury Securities, as specified by the Commissioner of Internal Revenue for the first full calendar month preceding the applicable Stability Period.

- 1.22 IRS Mortality Table shall mean the mortality table prescribed by the Secretary of the Treasury under Code Section 417(e) (3) (A) (ii) (I) as in effect on the first day of the applicable Stability Period.
- 1.23 Leased Employee shall mean any person as so defined in Section 414(n) of the Code by virtue of his or her performance of services for the Company or an Associated Company.
- 1.24 Member shall mean any person included in the membership of the Plan as provided in Article 3.
- 1.25 Non-Benefits Worker shall mean any individual designated by the Company as ineligible to participate in any Company-sponsored employee benefit program and any individual who the Company considers to be an independent contractor.
- 1.26 Normal Retirement Date shall mean the first day of the calendar month coincident with or next following the date the Employee attains age 65, which is his or her Normal Retirement Age.
- 1.27 Parental Leave shall mean a period in which a person is absent from work because of the person's pregnancy, the birth of a person's child, the adoption by a person of a child, or, for purposes of caring for that child, for a period beginning immediately following such birth or adoption.
- 1.28 Participating Unit shall mean, in addition to Rayonier Inc., any subsidiary or affiliated company of Rayonier Inc., any designated location(s) only of such subsidiary or affiliated company or any designated unit(s) only of such subsidiary, or affiliated company which has by appropriate action

of the Board of Directors been designated as a Participating Unit and the board of directors of any such subsidiary or affiliated company shall have taken appropriate action to adopt the Plan. The Board of Directors shall take action (i) to designate such entity as a Participating Unit, (ii) to determine that such persons are Employees, and (iii) to establish, by written amendment of the Plan, the terms and conditions under which such Employees are to be included in the Plan.

If a group of persons is transferred to or assigned to a Participating Unit or is hired by a Participating Unit as the result of the opening or purchase of a plant or the merger of one unit into another, such persons shall not be deemed to be Employees for purposes of the Plan until further action by the Board of Directors, by written amendment of the Plan, including the determination that such persons are Employees for purposes of the Plan, and the establishment of the terms and conditions under which such Employees are to be included in the Plan.

To the extent that the Board of Directors shall have authorized and established the basis for recognition under the Plan of service with a predecessor corporation(s), if any, reference in this Plan to service with a Participating Unit shall include service with the predecessor corporation(s) of such Participating Unit, provided that all or part of the business and assets of any such corporation shall have been acquired by Rayonier Inc. or by a Participating Unit.

- 1.29 Pension Fund Trust and Investment Committee shall mean the committee established by Rayonier Inc. for the purposes of managing the assets of the Plan as provided in Article 5.

- 1.30 Plan shall mean the Retirement Plan for Salaried Employees of Rayonier Inc. as set forth herein or as hereafter amended.
- 1.31 Plan Year shall mean the calendar year.
- 1.32 Postponed Retirement Date shall mean, with respect to an Employee who does not retire at Normal Retirement Date but who works after such date, the first day of the calendar month coincident with or next following the date on which such Employee retires from active service. No retirement allowance shall be paid to the Employee until his or her Postponed Retirement Date, except as otherwise provided in Article 4.
- 1.33 Prior Salaried Plan shall mean the Retirement Plan for Salaried Employees of ITT Corporation (now known as the "ITT Industries Salaried Retirement Plan"), as in effect on February 28, 1994 and as thereafter amended from time to time.
- 1.34 Qualified Joint and Survivor Annuity shall mean an annuity described in Section 4.06(a)(i).
- 1.35 Retirement Committee shall mean the committee established for the purposes of administering the Plan as provided in Article 5.
- 1.36 Severance Date shall mean the date an Employee is considered to have severed his or her employment as defined pursuant to the provisions of Section 2.01(a).

1.37 Social Security Benefit shall mean the amount of annual old age or disability insurance benefit under Title II of the Federal Social Security Act as determined by the Retirement Committee under reasonable rules uniformly applied, on the basis of such Act as in effect at the time of retirement or termination to which a Member or former Member is or would upon application be entitled, even though the Member does not receive such benefit because of his or her failure to apply therefor or he or she is ineligible therefor by reason of earnings he or she may be receiving in excess of any limit on earnings for full entitlement to such benefit. In computing the Member's Social Security Benefit, no wage index adjustment or cost of living adjustment shall be assumed with respect to any period after the end of the calendar year in which the Member retires or terminates service. For all years prior to retirement or other termination of employment with the Company where actual earnings are not available, the Member's Social Security Benefit shall be determined on the basis of the Member's actual earnings in conjunction with a salary increase assumption based on the actual yearly change in national average wages as determined by the Social Security Administration. If, within a reasonable time after the later of (i) the date of retirement or other termination of employment or (ii) the date on which a Member is notified of the retirement allowance or vested benefit to which he or she is entitled, the Member provides documentation from the Social Security Administration as to his or her actual earnings history with respect to those prior years, his or her Social Security Benefit shall be redetermined using the actual earnings history. If this recalculation results in a different Social Security Benefit, his or her retirement allowance or vested benefit shall be adjusted to reflect this change. Any adjustment to his or her retirement allowance or vested benefit shall be made retroactive to the date his or her payments commenced. The Retirement Committee shall resolve any questions arising under this Section on a basis uniformly applicable to all Employees similarly situated.

- 1.38 Social Security Retirement Age shall mean age 65 with respect to a Member who was born before January 1, 1938; age 66 with respect to a Member who was born after December 31, 1937 and before January 1, 1955; and age 67 with respect to a Member who was born after December 31, 1954.
- 1.39 Special Early Retirement Date shall mean the date as determined in the manner set forth in Section 4.04.
- 1.40 Spousal Consent shall mean written consent given by a Member's or former Member's spouse to an election made by the Member or former Member which specifies the form of retirement allowance, vested benefit, Beneficiary, or contingent annuitant designated by the Member or former Member. The specified form or specified Beneficiary or contingent annuitant shall not be changed unless further Spousal Consent is given. Spousal Consent shall be duly witnessed by a notary public or, in accordance with uniform rules of the Retirement Committee, by a Plan representative and shall acknowledge the effect on the spouse of the Member's or former Member's election. The requirement for Spousal Consent may be waived by the Retirement Committee in accordance with applicable law. Spousal Consent shall be applicable only to the particular spouse who provides such consent.
- 1.41 Stability Period shall mean the Plan Year in which occurs the Annuity Starting Date for the distribution.

- 1.42 Transferred Employee shall mean an employee of the Company on the Effective Date who is paid on an hourly basis, classified as an hourly-rated employee for purposes of the Company's employee benefit plans, and who is entitled to a benefit under the Prior Salaried Plan.
- 1.43 Trustee shall mean the trustee or trustees by which the funds of the Plan are held as provided in Article 7.

ARTICLE 2 - SERVICE

2.01 Eligibility Service

- (a) Eligibility Service on and after the Effective Date. Except as otherwise provided in this Article 2, all uninterrupted employment with the Company or with an Associated Company rendered on and after (i) the Effective Date or (ii) date of employment, if later, and prior to such Member's Severance Date shall be recognized as Eligibility Service for all Plan purposes. "Severance Date" shall mean the earlier of (i) the date a Member resigns, is discharged, retires or dies or (ii) one year from the date the Member is continuously absent from service for any other reason as provided in this Article 2. Eligibility Service for any period of employment rendered prior to the Effective Date shall be determined as set forth in Section 2.01(g).
- (b) Eligibility Service for Plan membership by Employees hired on other than a full-time basis -With respect to any Employee whose employment with the Company or with an Associated Company is on a temporary or less than full-time basis, "one year of Eligibility Service" for purposes of meeting the requirements for membership in the Plan as provided in Article 3 shall mean a period of twelve consecutive months of employment and measured from the date on which he or she first completes an Hour of Service or from any subsequent anniversary thereof and during which he or she has completed at least 1,000 Hours of Service with the Company or with an Associated Company. After such an Employee has met the requirements for membership in the Plan as provided in Article 3, Eligibility Service for purposes of meeting the eligibility requirements for benefits and for vesting shall be determined in accordance with Sections 2.01(a) and 2.01(g).

"Hours of Service" shall include hours worked and hours for which a person is compensated by the Company or by an Associated Company for the performance of duties for the Company or an Associated Company, although he or she has not worked (such as: paid holidays, paid vacation, paid sick leave, paid time off and back pay for the period for which it was awarded), and each such hour shall be computed as only one hour, even though he or she is compensated at more than the straight time rate. This definition of "Hours of Service" shall be applied in a consistent and non-discriminatory manner in compliance with 29 Code of Federal Regulations, Section 2530.200b-2(b) and (c) as promulgated by the United States Department of Labor and as may hereafter be amended.

Solely for purposes of this paragraph (b), if a temporary or less than full-time Employee does not complete more than 500 Hours of Service in the twelve month period beginning on the date on which he or she first completes an Hour of Service or beginning on any subsequent anniversary thereof (which for purposes of this paragraph (b) shall be known as the "computation period"), he or she shall incur a one-year break in service. Solely for purposes of determining whether such an Employee has incurred a break in service, hours shall include each Hour of Service for which such Employee would otherwise have been credited under this paragraph (b) were it not for the Employee's absence due to Parental Leave. Hours of Service credited under the preceding sentence shall not exceed the number of hours needed to avoid a break in service in the computation period in which the Parental Leave first began, and in any event shall not exceed 501 hours; if no hours are needed to avoid a break in service in such computation period, then the provisions of the preceding sentence shall apply as though the Parental Leave began in the immediately following computation period. If such an Employee has had a break in service before becoming eligible for

membership, Eligibility Service shall begin from the date of his or her return to the employ of the Company or an Associated Company. Except as otherwise provided in this Article 2, his or her Eligibility Service before the break in service shall be restored only upon completion of one year of Eligibility Service within the twelve-month period following his or her break in service. If, however, the periods of consecutive one-year breaks in service equals or exceeds the greater of (i) five years or (ii) the total number of years of Eligibility Service before the break in service, his or her Eligibility Service prior to the break shall never be restored.

- (c) Employment with the Company or an Associated Company but not as an Employee Eligibility Service with respect to prior employment rendered by any person who, on or after the Effective Date and prior to the date on which he or she becomes an Employee, is or was in the employ of the Company or an Associated Company but not as an Employee shall, subject to the provisions of Section 2.01(e) and Section 2.01(f), be equal to:
- (i) the number of years credited to him, if any, on the basis of the "1,000 hour rule" under a pension plan maintained by the Company or an Associated Company applicable to him or her for the period of such prior employment ending on the last day of the calendar year preceding the date on which he or she becomes an Employee or the date on which such prior employment terminated, plus
 - (ii) the greater of (1) the service credited to him, if any, on the basis of the "1,000 hour rule" for the portion of the calendar year ending on the date immediately preceding the date he or she becomes an Employee or the date on which such prior employment terminated, or (2) the Eligibility Service he or she would be credited with under this Plan for the entire calendar year in which the transfer or termination of employment took place.

Notwithstanding the foregoing provisions of this paragraph (c), in the event a person's prior employment was not covered by or credited under a pension plan which recognized employment on the basis of the "1,000 hour rule", any such prior employment with the Company or an Associated Company whether rendered before or after the Effective Date shall be recognized in accordance with the terms of this Article 2.

- (d) Certain absences to be recognized as Eligibility Service - Except as otherwise indicated in this Article 2, the following periods of approved absence rendered on and after the Effective Date shall be recognized as Eligibility Service under the Plan and shall not be considered as breaks in Eligibility Service:
- (i) The period of any leave of absence granted in respect of service with the armed forces of the United States on or after the Effective Date provided the Employee shall have returned to the service of the Company or an Associated Company in accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment.
 - (ii) Except as provided by law, the period on or after the Effective Date of any leave of absence granted in respect of service, not exceeding two years, with any other agency or department of the United States Government.
 - (iii) The period on and after the Effective Date of any total and permanent disability during which an Employee becomes entitled to a disability benefit under Title II of the Federal Social Security Act as amended from time to time or the period on and after the Effective Date of total and permanent disability as determined by the Retirement Committee on the basis of such medical information as it shall require.

- (iv) The period of any leave of absence on and after the Effective Date during which Company sickness or accident benefits are payable.
- (v) The period on and after the Effective Date of any leave of absence approved by the Company during which an Employee is paid Compensation at a rate which is at least one-half of the Employee's basic rate of Compensation in effect immediately prior to such leave.
- (vi) In any event, Eligibility Service shall include the period, with or without Compensation, immediately preceding the Employee's Severance Date but not in excess of 12 consecutive months inclusive of those periods of approved absences already included in sub-paragraphs (i) through (v) above, during which an Employee is continuously absent from service.
- (vii) The period between an Employee's Severance Date and his or her reemployment if he or she returns to the employ of the Company or an Associated Company before the first anniversary date of his or her Severance Date; provided, however, that the combined periods recognized under sub-paragraph (vi) above and under this sub-paragraph (vii) shall not exceed 12 consecutive months.
- (viii) The period of any periodic salary continuation payments an Employee receives under any severance pay plan of the Company.

Except to the extent provided under sub-paragraph (vi) and, if applicable, under sub-paragraph (vii) above, if an Employee fails to return to active employment upon expiration of the approved absences specified in sub-paragraphs (i), (ii), (iv) and (v) above, such periods of approved absence shall not be considered as Eligibility Service under the Plan.

- (e) Breaks in Service - All absences from the Company or from an Associated Company, other than the absences specified in paragraph (d) above, shall be considered as breaks in Eligibility Service; provided, however, that in no event shall there be a break in Eligibility Service if an Employee (i) is continuously absent from service with the Company or with an Associated Company and returns to the employ of the Company or an Associated Company before the first anniversary of his or her Severance Date or (ii) is absent from work because of a Parental Leave and returns to the employ of the Company or an Associated Company within two years of his or her Severance Date. If the provisions of clause (ii) above are applicable, the first year of such absence for Parental Leave, measured from an Employee's Severance Date, shall not be considered in determining the Employee's period of break in service for purposes of Section 2.01(f) below.
- (f) Bridging breaks in service
- (i) If an Employee has a break in service and such Employee was eligible for a vested benefit under Section 4.05 at the time of his or her break in service, except as otherwise provided in Section 4.11, employment both before and after the Employee's absence shall be immediately recognized as Eligibility Service, subject to this provisions of this Section 2.01, upon his or her return to the employ of the Company or an Associated Company.
- (ii) If an Employee has a break in service and such Employee was not eligible for a vested benefit under Section 4.05 at the time of his or her break in service, Eligibility Service shall begin from the date of his or her return to the employ of the Company or an Associated Company. If such Employee returns to the employ of the Company or an Associated Company and the period of the Employee's break is less than the greater of (1) five years or (2) the service rendered prior to such

break, the service prior to such break shall be included as Eligibility Service, subject to the provisions of this Section 2.01, only upon completion of at least twelve months of Eligibility Service following his or her break in service. However, if the period of the Employee's break in service equals or exceeds the greater of (1) five years or (2) the service rendered prior to such break, the service rendered prior to such break shall be included as Eligibility Service, subject to the provisions of this Section 2.01, only upon completion of a period of Eligibility Service equal to the lesser of the period of his or her break in service or ten years.

(g) Eligibility Service prior to the Effective Date

Notwithstanding any foregoing provisions to the contrary, Eligibility Service shall include (i) with respect to any person who becomes a Member of the Plan on the Effective Date pursuant to the provisions of Section 3.01(a) or (b) or Section 3.05, any employment rendered by such Member prior to the Effective Date to the extent such employment is recognized as Eligibility Service under the provisions of the Prior Salaried Plan, (ii) with respect to any person who was employed by ITT Rayonier Corporation on a salaried basis as of February 28, 1994 but was not a member of the Prior Salaried Plan as of such date and who becomes a Member of the Plan on or after the Effective Date pursuant to the provisions of Section 3.01(c), any uninterrupted employment with the Company or with an Associated Company rendered by such Member prior to the Effective Date and prior to his or her Severance Date, and (iii) with respect to any person who was employed by ITT Rayonier Corporation on a salaried basis on December 1, 1993 but was not employed by the Company on the Effective Date, any employment rendered by the Member prior to the Effective Date to the extent such employment is recognized as Eligibility Service under the provisions of the Prior Salaried Plan. With respect to a person not described in clause (i), (ii), or (iii) of the

preceding sentence who becomes a Member after the Effective Date, Eligibility Service for the purpose of determining eligibility for benefits but not for the purpose of determining eligibility for Plan membership or Final Average Compensation shall include, subject to the provisions of Section 2.01(f)(ii) with respect to bridging breaks in service, any employment with ITT Rayonier Corporation rendered by such Member prior to the Effective Date to the extent such employment is recognized or would have been recognized as Eligibility Service under the provisions of the Prior Salaried Plan.

2.02 Benefit Service

- (a) Benefit Service on and after the Effective Date . Except as hereinafter otherwise provided, all uninterrupted employment with the Company rendered by a Member as an Employee on and after the Effective Date and prior to his or her Severance Date shall be recognized as Benefit Service under the Plan. Benefit Service for any period of employment rendered prior to the Effective Date shall be determined as set forth in Section 2.02(f).
- (b) Employment with an Associated Company - Except as otherwise provided in an Appendix to the Plan, no employment with an Associated Company rendered by a Member shall be recognized as Benefit Service under the Plan; except, however, if a Member completes 36 months of Eligibility Service as an Employee, any employment rendered on and after the Member's date of hire with an Associated Company before classification as an Employee shall be recognized as Benefit Service subject to any limitations for the Associated Company at which the Member was employed set forth in writing by the Retirement Committee. If a Member ceases to be an Employee and is again employed at an Associated Company, such further employment will not be recognized as Benefit

Service unless and until the Member again (i) becomes an Employee and (ii) completes 36 months of Eligibility Service as an Employee.

(c) Employment with the Company but not as an Employee

Except as otherwise provided in Section 3.04, with respect to (i) any person who on or after the Effective Date and immediately prior to the date on which he or she becomes an Employee, is in the employ of the Company but not as an Employee and (ii) any Member who completes an Hour of Service on and after the Effective Date, and who thereafter ceases to be an Employee but remains in the employ of the Company and, on or after the Effective Date again becomes an Employee, uninterrupted employment with the Company otherwise than as an Employee rendered on and after the Effective Date shall be recognized as Benefit Service in accordance with the terms of this Section 2.02, provided such person is a Member of the Plan, upon completion of thirty-six months of Eligibility Service as an Employee, subject to the limitations set forth in writing by the Board of Directors or the Retirement Committee for the Participating Unit at which such person was first employed.

(d) Certain absences to be recognized as Benefit Service - Except as otherwise indicated below, the following periods of approved absence rendered on and after the Effective Date shall be recognized as Benefit Service and shall not be considered as breaks in Benefit Service:

- (i) The period of any leave of absence granted in respect of service with the armed forces of the United States on and after the Effective Date provided the Employee shall have returned to the service of the Company or an Associated Company in accordance with

reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment.

- (ii) Except as provided by law, the period on and after the Effective Date of any leave of absence granted in respect of service, not exceeding two years, with any other agency or department of the United States Government.
- (iii) The period on and after the Effective Date of any total and permanent disability during which an Employee becomes entitled to a disability benefit under Title II of the Federal Social Security Act as amended from time to time; provided, however, that, if such disability benefit ceases to be paid solely due to the Employee's age, Benefit Service shall include the period of total and permanent disability during which the Employee is entitled or would have been entitled if he or she had participated in the Company's applicable long term disability plan to receive disability benefit under such long term disability plan.
- (iv) The period on and after the Effective Date of any leave of absence during which Company sickness or accident benefits are payable.
- (v) The period on and after the Effective Date of any leave of absence approved by the Company during which an Employee is paid Compensation at a rate which is at least one-half of the Employee's basic rate of Compensation in effect immediately prior to such leave.
- (vi) In any event, Benefit Service shall include the period, with or without Compensation, immediately preceding the Employee's Severance Date not in excess of 12 consecutive months inclusive of those periods of approved absences already included in sub-paragraphs (i) through (v) above, during which an Employee is continuously absent from service.

(vii) The period of any periodic salary continuation payments an Employee receives under any severance pay plan of the Company.

Except to the extent provided under sub-paragraph (vi) above, if an Employee fails to return to active employment upon expiration of the approved absences specified in sub-paragraphs (i), (ii), (iv) and (v) above, such periods of approved absence shall not be considered as Benefit Service under the Plan.

The Compensation of a Member during the periods of absence covered by clause (i), (ii), (iv) or (vi) above shall be the Compensation the Member actually receives during such period. The Compensation of a Member during the period of absence covered by clause (iii) above shall be deemed to be the Member's Final Average Compensation based on his or her Eligibility Service up to such absence. Unless the Retirement Committee determines otherwise on a basis uniformly applicable to all persons similarly situated, the Social Security Benefit of a Member covered by clause (iii) above shall be based on the benefit awarded by the Social Security Administration at the date of his or her total and permanent disability.

(e) All Other Absences for Employees

(i) No period of absence approved by the Company other than those specified in Section 2.02(d) above shall be recognized as Benefit Service.

(ii) No other absence, other than the absence covered by the exception in clause (i) above, shall be recognized as Benefit Service and any such absence shall be considered as a break in Benefit Service; provided, however, that in no event shall there be a break in Benefit Service if an Employee is continuously absent from service with the Company or with an

Associated Company for a period not in excess of 12 months and returns as an Employee to the employ of the Company before the first anniversary date of his or her Severance Date. However, any period between a Severance Date and a reemployment date which is counted as Eligibility Service under Section 2.01(d)(vii) shall not be counted as Benefit Service.

If the Employee was eligible for a vested benefit under Section 4.05 at the time of a break in service, Benefit Service both before and after the Employee's absence shall be immediately recognized as Benefit Service under the Plan upon his or her return to service.

If the Employee was not eligible for a vested benefit under Section 4.05 at the time of a break in service, Benefit Service shall begin from the date of the Employee's return to the employ of the Company. However, any Benefit Service rendered prior to such break in service shall be included, subject to the provisions of this Section 2.02, as Benefit Service only at the time that he or she bridges his or her Eligibility Service in accordance with the provisions of Section 2.01(f).

(f) Benefit Service prior to the Effective Date

Notwithstanding any foregoing provisions to the contrary, Benefit Service shall include (i) with respect to any person who becomes a Member of the Plan on the Effective Date pursuant to the provisions of Section 3.01(a) or (b) or Section 3.05, any employment rendered by such Member prior to the Effective Date to the extent such employment is recognized as Benefit Service under the provisions of the Prior Salaried Plan, (ii) with respect to any person who was employed by ITT

Rayonier Corporation on a salaried basis as of February 28, 1994 but who was not a Member of the Prior Salaried Plan as of such date and who becomes a Member of the Plan on or after the Effective Date pursuant to the provisions of Section 3.01(c), any uninterrupted employment with the Company rendered by such Member as an Employee prior to the Effective Date and prior to his or her Severance Date, and (iii) with respect to any person who was employed by ITT Rayonier Corporation on a salaried basis on or after December 1, 1993 but was not employed by the Company on the Effective Date, any employment rendered by the Member prior to the Effective Date to the extent such employment is recognized as Benefit Service under the provisions of the Prior Salaried Plan.

- 2.03 Questions relating to Service under the Plan - If any question shall arise hereunder as to an Employee's Eligibility Service or Benefit Service, such question shall be resolved in writing by the Retirement Committee on a basis uniformly applicable to all Employee(s) similarly situated. The Retirement Committee may, with respect to any person or any group of persons which it considers to be not substantial in number, determine whether the employment of such person(s), the Company or any Associated Company shall be recognized under the Plan as Eligibility Service or Benefit Service. If, in the judgment of the Retirement Committee, a group of persons is considered to be substantial in number, the employment of such persons with the Company or any Associated Company shall not be recognized under the Plan as Eligibility Service or Benefit Service until further action by the Board of Directors. Such further documentation is hereby incorporated into the Plan by reference.

ARTICLE 3 - MEMBERSHIP

3.01 Persons employed on the Effective Date

- (a) Any person who is an Employee as defined in Section 1.16 on the Effective Date and who was a member of the Prior Salaried Plan on February 28, 1994 shall become a Member of the Plan on the Effective Date.
- (b) Any person who would be classified as an Employee as defined in Section 1.16 on the Effective Date but is absent from work at the Company by reason of layoff, leave of absence, short term disability or long term disability and who is a Member of the Prior Salaried Plan on February 28, 1994 shall become a Member of the Plan on the Effective Date.
- (c) Any person who is an Employee as defined in Section 1.16 on the Effective Date and who as of February 28, 1994 was not a member of the Prior Salaried Plan but was in the process of satisfying the age and service eligibility requirements for membership in the Prior Salaried Plan, shall become a Member of the Plan as of the first day of the calendar month coincident with or next following the date he or she completes the age and service requirements set forth in Section 3.02(a) and (b).

3.02 Persons first employed as Employees on or after the Effective Date - Every person who is first employed as an Employee on or after the Effective Date shall become a Member of the Plan as of the first day of the calendar month coincident with or next following the later of:

- (a) the date on which he or she attains the 21st anniversary of his or her birth, or
- (b) the date on which he or she completes one year of Eligibility Service.

- 3.03 Reemployment After March 1, 1994 of ITT Rayonier Incorporated Salaried Employees Any person who was employed by ITT Rayonier Incorporated on a salaried basis on December 1, 1993 and who was a member of the Prior Salaried Plan but who terminated employment prior to the Effective Date shall become a Member of the Plan on the first day he is employed as an Employee.
- 3.04 Persons employed as a Leased Employee with the Company or an Associated Company Any person who is a Leased Employee shall not be eligible to participate in the Plan. However notwithstanding any other Plan provision to the contrary, if a Leased Employee subsequently becomes an Employee as defined in Section 1.16 or an Employee as defined in Section 1.16 subsequently becomes employed as a Leased Employee, uninterrupted employment with the Company or an Associated Company as a Leased Employee, shall be counted for the sole purpose of determining Eligibility Service but not for the purpose of determining Benefit Service; provided, however, that Eligibility Service shall not be counted for any Leased Employee for any period of his or her employment during which the requirements of Section 414(n) (5) of the Code are met.
- 3.05 Persons employed as other than Employees by the Company - Every person employed as other than an Employee by a Participating Unit shall become a Member of the Plan as of the first day of the calendar month coincident with or next following the date on which he or she first becomes an Employee, but not unless and until he or she satisfies the same terms and conditions which would have been applicable had he or she always been an Employee at such Participating Unit. Notwithstanding the foregoing, a Transferred Employee shall become a Member on the Effective Date.

- 3.06 Reemployment of former Employees, former Members and retired Members
Except as provided in Section 3.03, any person reemployed by the Company as an Employee shall be considered a new Employee for membership purposes under the Plan if such Employee was not previously a Member of the Plan.

The membership of any person reemployed by the Company as an Employee shall be immediately resumed if such Employee was previously a Member of the Plan.

If a retired Member or a former Member is reemployed by the Company or by an Associated Company in a capacity other than as a Non-Benefits Worker, his or her membership in the Plan shall be immediately resumed and any payment of a retirement allowance with respect to his or her original retirement or any payment of a vested benefit with respect to his or her original employment shall cease in accordance with the provisions of Section 4.11.

- 3.07 Termination of membership - Unless otherwise determined by the Retirement Committee in writing under rules uniformly applicable to all person(s) or Employee(s) similarly situated, an Employee's membership in the Plan shall terminate if he or she ceases to be an Employee and he or she is not entitled to either a retirement allowance or vested benefit under Sections 4.01, 4.02, 4.03, 4.04 or 4.05, except that an Employee's membership shall continue (a) during any period while on leave of absence approved by the Company, (b) while absent by reason of temporary disability, (c) during the period of any total and permanent disability which continues to be recognized as Eligibility Service and Benefit Service as provided in Article 2, (d) while he or she is not an Employee as

herein defined but is in the employ of the Company or an Associated Company, or (e) during the period of any periodic salary continuation payments an Employee receives under any severance pay plan of the Company. Employees covered by the Plan may not waive such coverage.

- 3.08 Questions relating to membership in the Plan - If any question shall arise hereunder as to the commencement, duration or termination of the membership of any person(s) or Employee(s) employed by the Company or by an Associated Company, such question shall be resolved by the Retirement Committee in writing under rules uniformly applicable to all person(s) or Employee(s) similarly situated. Such further documentation is hereby incorporated into the Plan by reference.

ARTICLE 4 - BENEFITS

4.01 Normal Retirement Allowance

- (a) The right of a Member to his or her normal retirement allowance shall be nonforfeitable as of his or her Normal Retirement Age. A Member may retire from active service on a normal retirement allowance upon reaching his or her Normal Retirement Date. If a Member postpones his or her retirement and continues in active service after his or her Normal Retirement Date or returns to service after his or her Normal Retirement Date, the provisions of Section 4.02 shall be applicable.
- (b) Benefit - Prior to adjustment in accordance with Sections 4.06(a) and 4.07(c), the annual normal retirement allowance payable on a lifetime basis upon retirement at a Member's Normal Retirement Date shall be equal to the sum of (i) and (ii) where:
- (i) equals
 - (1) 2 percent of the Member's Final Average Compensation multiplied by the portion of the first 25 years of his or her Benefit Service rendered prior to the Effective Date;
 - (2) plus 1-1/2 percent of the Member's Final Average Compensation multiplied by the next 15 years of his or her Benefit Service rendered prior to the Effective Date, to a combined maximum of 40 years of Benefit Service;
 - (3) reduced by 1-1/4 percent of the Social Security Benefit multiplied by the portion of his or her years of Benefit Service rendered prior to the Effective Date, and not in excess of 40 years;
 - (4) reduced, but not below zero, by the annual normal retirement allowance determined under the provisions of Section 4.01(b) of the Prior Salaried Plan prior to the imposition of any

limitations under Section 415 of the Code and the application of any offset provisions of the Prior Salaried Plan, with respect to the Member's period of employment rendered prior to the Effective Date which has been credited as Benefit Service hereunder pursuant to the provisions of Section 2.02(f); and

(ii) equals:

- (1) 2 percent of the Member's Final Average Compensation multiplied by the portion of the first 25 years of his or her Benefit Service rendered on and after the Effective Date;
- (2) plus 1-1/2 percent of the Member's Final Average Compensation multiplied by the portion of the next 15 years of his or her Benefit Service rendered on or after the Effective Date, to a combined maximum of 40 years of Benefit Service minus the total number of years of Benefit Service rendered prior to the Effective Date;
- (3) reduced by 1-1/4 percent of the Social Security Benefit multiplied by the portion of the number of years of his or her Benefit Service rendered on or after the Effective Date not in excess of 40 years minus the total number of years of Benefit Service rendered prior to the Effective Date.

The combined maximum years of Benefit Service used to compute the amounts under clauses (i) and (ii) above shall not exceed 40 years.

The annual normal retirement allowance determined prior to reduction to be made on account of the Social Security Benefit shall be an amount not less than the greatest annual early retirement allowance which would have been payable to a Member had he or she retired under Section 4.03 or Section 4.04 at any time before his or her Normal Retirement Date and as such early retirement allowance would have been reduced to commence at such earlier date but without reduction on

account of the Social Security Benefit. The reduction to be made on account of the Social Security Benefit shall in any event be based on the Federal Social Security Act in effect at the time of the Member's actual retirement.

4.02 Postponed Retirement Allowance

- (a) A Member who continues in active service after his or her Normal Retirement Date or returns to active service on or after his or her Normal Retirement Date shall be retired from active service on a postponed retirement allowance on the first day of the month following his or her termination of employment, which date shall be the Member's Postponed Retirement Date.
- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(c), the annual postponed retirement allowance payable on a lifetime basis upon retirement at a Member's Postponed Retirement Date shall be equal to the greater of:
- (i) an amount determined in accordance with Section 4.01(b) but based on the Member's Benefit Service, Social Security Benefit and Final Average Compensation and, with respect to the amount determined under Section 4.01(b)(i)(4), any applicable components under the Prior Salaried Plan as of his or her Postponed Retirement Date or
 - (ii) the annual normal retirement allowance to which the Member would have been entitled under Section 4.01(b) had he or she retired on his or her Normal Retirement Date, increased by an amount which is the Equivalent Actuarial Value of the monthly payments which would have been payable with respect to each month in which he or she worked fewer than eight days. Any monthly payment determined under this sub-paragraph (ii) with respect to any such month in which he or she worked fewer than eight days shall be

computed as if the Member had retired on his or her Normal Retirement Date and shall reflect additional benefit accruals, if any, recomputed as of the first day of each subsequent Plan Year during which payment would have been made on the basis of his or her Final Average Compensation and Benefit Service accrued to such recomputation date.

- (c) Benefit for Member in Active Service after he or she attains Age 70-1/2 - In the event a Member's retirement allowance is required to begin under Section 4.10 while the Member is in active service, the January 1 immediately following the calendar year in which the Member attained age 70-1/2 shall be the Member's Annuity Starting Date for purposes of this Article 4 and the Member shall receive a postponed retirement allowance commencing on that January 1 in an amount determined as if he or she had retired on such date. As of each succeeding January 1 prior to the Member's actual Postponed Retirement Date and as of his or her actual Postponed Retirement Date, the Member's retirement allowance shall be:
- (i) recomputed to reflect any additional retirement allowance attributable to his or her Compensation and Benefit Service earned during the immediately preceding calendar year and based on his or her age at each succeeding January 1 or actual Postponed Retirement Date, and
 - (ii) reduced by the Equivalent Actuarial Value of the total payments of his or her postponed retirement allowance made with respect to each month of continued employment in which he or she was credited with at least eight days of service and which were paid prior to each such recomputation;

provided that no such reduction shall reduce the Member's postponed retirement allowance below the amount of postponed retirement allowance payable to the Member immediately prior to the recomputation of such retirement allowance.

4.03 Standard Early Retirement Allowance

- (a) Eligibility - A Member, who has not reached his or her Normal Retirement Date but has, prior to his or her termination of employment reached the 55th anniversary of his or her birth and completed ten years of Eligibility Service, is eligible to retire on a standard early retirement allowance on the first day of the calendar month coincident with or next following termination of employment, which date shall be the Member's Early Retirement Date.
- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(c) the standard early retirement allowance shall be an allowance deferred to commence on the Member's Normal Retirement Date and shall be equal to the Member's Accrued Benefit earned up to his or her Early Retirement Date, computed on the basis of his or her Benefit Service, Final Average Compensation, Social Security Benefit and any applicable components of the Prior Salaried Plan as of his or her Early Retirement Date, with the Social Security Benefit determined on the assumption that the Member had no earnings after his or her Early Retirement Date.

The Member may, however, elect to receive an early retirement allowance commencing on his or her Early Retirement Date or the first day of any calendar month before his or her Normal Retirement Date specified in his or her later request therefor in a reduced amount which, prior to

adjustment in accordance with Sections 4.06(a) and 4.07(c) shall be equal to his or her Accrued Benefit earned up to his or her Early Retirement Date prior to the reduction for the Social Security Benefit, reduced by 1/4 of 1 percent per month for each month by which the commencement date of his or her retirement allowance precedes his or her Normal Retirement Date.

The reduction to be made on account of the Social Security Benefit, with respect to the retirement allowance payable to a Member retiring prior to his or her 62nd birthday, shall not be made until such time as the Member is or would upon proper application first be entitled to receive said Social Security Benefit. With respect to a Member who retires on and after said date and prior to attaining age 62, the reduction to be made to the retirement allowance payable to such Member or any benefit payable after his or her death to his or her spouse or to a contingent annuitant pursuant to the provisions of Section 4.06 on account of the Social Security Benefit shall not be made until such time as the Member is or would have, had he or she survived, upon proper application first been entitled to receive said Social Security Benefit.

4.04 Special Early Retirement Allowance

- (a) Eligibility - A Member who has not reached his or her Normal Retirement Date but who prior to his or her termination of employment (i) has reached the 55th anniversary of his or her birth and completed fifteen years of Eligibility Service or (ii) has reached the 50th anniversary of his or her birth but not the 55th anniversary of his or her birth and whose age plus years of Eligibility Service equals eighty or more, is eligible, in either case, to retire on a special early retirement allowance on the first day of the calendar month coincident with or next following termination of employment, which date shall be the Member's Special Early Retirement Date.

- (b) Benefit - Except as hereinafter otherwise provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(c) the special early retirement allowance shall be an allowance deferred to commence on the Member's Normal Retirement Date and shall be equal to his or her Accrued Benefit earned up to the Member's Special Early Retirement Date, computed on the basis of his or her Benefit Service, Final Average Compensation, Social Security Benefit and any applicable components of the Prior Salaried Plan as of his or her Special Early Retirement Date, with the Social Security Benefit determined on the assumption that the Member had no earnings after his or her Special Early Retirement Date.

At or after his or her Special Early Retirement Date, however, the Member may elect to receive early payment of his or her Accrued Benefit commencing on the later of his or her Special Early Retirement Date or the first day of any later calendar month prior to his or her Normal Retirement Date as specified in his or her request therefor.

In the event of early payment commencing on the first day of the month coincident with or following the 60th anniversary of a Member's birth, the special early retirement allowance, prior to any adjustment in accordance with Sections 4.06(a) and 4.07(c), payable prior to age 62 shall be equal to his or her Accrued Benefit earned up to the Member's Special Early Retirement Date prior to the reduction for the Social Security Benefit; such retirement allowance shall not be increased to reflect a commencement date later than the 60th anniversary of the Member's birth.

In the event of early payment commencing prior to the 60th anniversary of a Member's birth, the special early retirement allowance, prior to any adjustment in accordance with Sections 4.06(a) and 4.07(c), payable prior to age 62 shall be equal to his or her Accrued Benefit earned up to the Member's Special Early Retirement Date prior to the reduction for the Social Security Benefit but reduced by 5/12 of 1 percent per month for each month up to 60 months by which the commencement date of his or her special early retirement allowance precedes the first day of the calendar month coinciding with or next following the 60th anniversary of his or her birth.

The reduction to be made on account of the Social Security Benefit, with respect to the retirement allowance payable to a Member retiring prior to his or her 62nd birthday, shall be made at such time as the Member is or would upon proper application first be entitled to receive said Social Security Benefit. With respect to a Member who retires prior to attaining age 62, the reduction to be made to the retirement allowance payable to such Member or any benefit payable after his or her death to his or her spouse or to a contingent annuitant pursuant to the provisions of Section 4.06 on account of the Social Security Benefit shall not be made until such time as the Member is or would have, if he or she had survived, upon proper application first been entitled to receive said Social Security Benefit.

4.05 Vested Benefit

- (a) Eligibility - A Member shall be vested in, and have a nonforfeitable right to, his or her Accrued Benefit upon completion of five years of Eligibility Service. If such Member's services are subsequently terminated for reasons other than death or early retirement prior to his or her Normal

Retirement Date, he or she shall be entitled to a vested benefit under the provisions of this Section 4.05.

- (b) Benefit - Prior to adjustment in accordance with Sections 4.06(a) and 4.07(a), the vested benefit payable to a Member shall be a benefit deferred to commence on the former Member's Normal Retirement Date and shall be equal to his or her Accrued Benefit earned up to the date the Member's employment is terminated, computed on the basis of his or her Benefit Service, Final Average Compensation, Social Security Benefit and any applicable component of the Prior Salaried Plan as of his or her date of termination, with the Social Security Benefit determined on the assumption that the Member continued in service to his or her Normal Retirement Date at his or her rate of Compensation in effect as of his or her date of termination. On or after the date on which the former Member shall have reached the 55th anniversary of his or her birth he or she may elect to receive a benefit commencing on the first day of any calendar month coincident with or next following the 55th anniversary of his or her birth and prior to his or her Normal Retirement Date as specified in his or her request therefor, after receipt by the Retirement Committee of written application therefor made by the former Member and filed with the Retirement Committee. Upon such earlier payment, the vested benefit otherwise payable at the former Member's Normal Retirement Date will be reduced by 1/180th for each month up to 60 months by which the commencement date of such payments precedes his or her Normal Retirement Date and further reduced by 1/360th for each such month in excess of 60 months.

4.06 Forms of Benefit Payment after Retirement

(a) Automatic Forms of Payment

- (i) Automatic Joint and Survivor Annuity - If a Member or former Member who is married on his or her Annuity Starting Date has not made an election of an optional form of payment as provided in Section 4.06(b), the retirement allowance or vested benefit payable to such Member or former Member shall automatically be adjusted as follows in order to provide that, after his or her death, a lifetime benefit as described below shall be payable to the spouse to whom he or she is married on his or her Annuity Starting Date:
- (1) 90/50 Spouse's Annuity - If such Member retires from active service under Section 4.01, Section 4.02, Section 4.03 or Section 4.04, the automatic joint and survivor annuity payable to the Member shall provide (A) a reduced retirement allowance payable to the Member during his or her life equal to 90% of the retirement allowance otherwise payable without optional modification to the Member under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, further adjusted, if necessary, as provided in the following sentence and (B) a benefit payable after his or her death to his or her surviving spouse equal to 50% of the retirement allowance otherwise payable without optional modification to the Member under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, and without further adjustment as provided in the following sentence. If such spouse is more than 5 years older than the Member, the reduced retirement allowance payable to the Member shall be increased for each such additional full year in excess of 5 years, but for not more than 20 years, by one-half of 1% of the retirement allowance payable to the Member prior to optional modification. If such spouse is more than 5 years younger than the Member, the reduced retirement

allowance payable to the Member shall be further reduced for each such additional full year in excess of 5 years by one-half of 1% of the retirement allowance payable to the Member prior to optional modification.

Notwithstanding the foregoing, the retirement allowance payable to the Member shall not be less than the retirement allowance otherwise payable without optional modification to the Member at retirement under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, multiplied by the appropriate factor contained in Table 3 of Appendix A.

- (2) Vested Spouse's Annuity - If such Member terminates service and is entitled to a vested benefit under Section 4.05, the joint and survivor annuity payable to the former Member shall provide (A) a reduced vested benefit payable to the former Member during his or her life equal to his or her vested benefit computed in accordance with Section 4.05 multiplied by the appropriate factor contained in Table 1 of Appendix A and (B) a benefit payable after his or her death to his or her surviving spouse equal to 50% of the reduced vested benefit payable to the former Member.
- (ii) Automatic Life Annuity - If a Member or former Member is not married on his or her Annuity Starting Date, the retirement allowance or vested benefit computed in accordance with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, shall be paid to the Member or former Member in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death, unless the Member or former Member is eligible for and makes an election of an optional form of payment under Section 4.06(b).

(b) Optional Forms of Payment

- (i) Life Annuity Option - Any Member or former Member who retires or terminates employment with the right to a retirement allowance or vested benefit may elect, in accordance with the provisions of Section 4.06(d), to provide that the retirement allowance payable to him or her under Section 4.01, 4.02, 4.03 or 4.04 or the vested benefit payable to him or her under Section 4.05 shall be in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death.
- (ii) 80/80 Spouse's Annuity Option - Any Member who retires from active service under Section 4.01, 4.02, 4.03 or 4.04, who is married on his or her Annuity Starting Date, may elect, in accordance with the provisions of Section 4.06(d), to convert the retirement allowance otherwise payable to him or her without optional modification under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, into the following alternative benefit in order to provide that, after his or her death, a lifetime benefit shall be payable to the spouse to whom the Member is married on his or her Annuity Starting Date.

The Member shall receive a reduced retirement allowance payable during his or her life equal to 80% of the retirement allowance otherwise payable without optional modification to the Member at retirement under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, further adjusted, if necessary, as provided below. The Member's surviving spouse shall receive a benefit payable after the Member's death equal to the Member's retirement allowance as reduced in this Section 4.06(b)(ii).

If such spouse is more than 5 years older than the Member, the reduced retirement allowance payable to the Member shall be increased for each such additional full year in excess of 5 years, but for not more than 20 years, by 1% of the retirement allowance payable to the Member prior to optional modification. If such spouse is more than 5 years younger than the Member, the reduced retirement allowance payable to the Member shall be further reduced for each such additional full year in excess of 5 years by 1% of the retirement allowance payable to the Member prior to optional modification.

Notwithstanding the foregoing, the retirement allowance payable to the Member and his or her surviving spouse shall not be less than the retirement allowance that would have been payable if the Member had elected Option 1 under Section 4.06(b) (iii).

- (iii) Contingent Annuity Option - Any Member who retires from active service under Section 4.01, 4.02, 4.03 or 4.04 may elect, in accordance with the provisions of Section 4.06(d), to convert the retirement allowance otherwise payable to him or her without optional modification under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, into one of the following alternative options in order to provide that after his or her death, a lifetime benefit shall be payable to the person who, when the option became effective, was designated by him or her to be his or her contingent annuitant. The optional benefit elected shall be the Equivalent Actuarial Value of the retirement allowance otherwise payable without optional modification under Section 4.01, 4.02, 4.03 or 4.04.

Option 1 - A reduced retirement allowance payable during the Member's life with the provisions that after his or her death a benefit equal to 100% of his or her reduced

retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

Option 2 - A reduced retirement allowance payable during the Member's life with the provision that after his or her death a benefit equal to 50% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

- (c) Required Notice - No less than 30 days and no more than 90 days before his or her Annuity Starting Date, the Retirement Committee shall furnish to each Member or former Member a written explanation in non-technical language of the terms and conditions of the Automatic Joint and Survivor Annuity and the Automatic Life Annuity as described in Section 4.06(a) and the optional forms of benefits described in Section 4.06(b). Such explanation shall include (i) a general description of the eligibility conditions for, the material features of and the relative values of the optional forms of payment under the Plan, (ii) any rights the Member or former Member may have to defer commencement of his or her retirement allowance or vested benefit, (iii) the requirement for Spousal Consent as provided in Section 4.06(d) and (iv) the right of the Member or former Member, prior to his or her Annuity Starting Date to make and to revoke elections under Section 4.06.
- (d) Election of Options - A Member may, subject to the provisions of this Section 4.06(d), elect to receive his or her retirement allowance or vested benefit in the optional form of payment described in Section 4.06(b) (i) or, in the case of a Member who retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04, one of the optional forms of payment described in Section 4.06(b) (ii) or

4.06(b)(iii), in lieu of the automatic forms of payment described in Section 4.06(a). A married Member's or a married former Member's election of a Life Annuity form of payment under Section 4.06(b)(i) or any optional form of payment under Section 4.06(b)(ii) and Section 4.06(b)(iii), which does not provide for monthly payments to his or her spouse for life after the Member's or former Member's death, in an amount equal to at least 50% but not more than 100% of the monthly amount payable under that form of payment to the Member or former Member and which is not of Equivalent Actuarial Value to the Automatic Joint and Survivor Annuity described in Section 4.06(a)(i), shall be effective only with Spousal Consent; provided such Spousal Consent to the election has been received by the Retirement Committee.

Any election made under Section 4.06(a) or Section 4.06(b) shall be made on a form approved by the Retirement Committee and may be made during the 90-day period ending on the Member's Annuity Starting Date, but not prior to the date the Member or former Member receives the written explanation described in Section 4.06(c). Any such election shall become effective on the Member's or former Member's Annuity Starting Date, provided the appropriate form is filed with and received by the Retirement Committee and may not be modified or revoked after his or her Annuity Starting Date. Any election made under Section 4.06(a) or Section 4.06(b) after having been filed, may be revoked or changed by the Member or former Member only by written notice received by the Retirement Committee before his or her election becomes effective on his or her Annuity Starting Date. Any subsequent elections and revocations may be made at any time and from time to time during the 90-day period ending on the Member's or former Member's Annuity Starting Date. A revocation shall be effective when the completed notice is received by the Retirement Committee. A re-election shall be effective on the Member's or former Member's

Annuity Starting Date. If, however, the Member or the spouse or the contingent annuitant designated in the election dies before the election has become effective, the election shall thereby be revoked.

With respect to a Member who retires under the provisions of Section 4.03 or Section 4.04, the reduction on account of the Social Security Benefit to made to the benefit, if any, payable in accordance with Section 4.06(a) or Section 4.06(b) to his or her designated spouse or to his or her contingent annuitant shall not be made until such time as the Member would have, had he or she survived, upon proper application first been entitled to receive said Social Security Benefit.

If a Member dies after his or her Annuity Starting Date, any payment continuing on to his or her spouse or contingent annuitant shall be distributed at least as rapidly as under the method of distribution being used as of the Member's date of death.

4.07 Survivor's Benefit Applicable Before Retirement

The term "Beneficiary" for purposes of this Section 4.07 shall mean any person or any trust established by the Member or the Member's estate, named by the Member by written designation to receive benefits payable under the automatic Pre-Retirement Survivor's Benefit and under the optional Supplemental Pre-Retirement Survivor's Benefit; provided, however, that, for any married Member the term "Beneficiary" shall automatically mean the Member's spouse and any prior designation to the contrary will be canceled, unless the Member, with Spousal Consent, designates otherwise. An election of a non-spouse Beneficiary by a married Member shall be effective only if accompanied by Spousal Consent and such Spousal Consent has been received by the Retirement

Committee. If the Member dies without an effective designation of Beneficiary, the Member's Beneficiary for purposes of this Section 4.07 shall automatically be the Member's spouse, if any, or his or her estate. If the Member elects the additional optional protection of the Supplemental Pre-Retirement Survivor's Benefit, the Member's Beneficiary thereunder shall be the same as the Beneficiary under the Automatic Pre-Retirement Survivor's Benefit. The Retirement Committee shall resolve any questions arising hereunder as to the meaning of "Beneficiary" on a basis uniformly applicable to all Members similarly situated.

(a) Automatic Vested Spouse's Benefit

- (i) Automatic Vested Spouse's Benefit applicable before termination of employment - The surviving spouse of a Member who has completed 5 years of Eligibility Service but who has not yet completed 10 years of Eligibility Service and attained age 55 shall automatically receive a benefit payable under the Automatic Vested Spouse's Benefit of this Section 4.07(a)(i) in the event said Member should die after the effective date of coverage hereunder and before termination of employment. The benefit payable to the Member's spouse shall be equal to 50% of the benefit the Member would have received if he or she had terminated his or her employment on his or her date of death, survived to Normal Retirement Date, and on the day before he or she would have reached Normal Retirement Date had elected to begin receiving his or her vested benefit in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a)(i)(2), or with respect to a Member who had met the eligibility requirements set forth in Section 4.04(a)(ii) and who died in active employment prior to the 55th anniversary of his or her birth, his or her early retirement allowance accrued to his or her date of death in the form of the Automatic Joint

and Survivor Annuity under Section 4.06(a)(i)(1). Such benefit shall be payable for the life of the spouse commencing on what would have been the Member's Normal Retirement Date. However, the Member's spouse may elect, by written application filed with the Retirement Committee, to have payments begin as of the first day of any calendar month on or after the date the former Member would have reached the 55th anniversary of his or her birth provided, however, if the Member dies after having met the requirements set forth in Section 4.04(a)(ii) for a special early retirement allowance, the Member's spouse may elect to have payments begin under this Automatic Vested Spouse's Benefit as of the first day of any month following the Member's death.

If the Member's spouse elects to commence payment of the Automatic Vested Spouse's Benefit prior to what would have been the Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on (i) the reduced vested benefit to which the Member would have been entitled, had the Member elected to have payments commence to himself on such earlier date in accordance with the provisions of Section 4.05(b) or (ii) in the case of a Member who dies after having met the requirements for a special early retirement allowance as set forth Section 4.04(a)(ii), the reduced early retirement allowance to which the Member would have been entitled had he or she elected to have payments commence to himself on such earlier date in accordance with the provisions of Section 4.04(b).

Coverage hereunder shall be applicable to a married Member in active service who has satisfied the eligibility requirements for a vested benefit under Section 4.05 and shall

become effective on the date the Member marries and shall cease on the earlier of (i) the date such active Member reaches the 55th anniversary of his or her birth and completes 10 years of Eligibility Service, (ii) the date such active Member reaches the 65th anniversary of his or her birth, (iii) the date such active Member's marriage is legally dissolved by a divorce decree, or (iv) the date such active Member's spouse dies. Coverage under Section 4.07(b)(i) shall commence on the date a Member in active service reaches the earlier of (i) the 55th anniversary of his or her birth or, if later, the date he or she completes 10 years of Eligibility Service or (ii) the 65th anniversary of his or her birth.

- (ii) Automatic Vested Spouse's Benefit applicable upon termination of employment - In the case of a former Member who is married and entitled to a vested benefit under Section 4.05, the provisions of this Section 4.07(a)(ii) shall apply to the period between the date his or her services are terminated or the date, if later, the former Member is married and his or her Annuity Starting Date, or other cessation of coverage as later specified in this Section 4.07(a)(ii).

In the event of a married former Member's death during any period in which these provisions have not been waived or revoked by the former Member and his or her spouse, the benefit payable to the former Member's spouse shall be equal to 50% of the vested benefit the former Member would have received on his or her Normal Retirement Date if he or she had elected to receive such benefit in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a)(i).

The spouse's benefit shall be payable for the life of the spouse commencing on what would have been the former Member's Normal Retirement Date. However, the former Member's spouse may elect, by written application filed with the Retirement Committee, to have payments begin as of the first day of any calendar month on or after the date the former Member would have reached the 55th anniversary of his or her birth. If the former Member's spouse elects to commence payment of this Automatic Vested Spouse's Benefit prior to what would have been the former Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on the reduced vested benefit to which the former Member would have been entitled, had the former Member elected to have payments commence to himself on such earlier date in accordance with the provisions of Section 4.05(b).

The vested benefit payable to a former Member whose spouse is covered under this Section 4.07(a)(ii) or, if applicable, the benefit payable to his or her spouse upon his or her death shall be reduced by the applicable percentages shown below. Such reduction shall commence on and after the first of the month coincident with or following the effective date of coverage hereunder and cease when coverage ceases; provided, however, no reduction shall be made with respect to any period before the later of (1) the date the Retirement Committee furnishes the Member the notice of his or her right to waive the Automatic Vested Spouse's Benefit or (2) the commencement of the election period specified below.

ANNUAL REDUCTION FOR SPOUSE'S COVERAGE

AFTER TERMINATION OF EMPLOYMENT

Age ---	Reduction -----
Less than 40	1/10 of 1% per year
40 but prior to 50	2/10 of 1% per year
50 but prior to 55	3/10 of 1% per year
55 but prior to 60	5/10 of 1% per year
60 but less than 65	1% per year

The Retirement Committee shall furnish to each former Member a written explanation which describes (1) the terms and conditions of the Automatic Vested Spouse's Benefit, (2) the former Member's right to make, and the effect of, an election to waive the Automatic Vested Spouse's Benefit, (3) the rights of the former Member's spouse, and (4) the right to make, and the effect of, a revocation of such a waiver. Such written explanation shall be furnished to each former Member before the first anniversary of the date he or she terminated service and shall be furnished to such former Member even though he or she is not married.

The period during which the former Member may make an election to waive the Automatic Vested Spouse's Benefit provided under this Section 4.07(a)(ii) shall begin not later than the date his or her employment terminates and end on his or her Annuity Starting Date or, if earlier, his or her date of death. Any waiver, revocation or re-election of the Automatic Vested Spouse's Benefit shall be made on a form provided by the Retirement Committee and any waiver or revocation shall require Spousal Consent. If, upon termination of employment, the former Member waives coverage hereunder in accordance with administrative procedures established by the Retirement Committee for all Members

similarly situated, such waiver shall be effective as of the Member's Severance Date. Any later re-election or revocation shall be effective on the first day of the month coincident with or next following the date the completed form is received by the Retirement Committee. If a former Member dies during the period after a waiver or revocation is in effect there shall be no benefits payable under the provisions of this Section 4.07.

Except as described above in the event of a waiver or revocation, coverage under this Section 4.07(a)(ii) shall cease to be effective upon a former Member's Annuity Starting Date, or upon the date a former Member's marriage is legally dissolved by a divorce decree, or upon the death of the spouse, whichever event shall first occur.

(b) Automatic Pre-Retirement Survivor's Benefit

- (i) Automatic Pre-Retirement Survivor's Benefit applicable before a Member retires under the provisions of Section 4.01, Section 4.02, Section 4.03 or Section 4.04 - The Beneficiary of a Member who has reached the 65th anniversary of his or her birth or who has reached the 55th anniversary of his or her birth and completed 10 years of Eligibility Service, shall automatically receive a Pre-Retirement Survivor's Benefit payable under the provisions of this Section 4.07(b)(i) in the event said Member should die before he or she retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04 or reaches his or her Annuity Starting Date pursuant to the provisions of Section 4.02(d), if earlier. The benefit payable during the life of, and to, the Beneficiary shall be equal to one-half of the Member's Accrued Benefit, without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his or her death, adjusted to take into account the Member's Social

Security Benefit. The Social Security Benefit shall be determined on the assumption that the Member had no earnings after his or her date of death and, if his or her death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. If the Beneficiary is more than 5 years younger than the Member, the benefit payable to the Beneficiary shall be reduced by one-half of 1% for each full year the Beneficiary is more than 5 years younger.

Coverage hereunder shall be effective on the first day of the calendar month coincident with or next following the date the Member reaches his or her 55th birthday and completes 10 years of Eligibility Service or, if earlier, his or her Normal Retirement Date. In the case of a married Member coverage under Section 4.07(a)(i) shall cease on the date coverage under this Section 4.07(b)(i) is effective as set forth in the preceding sentence.

- (ii) Automatic Pre-Retirement Survivor's Benefit applicable between Early Retirement Date or Special Early Retirement Date and the Member's Annuity Starting Date - In the case of a Member retired early under Section 4.03 or Section 4.04 of the Plan with the payment of the early retirement allowance deferred to commence at a date later than his or her Early Retirement Date or Special Early Retirement Date, whichever is applicable, the provisions of this Section 4.07(b)(ii) shall apply to the period between his or her Early Retirement Date or Special Early Retirement Date and his or her Annuity Starting Date. The Member shall, at his or her Early Retirement Date or Special Early Retirement Date, complete such forms as are required under this Section 4.07(b)(ii) and coverage hereunder shall be effective as of his or her Early Retirement Date or Special Early Retirement Date.

In the event of the Member's death during the period in which these provisions are in effect, the benefit payable during the life of, and to, the Beneficiary shall be equal to one-half of the Member's Accrued Benefit, without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his or her Early Retirement Date or Special Early Retirement Date, whichever is applicable, adjusted to take into account the Member's Social Security Benefit. If the Member's death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. If the Beneficiary is more than 5 years younger than the Member, the benefit payable to the Beneficiary shall be reduced by one-half of 1% for each full year the Beneficiary is more than 5 years younger.

The Automatic Pre-Retirement Survivor's Benefit shall be payable for the life of the Beneficiary commencing on what would have been the Member's Normal Retirement Date or date of death, if later. However, if a Member dies prior to his or her Normal Retirement Date, the Beneficiary of the Member may elect, by written application filed with the Retirement Committee, to have such payments begin as of the first day of any calendar month following the Member's date of death and prior to what would have been the Member's Normal Retirement Date. If the Beneficiary elects to commence payment of the Automatic Pre-Retirement Survivor's Benefit prior to what would have been the Member's Normal Retirement Date the amount of such benefit shall be determined in accordance with Sections 4.07(b) (i) and (ii) above, as applicable, and without reduction for such early commencement.

Notwithstanding the foregoing, in the event the Member's Beneficiary is someone other than his or her spouse, payment of the automatic Pre-Retirement Survivor's Benefit shall commence within one year of the Member's date of death and in the event such commencement date is prior to the 55th anniversary of the Member's birth, the benefit payable to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable hereunder to the Beneficiary on the date the Member would have attained age 55.

(c) Optional Supplemental Pre-Retirement Survivor's Benefit

- (i) Optional Supplemental Pre-Retirement Survivor's Benefit applicable before a Member retires under the provisions of Section 4.01, Section 4.02, Section 4.03 or Section 4.04 - A Member, who has reached the 65th anniversary of his or her birth or who has reached the 55th anniversary of his or her birth and completed 10 years of Eligibility Service, may elect to receive a reduced retirement allowance upon his or her retirement in order to provide that, if he or she should die after his or her election becomes effective but before he or she retires under the provisions of Section 4.01, Section 4.02, 4.03 or 4.04 or reaches his or her Annuity Starting Date pursuant to the provisions of Section 4.02(d), a benefit shall be paid to the Beneficiary designated by him or her in accordance with the following terms and conditions.

The Member may elect to reduce the retirement allowance to which he or she would otherwise be entitled at retirement under Section 4.01, 4.02, 4.03 or 4.04 by one-half of 1% per year for each year between the date on which the election becomes effective and

the earliest of the Member's Early Retirement Date, Special Early Retirement Date, Annuity Starting Date, or the date the election is revoked as provided in Section 4.07(i).

If the Member makes such an election and dies before he or she retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04, the benefit payable during the life of, and to, the Beneficiary shall be equal to 25% of the Member's Accrued Benefit without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his or her death adjusted (1) to take into account the Member's Social Security Benefit and (2) as provided below. The Social Security Benefit shall be determined on the assumption that the Member had no earnings after his or her date of death and, if his or her death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. The benefit payable to the Beneficiary shall be reduced by one-half of 1% per year for each year between the date on which the election became effective and the date of the Member's death. If the Beneficiary is more than 5 years younger than the Member, the benefit payable to the Beneficiary shall be further reduced by one-half of 1% for each full year the Beneficiary is more than 5 years younger.

If the Member makes an election under this Section 4.07(c) (i) at or prior to the time he or she is first eligible to do so, it shall become effective on the first day of the calendar month coincident with or next following the date the Member reaches his or her 55th birthday and completes 10 years of Eligibility Service or, if earlier, his or her Normal Retirement Date. A Member will be deemed to have waived coverage under this Section 4.07(c) (i) if he or

she does not file the appropriate forms with the Retirement Committee when first eligible to do so. If the Member does not make such election until after he or she is first eligible to do so, it shall become effective one year after the first day of the calendar month coincident with or next following (1) the date the notice is received by the Retirement Committee or (2) the date specified in such notice, if later.

- (ii) Optional Supplemental Pre-Retirement Survivor's Benefit applicable between Early Retirement Date or Special Early Retirement Date and the Member's Annuity Starting Date - In the case of a Member retired early under the provisions of Section 4.03 or Section 4.04 of the Plan with the payment of the early retirement allowance deferred to commence at a date later than his or her Early Retirement Date or Special Early Retirement Date, the provisions of this Section 4.07(c)(ii) shall apply to the period between his or her Early Retirement Date or Special Early Retirement Date and his or her Annuity Starting Date.

The Member may elect to reduce the early retirement allowance to which he or she would otherwise be entitled under Section 4.03 or Section 4.04 by one-half of 1% per year for each year between his or her Early Retirement Date or Special Early Retirement Date and the earlier of the date the election is revoked pursuant to Section 4.07(i) or his or her Annuity Starting Date.

If the Member makes such an election and dies during the period the election is in effect, the benefit payable during the life of, and to, his or her Beneficiary shall be equal to 25% of the Member's Accrued Benefit, without optional modification in accordance with the

provisions of Section 4.06, accrued to his or her Early Retirement Date or Special Early Retirement Date, adjusted (1) to take into account the Member's Social Security Benefit and (2) as provided below. If the Member's death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. The benefit payable to the Beneficiary shall be reduced by one-half of 1% per year for each year between the date on which the election became effective and the date of the Member's death. If the Beneficiary is more than 5 years younger than the Member, the benefit payable to the Beneficiary shall be further reduced by one-half of 1% for each full year the Beneficiary is more than 5 years younger.

The Member shall, at his or her Early Retirement Date or Special Early Retirement Date, complete such forms as are required under this Section 4.07(c) (ii) and, if he or she so elects, coverage hereunder shall be effective as of his or her Early Retirement Date or Special Early Retirement Date. A Member will be deemed to have waived coverage under this Section 4.07(c) (ii) if he or she does not file the appropriate forms with the Retirement Committee at his or her Early Retirement Date or Special Early Retirement Date. If the Member subsequently makes an election hereunder, it shall become effective one year after the first day of the calendar month coincident with or next following (1) the date the notice is received by the Retirement Committee or (2) the date specified in such notice, if later.

The optional Supplemental Pre-Retirement Survivor's Benefit shall be payable for the life of the Beneficiary commencing on what would have been the Member's Normal Retirement Date or date

of death, if later. However, if a Member dies prior to his or her Normal Retirement Date, the Beneficiary may elect, by written application filed with the Retirement Committee, to have such payments begin as of the first day of any calendar month coincident with or next following the Member's date of death and prior to what would have been the Member's Normal Retirement Date. If the Beneficiary elects to commence payment of the optional Supplemental Pre-Retirement Survivor's Benefit prior to what would have been the Member's Normal Retirement Date and after what would have been the 55th anniversary of the Member's birth, the amount of such benefit shall be determined in accordance with Section 4.07(c)(i) and (ii) above, as applicable and without reduction for such early commencement. If the Beneficiary elects to commence payment of the optional Supplemental Pre-Retirement Survivor's Benefit prior to what would have been the 55th anniversary of the Member's birth, the benefit payable to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable to Beneficiary on the date the Member would have attained age 55. Notwithstanding any foregoing provision to the contrary, payment of the optional Supplemental Pre-Retirement Survivor Benefit must commence as of the same date payment of the Automatic Pre-Retirement Survivor Benefit commences.

Notwithstanding the foregoing, in the event the Member's Beneficiary is someone other than his or her spouse, payment of the optional Supplemental Pre-Retirement Survivor's Benefit shall commence within one year of the Member's date of death and in the event such commencement date is prior to the 55th anniversary of the Member's birth, the benefit payment to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable hereunder to the Beneficiary on the date the Member would have attained age 55.

- (d) Notwithstanding any provision of Section 4.07(b) or Section 4.07(c) to the contrary, in no event shall the sum of the Automatic Pre-Retirement Survivor's Benefit payable under the provisions of Section 4.07(b) and the optional Supplemental Pre-Retirement Survivor's Benefit payable under the provisions of Section 4.07(c) to a Beneficiary be less than the amount of benefit the spouse would have received if the retirement allowance to which the Member was entitled at his or her date of death (i) had commenced on the date the spouse elects to have such Pre-Retirement Survivor's Benefit payments commence, (ii) in the form of an Automatic Joint and Survivor Annuity under Section 4.06(a)(i), and (iii) the Member had died immediately thereafter. However, in lieu of the Automatic Joint and Survivor Annuity referred to in the preceding sentence, the 80/80 Spouse's Annuity Option described in Section 4.06(b)(ii) shall be used to compute the amount payable to the spouse if, within the 90 day period prior to his or her Annuity Starting Date, the Member had elected such optional form of payment.
- (e) Benefits payable to an estate or trust - If a Member's Beneficiary under this Section 4.07 is his or her estate or a trust, the benefits otherwise payable under Section 4.07(b), and, if elected, under Section 4.07(c) shall be commuted into a single lump sum amount, which amount shall be determined by multiplying the benefits otherwise payable by the appropriate factor in Tables 4 or 5 of Appendix A and calculated by assuming the Beneficiary had been a person of the same age as the Member at the Member's date of death. In no event shall the amount of the lump sum be less than the amount required by applicable law. The payment of such single lump sum amount shall represent the full and total payment of all benefits due under the Plan. The Retirement Committee shall resolve any questions arising hereunder on a basis uniformly applicable to all Members similarly situated.

- (f) If the Member's Beneficiary dies during the period coverage is effective under Sections 4.07(b) and Section 4.07(c), the Beneficiary designation shall thereby be canceled. However, coverage under Section 4.07(b) and, if elected, under Section 4.07(c) shall nevertheless continue in full effect. The Member's Beneficiary thereafter shall be in accordance with his or her subsequent designation of a new Beneficiary or in accordance with the term "Beneficiary" as defined herein.

If the Member's Beneficiary is his or her spouse and if the Member's marriage to said spouse is legally dissolved by a divorce decree, the Beneficiary designation under Sections 4.07(b) and 4.07(c) shall remain in effect until a subsequent Beneficiary designation is submitted by the Member to the Retirement Committee or until the Member remarries. Coverage under Section 4.07(b) and, if elected, under Section 4.07(c) shall continue in full effect.

A Member may change his or her Beneficiary designation at any time after receiving the written explanation described in Section 4.07(g), subject to Spousal Consent. Any such change shall become effective on the first day of the calendar month coincident with or next following the (i) date the notice of change is received by the Retirement Committee or (ii) the date specified in such notice, if later, and the original designation shall remain in effect until such date.

- (g) The Retirement Committee shall furnish to each Member a written explanation in non-technical language which describes (i) the terms and conditions of the Automatic Pre-Retirement Survivor's Benefit and the Optional Supplemental Pre-Retirement Survivor's Benefit, (ii) the Member's right to make an election to designate a Beneficiary other than his or her spouse and the effect of such

election, (iii) the right to revoke, prior to the Annuity Starting Date, such designation and the effect of such revocation, and (iv) the rights of the Member's spouse, if any. The Retirement Committee shall furnish this written explanation to each Member during the period beginning one year prior to the earlier of (i) the date the Member retires pursuant to the provision of Section 4.04(a)(ii), (ii) the date the Member reaches the 55th anniversary of his or her birth and completes 10 years of Eligibility Service, or (iii) in the Member's Normal Retirement Date, and ending within one year after such date.

- (h) A Member may revoke an election made under Section 4.07(c) at any time prior to his or her Annuity Starting Date. There shall be no further reduction to the Member's retirement allowance for any period during which an election under Section 4.07(c) is not in effect. The Member may make a new election at any time thereafter and any subsequent election shall become effective one year after the first day of the calendar month coincident with or next following the (i) date the notice is received by the Retirement Committee or (ii) the date specified in such notice, if later.

If the Member dies prior to the time an election under Section 4.07(c) becomes effective, the election shall thereby be canceled.

Any designation of a Beneficiary and any election made under Section 4.07 (including any waiver or revocation of either of them) shall be made on a form approved by and filed with the Retirement Committee and in accordance with the term "Beneficiary" as defined in this Section 4.07.

4.08 Maximum benefits

- (a) The maximum annual postponed, normal, standard early or special early retirement allowance, death in service benefit, or vested benefit payable under the Plan in the form of a life annuity when added to any pension attributable to contributions of the Company or an Associated Company provided to the Member under any other qualified defined benefit Plan payable in the form of a life annuity (collectively referred to in this Section as "retirement allowance"), shall be equal to the lesser of:
- (i) \$90,000 adjusted in accordance with regulations issued under Section 415 of the Internal Revenue Code by the Secretary of the Treasury or his or her delegate; provided, however, that each year in which such an adjustment is made, it shall not become effective prior to January 1 of such year, or
 - (ii) the Member's average annual remuneration during the three consecutive years of service with Company or Associated Company affording the highest such average or during all of the years of such service if less than three years;

provided that, if a Member's total years of membership in the Plan and the Prior Salaried Plan are less than 10 years, the maximum annual retirement allowance in subparagraph (i) above shall be multiplied by the ratio which the Member's total years of membership bears to 10. If the Member has less than 10 years of service with the Company or any Associated Company, the maximum annual retirement allowance provided in subparagraph (ii) shall be multiplied by the ratio which the Member's total years of service with the Company or any Associated Company bears to 10.

If the Member's retirement allowance is payable in the form of joint and survivor annuity which constitutes a qualified joint and survivor annuity as defined in Section 417 of the Code, the

modification of the retirement allowance for that form of payment shall be made before the application of the maximum limitation, and, as so modified, shall be subject to such limitation. Effective as of September 1, 1995, if the Member's retirement allowance is payable in a form that is neither a life annuity for the life of the Member nor in the form of a qualified joint and survivor annuity as defined in Section 417 of the Code, the maximum retirement allowance payable in clause (i) or clause (ii) above shall be of Equivalent Actuarial Value to the maximum benefit payable as a life annuity, such Equivalent Actuarial Value to be calculated using the Plan's factors for computing optional benefits, or if less, using factors calculated from the IRS Mortality Table, if applicable, and either the IRS Interest Rate if the benefit is subject to the provisions of Section 417(e)(3) of the Code or 5 percent otherwise.

- (b) If the retirement allowance begins before the Member's Social Security Retirement Age but on or after his or her 62nd birthday, the maximum retirement allowance in subparagraph (i) of paragraph (a) shall be reduced by $\frac{5}{9}$ of one percent for each of the first 36 months plus $\frac{5}{12}$ of one percent for each additional month by which the Member is younger than the Social Security Retirement Age at the date his or her retirement allowance begins. If the retirement allowance begins before the Member's 62nd birthday, the maximum retirement allowance in subparagraph (i) of paragraph (a) shall be of Equivalent Actuarial Value to the maximum benefit payable to age 62 as determined in accordance with the preceding sentence.

If the retirement allowance begins after the Member's Social Security Retirement Age, the maximum retirement allowance in subparagraph (i) of paragraph (a) shall be of Equivalent Actuarial Value to that maximum benefit payable at the Social Security Retirement Age. Effective

September 1, 1995, for purposes of this paragraph (b), Equivalent Actuarial Value shall be determined on the basis of the factors in Table 7 as in effect on that date.

As of January 1 of each calendar year commencing on or after January 1, 1988, the dollar limitation as determined by the Commissioner of Internal Revenue for that calendar year shall become effective as the maximum permissible dollar amount of retirement allowance payable under the Plan during the calendar year, including any retirement allowance payable to Members who retired prior to that calendar year, in lieu of the dollar amount in sub-paragraph (i) of paragraph (a).

(c) In the case of a Member who is participating in the Rayonier Inc. Investment and Savings Plan for Salaried Employees or any other defined contribution plan or plans of the Company or Associated Company, the maximum benefit limitation shall not exceed the adjusted limitation computed as follows:

- (i) Determine the "defined contribution fraction" as set forth in sub-paragraph (i) of the following paragraph (d).
- (ii) Subtract the result of (i) from one (1.0) with the result not to be less than zero.
- (iii) Multiply the dollar amount in Section 4.08(a)(i) by 1.25.
- (iv) Multiply the amount described in Section 4.08(a)(ii) by 1.4.
- (v) Multiply the lesser of the result of (iii) or the result of (iv) by the result of (ii) to determine the adjusted maximum benefit limitation applicable to the Member.

(d) For purposes of this Section 4.08(d)

(i) The "defined contribution fraction" for a Member who is participating in the Rayonier Inc. Investment and Savings Plan for Salaried Employees or any other defined contribution plan or plans of the Company or an Associated Company shall be a fraction, the numerator of which is the sum of the following:

- (1) the Company's and Associated Company's contributions credited to the Member's accounts under all defined contribution plans (whether or not terminated) ever maintained by the Company or an Associated Company, including the amount of any contribution made on a Member's behalf on a salary reduction basis under any such plan qualified under Section 401(k) of the Internal Revenue Code,
- (2) any forfeitures allocated to his or her accounts under such plan or plans, but reduced by any amount permitted by regulations promulgated by the Commissioner of Internal Revenue; and the denominator of which is the lesser of the following amounts determined for each year of the Member's Eligibility Service:
 - (3) 1.25 multiplied by the maximum dollar amount allowed by law for that year; or
 - (4) 1.4 multiplied by 25% of the Member's remuneration for that year.

(ii) a "defined contribution plan" means a qualified pension plan which provides for an individual account for each participant and for benefits based solely upon the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to that participant's accounts, subject to (iii) below;

- (iii) a "defined benefit plan" means any qualified pension plan which is not a defined contribution plan; however in the case of a defined benefit plan which provides a benefit which is based partly on the balance of the separate account of a participant, that plan shall be treated as a defined contribution plan to the extent benefits are based on the separate account of a participant and as a defined benefit plan with respect to the remaining portion of the benefits under the plan; and
- (iv) the term "remuneration" for purposes of this Section 4.08 with respect to any Member shall mean the wages, salaries and other amounts paid to such Member by the Company for personal services actually rendered, determined after any pre-tax contributions under a "qualified cash" or deferred arrangement (as defined under Section 401(k) of the Code and applicable regulations) or under a "cafeteria plan (as defined under Section 125 of the Code and its applicable regulations), and shall include, without being limited to, bonuses, overtime payments and commissions; and shall exclude deferred compensation, stock options and other distributions which receive special tax benefits under the Code.

4.09 No duplication

Except as hereinafter provided, there shall be deducted from any retirement allowance or vested benefit payable under this Plan the part of any pension or comparable benefit, including any lump sum payment, provided by employer contributions which Rayonier Inc., any Participating Unit, (including any former Participating Unit divested by Rayonier Inc.), any Associated Company or any affiliate of the Company is obligated to pay or has paid to or under any defined benefit plan or other agreement which provides for benefits comparable to those benefits paid under a defined benefit plan (except for any pension plan or other agreement which provides for the payment of

that portion of any benefits accrued under the Plan but not payable from the Plan on account of Section 1.02 or Section 4.08) with respect to any service rendered on or after March 1, 1994 which is Benefit Service for purposes of computation of benefits under this Plan.

4.10 Payment of benefits

- (a) Unless otherwise provided under an optional benefit elected pursuant to Section 4.06, the survivor's benefits available under Section 4.07, or the provisions of Section 4.10(e) (ii), all retirement allowances, vested benefits or other benefits payable under the Plan will be paid in monthly installments as of the end of each month beginning with (i) the month in which a Member has reached his or her Normal Retirement Date and has retired from active service, (ii) the month in which a Member has reached his or her Postponed Retirement Date and has retired from active service, (iii) the month in which a Member, upon proper application, has requested commencement of his or her vested benefit or early retirement allowance, or (iv) the month in which benefits under an optional benefit under Section 4.06 or the survivor's benefits under Section 4.07 become payable, whichever is applicable. Such monthly installments shall cease with the payment for the month in which the recipient dies. In no event shall a retirement allowance or vested benefit be payable to a Member who continues in or resumes active service with the Company or an Associated Company for any period between his or her Normal Retirement Date and Postponed Retirement Date, except as provided in Sections 4.02(d), and 4.10(e).
- (b) In any case, a lump sum payment equal to the vested benefit payable under Section 4.05 or the vested spouse's benefit payable under Section 4.07(a) multiplied by the appropriate factor contained in Table 4, 5 or 6 of Appendix A shall be made in lieu of any vested benefit payable to a

former Member or any vested spouse's benefit payable to a spouse of a Member or a former Member, if the lump sum present value of such benefit amounts to \$3,500 (\$5,000 effective January 1, 1998) or less. In no event, however, with respect to any Member who terminates employment prior to September 1, 1995, shall that adjustment factor produce a lump sum that is less than the amount determined by using the interest rate assumption used by the Pension Benefit Guaranty Corporation for valuing benefits for determining lump sum payments under single employer plans that terminate on January 1 of the Plan Year in which the Annuity Starting Date occurs. With respect to any Member who terminates employment on or after September 1, 1995, the lump sum present value shall be based on the IRS Mortality Table and the IRS Interest Rate. The lump sum payment may be made at any time on or after the date the Member has terminated employment or died, but in any event prior to the date his or her benefit payment would have otherwise commenced.

In the event a Member is not entitled to any retirement allowance or vested benefit upon his or her termination of employment, he or she shall be deemed "cashed-out" under the provisions of this paragraph (b) as of the date he or she terminated service.

- (c) In the event that the Retirement Committee shall find that a person to whom benefits are payable is unable to care for his or her affairs because of illness or accident or is a minor or has died, then, unless claim shall have been made therefor by a legal representative, duly appointed by a court of competent jurisdiction, the Retirement Committee may direct that any benefit payment due him or her be paid to his or her spouse, a child, a parent or other blood relative, or to a person with whom

he or she resides, and any such payment made shall be a complete discharge of the liabilities of the Plan therefor.

- (d) Before any benefit shall be payable to a Member, a former Member, or other person who is or may become entitled to a benefit hereunder, such Member, former Member, or other person shall file with the Retirement Committee such information as it shall require to establish his or her rights and benefits under the Plan.
- (e) (i) Except as otherwise provided in this Article 4, payment of a Member's retirement allowance or a former Member's vested benefit shall begin as soon as administratively practicable following the latest of (1) the Member's Normal Retirement Age or (2) the date he or she terminates service with the Company and all Associated Companies (but not more than 60 days after the close of the Plan Year in which the latest of (1) or (2) occurs).
- (ii) Notwithstanding anything contained in the Plan to the contrary, in the case of a Member who owns either (1) more than five percent of the outstanding stock of the Company or (2) stock possessing more than five percent of the total combined voting power of all stock of the Company, the Member's retirement allowance shall begin not later than the April 1 following the calendar year in which he or she attains age 70-1/2.

Payment of any other Member's retirement allowance or vested benefit shall begin not later than April 1 of the calendar year following the calendar year in which the Member attains age 70-1/2, provided that such commencement of benefit payments while in active service

shall not be required with respect to a Member who attains age 70-1/2 prior to January 1, 1988 and who is not a five percent owner as described above.

- (f) Notwithstanding any other provision of this Article 4, all distributions from this Plan shall conform to the regulations issued under Section 401(a)(9) of the Code, including the incidental death benefit provisions of Section 401(a)(9)(G) of the Code. Further, such regulations shall override any plan provision that is inconsistent with Section 401(a)(9) of the Code.

4.11 Reemployment of former Member or retired Member

- (a) Cessation of benefit payments. If a former Member or a retired Member entitled to or in receipt of a vested benefit or retirement allowance is reemployed by the Company or by an Associated Company as an Employee or as other than an Employee, but not as a Non-Benefits Worker, any benefit payments he or she is receiving shall cease, except as otherwise provided in Section 4.02(c) and Section 4.10(e). If a former Member or a retired Member returns to the Company or an Associated Company as a Non-Benefits Worker, benefit payments shall continue and paragraphs (b) and (c) shall not apply.
- (b) Optional forms of pension benefits
 - (i) If the Member is reemployed in a capacity other than as a Non-Benefits Worker any previous election of an optional benefit under Section 4.06 or a survivor's benefit under Section 4.07 shall be revoked and the terms and conditions of subparagraph (ii) of this paragraph (b) shall apply.

(ii) Any Member who is at least age 55 with 10 or more years of Eligibility Service when he or she is reemployed in a capacity other than as a Non-Benefits Worker shall, with respect to the vested benefit or retirement allowance earned prior to his or her reemployment and with respect to any additional benefits earned during reemployment, be covered by the provisions of Section 4.07(b) -- Pre-Retirement Survivor's Benefit and be eligible to elect coverage under Section 4.07(c) Supplemental Pre-Retirement Survivor's Benefit. Coverage under Section 4.07(b) shall be effective on the first day of the calendar month coincident with or next following the date of his or her reemployment and any previous election shall remain in effect until such date. If, within 30 days after reemployment, the Member elects coverage under Section 4.07(c), such coverage shall be effective as of the first day of the calendar month coincident with or next following the date of his or her reemployment. If the Member does not make an election under Section 4.07(c) within 30 days after his or her reemployment or he or she waives such coverage, any later election shall become effective one year after the first day of the calendar month coincident with or next following the date notice is received by the Retirement Committee or on the date specified in such notice, if later.

Any Member or former Member with 5 or more years of Eligibility Service who is less than age 55 when he or she is reemployed shall be covered by the provisions of Sections 4.07(a)(i) -- Automatic Vested Spouse's Benefit until he or she attains age 55 and such coverage shall be effective on the first day of the calendar month coincident with or next following the date of his or her reemployment and any previous election shall remain in effect until such date. Such former Member and any other Member or former Member

shall be covered by the provisions of Section 4.07(b) -- Pre-Retirement Survivor's Benefit and shall be eligible to elect coverage under Section 4.07(c) Supplemental Pre-Retirement Survivor's Benefit upon the later of the date he or she attains age 55, the date he or she completes 10 years of Eligibility Service, or his or her Normal Retirement Date, and such coverage shall be in accordance with the provisions of such Sections and shall apply with respect to his or her retirement allowance or vested benefit earned prior to his or her reemployment, as well as any additional benefits earned during reemployment.

(c) Benefit payments at subsequent termination or retirement

- (i) In accordance with the procedure established by the Retirement Committee on a basis uniformly applicable to all Members similarly situated, upon the subsequent retirement of a Member in service after his or her Normal Retirement Date, payment of such Member's retirement allowance shall resume no later than the third month after the final month during the reemployment period in which he or she is credited with at least eight days of service.
- (ii) Upon the subsequent retirement or termination of employment of a retired or former Member, the Retirement Committee shall, in accordance with rules uniformly applicable to all Members similarly situated, determine the amount of vested benefit or retirement allowance which shall be payable to such Member at such subsequent retirement or termination. Such vested benefit or retirement allowance shall not be less than the sum of (1) the original amount of vested benefit or retirement allowance previously earned by such Member in accordance with the terms of the Plan in effect during such previous employment adjusted to reflect the election of any survivor's benefits pursuant to

Section 4.07(a)(ii) or 4.07(c) and reduced by an amount of Equivalent Actuarial Value to the benefits, if any, he or she received before the earlier of the date of his or her restoration to service or his or her Normal Retirement Date and (2) any additional vested benefit or retirement allowance earned during his or her period of reemployment, such amounts to be adjusted to reflect the election during reemployment of any survivor's benefits pursuant to Section 4.07(a)(ii) or 4.07(c). Notwithstanding anything to the contrary contained in this Plan, with respect to an Employee who has incurred a break in service, the vested benefit or retirement allowance for Benefit Service credited prior to the date of reemployment shall not be re-calculated or increased unless the period of the Member's break in service is less than the greater of (1) five years or (2) the service rendered prior to such break and until the Member, regardless of his or her vested status, has completed at least twelve months of Eligibility Service following his or her reemployment and, in such event, the re-calculated vested benefit or retirement allowance, prior to any optional modification in accordance with the provisions of Section 4.06, shall be reduced by an amount determined by dividing the sum of any payments previously received by the former Member or retired Member before the earlier of his or her restoration to service or his or her Normal Retirement Date by the appropriate factor contained in Table 5 of Appendix A; provided that no such reduction shall reduce such retirement allowance or vested benefit below the amount determined pursuant to clause (1) of the preceding sentence.

- (d) Questions relating to reemployment of former Members or retired Members. If, at subsequent termination of employment or retirement, any question shall arise under this Section 4.11 as to the calculation or re-calculation of a reemployed former Member's or retired Member's vested benefit

or retirement allowance or election of an optional form of benefit under the Plan, such question shall be resolved by the Retirement Committee on a basis uniformly applicable to all Members similarly situated.

4.12 Top-heavy provisions

(a) The following definitions apply to the terms used in this Section:

- (i) "applicable determination date" means the last day of the preceding Plan Year;
- (ii) "top-heavy ratio" means the ratio of (A) the present value of the cumulative Accrued Benefits under the Plan for key employees to (B) the present value of the cumulative Accrued Benefits under the Plan for all key employees and non-key employees; provided, however, that if a key employee has not performed services for the Company at any time during the 5-year period ending on the applicable determination date, any Accrued Benefit for such individual (and any account balances of such individual) shall not be taken into account;
- (iii) "applicable valuation date" means the date within the preceding Plan Year as of which annual Plan costs are or would be computed for minimum funding purposes;
- (iv) "key employee" means an Employee determined to be a "key employee" in accordance with the provisions of Section 416(i)(1) and (5) of the Code and any regulations thereunder, and, where applicable, on the basis of the Employee's remuneration (defined as set forth in Section 4.08(d)(iv) of the Plan except that any pre-tax contributions under a "qualified cash or deferred arrangement as defined in Section 401(k) of the Code and its applicable regulations, or under a "cafeteria plan" as defined in Section 125 of the Code

and its applicable regulations shall be included) from the Company or an Associated Company;

- (v) "non-key employee" means any employee who is not a key employee;
 - (vi) "average remuneration" means the average annual remuneration of a Member for the five consecutive years of his or her Eligibility Service during which he or she received the greatest aggregate remuneration from the Company or Associated Company, excluding any remuneration for service after the last Plan Year with respect to which the Plan is top-heavy;
 - (vii) "required aggregation group" means each other qualified plan of the Company or an Associated Company (including plans that terminated within the five-year period ending on the determination date) in which there are members who are key employees or which enables the Plan to meet the requirements of Section 401(a)(4) or 410 of the Code; and
 - (viii) "permissive aggregation group" means each plan in the required aggregation group and any other qualified plan(s) of the Company or an Associated Company in which all members are non-key employees, if the resulting aggregation group continues to meet the requirements of Sections 401(a)(4) and 410 of the Code.
- (b) For purposes of this Section 4.12, the Plan shall be "top-heavy" with respect to any Plan Year if, as of the applicable determination date, the top-heavy ratio exceeds 60 percent. The top-heavy ratio shall be determined as of the applicable valuation date in accordance with Section 416(g)(3) and (4)(B) of the Code on the basis of the same mortality and interest rate assumptions used to value the Plan. For purposes of determining whether the Plan is top-heavy, the present value of Accrued Benefits under the Plan will be combined with the present value of accrued benefits or

account balances under each other plan in the required aggregation group, and, in the Company's discretion, may be combined with the present value of accrued benefits or account balances under any other qualified plan(s) in the permissive aggregation group. The Accrued Benefit of a non-key employee under the Plan or any other defined benefit plan in the aggregation group shall be (i) determined under the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Company or an Associated Company or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule described in Section 411(b)(i)(C) of the Code.

(c) The following provisions shall be applicable to Members for any Plan Year with respect to which the Plan is top-heavy:

(i) In lieu of the vesting requirements specified in Section 4.05, the following vesting schedule shall apply:

Years of Eligibility Service -----	Percentage Vested -----
Less than 2 years	0%
2 years	20
3 years	40
4 years	60
5 or more years	100

(ii) The Accrued Benefit of a Member who is a non-key employee shall not be less than two percent of his or her "average remuneration" multiplied by the number of years of his or her Eligibility Service, not in excess of 10, during the Plan Years for which the Plan is top-heavy. Such minimum benefit shall be payable at a Member's Normal Retirement Date. If

payments commence at a time other than the Member's Normal Retirement Date, the minimum Accrued Benefit shall be of Equivalent Actuarial Value to such minimum benefit, as determined on the basis of the actuarial assumptions stated in Section 4.14(b) above.

(iii) The multiplier "1.25" in subsections (c)(iii) and (d)(i)(3) of Section 4.08 shall be reduced to "1.0".

(d) If the Plan is top-heavy with respect to a Plan Year and ceases to be top-heavy for a subsequent Plan Year, the following provisions shall be applicable:

(i) The Accrued Benefit in any such subsequent Plan Year shall not be less than the minimum Accrued Benefit provided in Section 4.12(c)(ii) above, computed as of the end of the most recent Plan Year for which the Plan was top-heavy.

(ii) If a Member has completed three years of Eligibility Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy, the vesting schedule set forth in Section 4.12(c)(i) above shall continue to be applicable.

(iii) If a Member has completed at least two, but less than three years of Eligibility Service on or before the last day of the most recent Plan Year for which the Plan is top-heavy, the vesting provisions of Section 4.05 shall again be applicable; provided, however, that in no event shall the vested percentage of a Member's accrued benefit be less than the percentage determined under Section 4.12(c)(i) above as of the last day of the most recent Plan Year for which the Plan was top-heavy.

- 4.13 Payment of Medical Benefits for Benefits for Certain Members who retire under the Plan This Section 4.13 defines the basis of providing medical benefits to eligible Members or their eligible dependents as defined below for those expenses incurred by such Members or their eligible dependents on or after the date specified by the Board of Directors.
- (a) In order to be eligible for the benefits provided hereunder, a person must be a Plan Member who retired under the Plan provisions during the period designated by the Retirement Committee and be currently eligible for post-retirement medical benefits under a plan maintained by the Company and hereinafter referred to as the "Medical Plan" or be an eligible dependent of such a Member. To the extent they are not otherwise reimbursed from Company assets, covered medical expenses incurred during the applicable period shown below by such a Member or his or her eligible dependents shall be reimbursed hereunder.
- (b) The level of medical benefits covered under the provisions of this Section 4.13 shall be the medical coverage in effect under the terms of the Medical Plan. Except as provided in Article 10, such medical coverage or benefit plan may be withdrawn or amended from time to time as the Company shall determine.
- (c) Except as provided in Section 4.13(e), all contributions made to the trust to provide medical benefits under this Section 4.13 shall be maintained in a separate account and such assets may not be used for or diverted to any purpose other than to provide said medical benefits; provided, however, none of the assets so set aside may be used to provide medical benefits for a Member, former Member or their dependents if the Member or former Member is a "key employee" as

determined in accordance with the provisions of Section 416(i)(1) and (5) of the Internal Revenue Code. Similarly, none of the assets accumulated to provide the retirement allowances or vested benefits set forth in the foregoing provisions of this Article 4 may, prior to the termination of the Plan and satisfaction of all the liabilities for such retirement allowances or vested benefits, be used or diverted to provide medical benefits under this Section 4.13. The assets, if any, accumulated to provide medical benefits under this Section 4.13 may be invested pursuant to the provisions of Article 7.

- (d) It is the intention of the Company to continue providing medical benefits under this Section 4.13 and to make contributions to the Trustee to fund such medical benefits in such amounts as the Company shall deem necessary or appropriate. The aggregate contributions made to fund the medical benefits provided under this Section, when added to the actual contributions for any life insurance protection provided under the Plan, shall not exceed 25 percent of the total actual contributions made to the Plan (other than contributions to fund past service credits) after the later of the adoption or effective date of this Section. Any forfeitures of a Member's interest in the medical benefit accounts as provided hereunder prior to any discontinuance of medical benefits by the Board of Directors shall be applied to reduce any subsequent Company contributions made pursuant to this Section 4.13.
- (e) Except as provided in Article 10, the Board of Directors may discontinue providing medical benefits under this Section 4.13 for any reason at any time, in which event the assets allocated to provide medical benefits hereunder, if any remain, shall, to the extent they are not otherwise reimbursed from Company assets, be used to continue medical benefits to Members who are

eligible for them prior to the discontinuance date as long as any assets remain. However, if, after the satisfaction of all medical benefits provided hereunder, there remain any assets, the program shall be deemed to be terminated and such remainder shall be returned to the Company, in accordance with Section 401(h)(5) of the Code.

- 4.14 Transfers from Hourly Plans maintained by the Company or an Associated Company At the discretion and direction of the Retirement Committee, the Plan may accept from a hourly pension plan maintained by the Company or an Associated Company which is qualified under Section 401(a) of the Code a transfer of (i) liabilities with respect to the accrued benefit under such hourly plan of a Member who has employment with the Company rendered otherwise than as an Employee recognized as Benefit Service pursuant to the provisions of Section 2.02(c) of the Plan and (ii) with respect to such liabilities, any assets determined by the Company to be applicable.

All such transfers shall be made in accordance with the provisions of the Code and ERISA.

4.15 Direct Rollover of Certain Distributions

Notwithstanding any other provision of this Plan, with respect to any distribution from this Plan which is (a) payable to a "distributee" and (b) determined by the Retirement Committee to be an "eligible rollover distribution", such distributee may elect, at the time and in the manner prescribed by the Retirement Committee, to have the Plan make a "direct rollover" of all or part of such distribution to an "eligible retirement plan" which accepts such rollover. The following definitions apply to the terms used in this Section:

- (a) a "distributee" means a Member or former Member. In addition, the Member's or former Member's surviving spouse and the Member's or former Member's spouse or former

spouse who is the alternate payee under a qualified domestic relations order as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse;

- (b) an "eligible rollover distribution" is any distribution of all or any portion of the retirement allowance or vested benefit owing to the credit of a distributee, except that the following distributions shall not be eligible rollover distributions: (i) any distribution that is one of a series of substantially equal periodic payments made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more, (ii) any distribution required under Section 401(a)(9) of the Code and (iii) the portion of a distribution not includible in gross income;
- (c) an "eligible retirement plan" is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code or a qualified trust described in Section 401(a) of the Code that accepts the eligible rollover distribution; however, in the case of an eligible rollover distribution to the Member's surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity only; and
- (d) "direct rollover" means a payment by the Plan directly to the eligible retirement plan specified by the distributee.

In the event that the provisions of this Section 4.15 or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this Section 4.15 or applicable part thereof shall be ineffective without necessity of further amendment of the Plan.

ARTICLE 5 - ADMINISTRATION OF PLAN

- 5.01 The responsibility for carrying out all phases of the administration of the Plan except those phases connected with the management of assets, shall be placed in a Retirement Committee of not less than three persons appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors may also designate alternate members to act in the absence of the regular members. The Board of Directors shall designate a Chairman of the Retirement Committee from among the regular members and a Secretary who may be, but need not be, one of its members. Any member of the Retirement Committee may resign by delivering his or her written resignation to the Board of Directors and the Secretary of the Retirement Committee.
- 5.02 The responsibility for the management of the assets of the Plan shall be placed in a Pension Fund Trust and Investment Committee of not less than three persons appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors may also designate alternate members to act in the absence of the regular members. The Board of Directors shall designate a Chairman of the Pension Fund Trust and Investment Committee from among the regular members and a Secretary who may be, but need not be, one of the members of the Pension Fund Trust and Investment Committee. Any member of the Pension Fund Trust and Investment Committee may resign by delivering his or her written resignation to the Board of Directors and the Secretary of the Pension Fund Trust and Investment Committee.

- 5.03 The Retirement Committee and the Pension Fund Trust and Investment Committee (hereinafter collectively referred to as the "Committees") are designated as named fiduciaries within the meaning of Section 402(a) of the Employee Retirement Income Security Act of 1974.
- 5.04 The Committees shall hold meetings upon such notice, at such place or places, and at such time or times as each may respectively determine. The action of at least a majority of the members, or alternate members, of a Committee expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of that Committee and shall have the same effect for all purposes as if assented to by all members of such Committee at the time in office. No member of either Committee shall receive any compensation for his or her service as such.
- 5.05 Each Committee may authorize one or more of its number or any agent to execute or deliver any instrument or make any payment on its behalf; may retain counsel, employ agents and such clerical, accounting and actuarial services as it may require in carrying out the provisions of the Plan for which it has responsibility; may allocate among its members or to other persons all or such portion of its duties hereunder as it, in its sole discretion, shall decide.
- 5.06 The Pension Fund Trust and Investment Committee shall be responsible for managing the assets under the Plan. If it deems such action to be advisable, the Committee, subject to the provisions of the trust instrument(s) adopted for use in implementing the Plan pursuant to Section 7.01 hereof, may:

- (a) provide direction to the trustee(s) thereunder, including, but not by way of limitation, the direction of investment of all or part of the Plan assets and the establishment of investment criteria, and
- (b) appoint and provide for use of investment advisors and investment managers.

In discharging its responsibility, the Committee shall evaluate and monitor the investment performance of the trustee(s) and investment manager, if any.

- 5.07 Subject to the limitations of the Plan, the Retirement Committee from time to time shall establish rules or regulations for the administration of the Plan and the transaction of its business. The Retirement Committee shall have full discretionary authority, except as to matters which the Board of Directors from time to time may reserve to itself, to interpret the Plan and to make factual determinations regarding any and all matters arising hereunder, including but not limited to, the right to determine eligibility for benefits and to construe the terms of the Plan including the right to remedy possible ambiguities, inequities, inconsistencies or omissions. The Retirement Committee shall also have the right to exercise powers otherwise exercisable by the Board of Directors hereunder to the extent that the exercise of such powers does not involve the management of Plan assets. In addition, the Retirement Committee shall have the further right to exercise such powers as may be delegated to the Retirement Committee by the Board of Directors.

Subject to applicable Federal and State Law, all interpretations, determinations and decisions of the Retirement Committee or the Board of Directors in respect of any matter hereunder shall be final, conclusive and binding on all parties affected thereby.

- 5.08 The members of the Committees shall use that degree of care, skill, prudence and diligence in carrying out their duties that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims. A member of either Committee shall not be liable for the breach of fiduciary responsibility of another fiduciary unless:
- (a) the person participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or
 - (b) by the person's failure to discharge such person's duties solely in the interest of the Members and other persons entitled to benefits under the Plan, for the exclusive purpose of providing benefits and defraying reasonable expenses of administering the Plan not met by the Company, the person has enabled such other fiduciary to commit a breach; or
 - (c) the person has knowledge of a breach by such other fiduciary and does not make reasonable efforts to remedy the breach; or
 - (d) if the Committee of which the person is a member improperly allocates responsibilities among its members or to others and the person fails to review prudently such allocation.
- 5.09 The Retirement Committee, the Pension Fund Trust and Investment Committee, and the Company shall be "named fiduciaries" within the meaning of Section 402 (a) of ERISA.

ARTICLE 6 - CONTRIBUTIONS

6.01 It is the intention of the Company to continue the Plan and make regular contributions to the Trustee each year in such amounts as are necessary to maintain the Plan on a sound actuarial basis and to meet minimum funding standards as prescribed by any applicable law. However, subject to the provisions of Article 8, the Company may reduce or suspend its contributions for any reason at any time. Any forfeitures shall be used to reduce the Company contributions otherwise payable, and will not be applied to increase the benefits any Member or other person would otherwise receive under the Plan.

6.02

(a) If a contribution is conditioned on initial qualification of the Plan under Section 401(a) of the Code, and if the Commissioner of Internal Revenue, on timely application made after the establishment of the Plan, determines that the Plan is not initially so qualified, or refuses, in writing, to issue a determination as to whether the Plan is so qualified, said contribution shall be returned to the Company without interest. The return shall be made within one year after the date of the final determination of the denial of qualification. The provisions of this paragraph (a) shall apply only if the application for the determination is made by the time prescribed by law for filing the Company's return for the taxable year in which the Plan was adopted, or such later date as the Secretary of the Treasury may prescribe.

- (b) The Company's contributions to the Plan are conditioned upon their deductibility under Section 404 of the Code. In the event that all or part of the Company's deductions under Section 404 of the Code for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions to which such disallowance applies shall be returned to the Company without interest but reduced by any investment loss attributable to those contributions. Such return shall be made within one year after the disallowance of deduction.

ARTICLE 7 - MANAGEMENT OF FUNDS

- 7.01 All the funds of the Plan shall be held by a Trustee or Trustees including any member(s) of the Rayonier Inc. Pension Fund Trust and Investment Committee, appointed from time to time by said Committee or Rayonier, in one or more trusts under a trust instrument or instruments approved or authorized by said Committee or Rayonier Inc. for use in providing the benefits of the Plan and paying any expenses of the Plan not paid directly by the Company; provided, however, that the Pension Fund Trust and Investment Committee may, in its discretion, also enter into any type of contract with any insurance company or companies selected by it for providing benefits under the Plan.
- 7.02 Prior to the satisfaction of all liabilities with respect to persons entitled to benefits, except for the payment of expenses, no part of the corpus or income of the funds shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and other persons who are or may become entitled to benefits hereunder, under the Prior Salaried Plan, or under any trust instrument or under any insurance contract made pursuant to this Plan.
- 7.03 Subject to applicable Federal and State law, no person shall have any interest in or right to any part of the corpus or income of the funds, except as and to the extent expressly provided in the Plan and in any trust instrument or under any insurance contract made pursuant to this Plan.

- 7.04 Subject to applicable Federal and State law, the Company shall have no liability for the payment of benefits under the Plan nor for the administration of the funds paid over to the Trustee(s) or insurer(s) except as expressly provided under this Plan.
- 7.05 Except as permitted by applicable Federal law, no part of the corpus or income of the trust shall be invested in securities of the Company or of any Associated Company or in real property and related personal property which is leased to the Company or any Associated Company or in the securities of the Trust or Trustees or their subsidiary companies, if any.
- 7.06 Notwithstanding any other provision of this Plan to the contrary, the Company may recover without interest the amount of its contributions to the Plan made on account of a mistake in fact, provided that such recovery is made within one year after the date of such contribution.
- 7.07 The Pension Fund Trust and Investment Committee may, in its discretion, appoint one or more investment managers (within the meaning of Section 3(38) of ERISA) to manage (including the power to acquire and dispose of) all or part of the assets of the Plan, as the Investment Committee shall designate. In that event, authority over and responsibility for the management of the assets so designated shall be the sole responsibility of that investment manager.

ARTICLE 8 - CERTAIN RIGHTS AND LIMITATIONS

The following provisions shall apply in all cases whenever a Member or any other person is affected thereby.

8.01 Termination of the Plan

- (a) The Board of Directors may terminate the Plan for any reason at any time. In case of termination of the Plan, the rights of Members to the benefits accrued under the Plan to the date of the termination, to the extent then funded or protected by law, if greater, shall be nonforfeitable. The funds of the Plan shall be used for the exclusive benefit of persons entitled to benefits under the Plan as of the date of termination, except as provided in Section 6.02. However, any funds not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial computation shall be returned to the Company except as otherwise provided in Section 8.06. The Retirement Committee shall determine on the basis of an actuarial valuation the share of the funds of the Plan allocable to each person entitled to benefits under the Plan in accordance with Section 4044 of ERISA or corresponding provision of any applicable law in effect at the time. In the event of a partial termination of the Plan, the provisions of this Section shall be applicable only to the Members affected by that partial termination.
- (b) Plan Merger or Consolidation

The Plan may not be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan unless each Member or other person entitled to a benefit under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation,

or transfer which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation, or transfer, if the Plan had then terminated; provided that, subject to the provisions of Article 10 on or after the date of the first occurrence of a Change in Control (i) no transfer of assets or liabilities, except as specifically permitted under Section 8.01(a), between the Plan and any Employee Benefit Plan, as hereinafter defined, (ii) no spin-off of Plan assets or Plan liabilities to any Employee Benefit Plan, (iii) no withdrawal of Plan assets, in the event such withdrawal is permitted under applicable law or (iv) no merger or consolidation of the Plan with any Employee Benefit Plan shall be permitted.

For purposes of this Section 8.01(b), Employee Benefit Plan has the same meaning as the term "employee benefit plan" has under Section 3(3) of ERISA.

8.02 Limitation Concerning Highly Compensated Employees
or Highly Compensated Former Employees

- (a) The provisions of this Section shall apply (i) in the event the Plan is terminated, to any Member who is a highly compensated employee or highly compensated former employee (as those terms are defined in Section 414(q) of the Code) of the Company or an Associated Company and (ii) in any other event, to any Member or former Member who is one of the 25 highly compensated employees or highly compensated former employees of the Company or Associated Company with the greatest compensation in any Plan Year. The amount of the annual payments to any one of the Members or former Member to whom this Section applies shall not be greater than an amount equal to the payments that would be made on behalf of the Member or former Member under a single life annuity that is of Equivalent Actuarial Value to the sum of the Member's or former Member's Accrued Benefit and any other benefits payable to the Member and former Member under the Plan.

- (b) If, (i) after payment of an Accrued Benefit or other benefits to any one of the Members or to whom this Section applies, the value of Plan assets equals or exceeds 110 per cent of the value of current liabilities (as that term is defined in Section 412(1)(7) of the Code) of the Plan or (ii) the value of the Accrued Benefit and other benefits of any one of the Members or former Members to whom this Section applies is less than one percent of the value of current liabilities of the Plan or (iii) the value of the Accrued Benefit and other benefits of any one of the Members or former Members to whom this Section applies does not exceed \$3,500 (\$5,000 effective January 1, 1998), the provisions of paragraph (a) above will not be applicable to the payment of benefits to the Member or former Member.
- (c) Notwithstanding paragraph (a) of this Section, in the event the Plan is terminated, the restriction of this Section shall not be applicable if the benefits payable to any highly compensated employee and any highly compensated former employee is limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Code.
- (d) If it should subsequently be determined by statute, court decision acquiesced in by the Commissioner of Internal Revenue, or ruling by the Commissioner of Internal Revenue, that the provisions of this Section are no longer necessary to qualify the Plan under the Code, this Section shall be ineffective without the necessity of further amendment to the Plan.

8.03 Conditions of Employment Not Affected by Plan

The establishment of the Plan shall not be construed as conferring any legal rights upon any Employee or other person for a continuation of employment, nor shall it interfere with the rights of

the Company to discharge any Employee or other person and to treat him or her without regard to the effect which such treatment might have upon him or her under the Plan.

- 8.04 Offsets - Unless the Board of Directors otherwise provides under written rules uniformly applicable to all Employees similarly situated, the Retirement Committee shall deduct from the amount of any retirement allowance or vested benefit under the Plan, any amount paid or payable to or on account of any Member under the provisions of any present or future law, pension or benefit scheme of any sovereign government, or any political subdivision thereof or any fund or organization or government agency or department on account of which contributions have been made or premiums or taxes paid by the Company, any Participating Unit, or any Associated Company with respect to any service which is Benefit Service for purposes of computation of benefits under the Plan; provided, however, that pensions payable for government service or benefits under Title II of the Social Security Act are not to be used to reduce the benefits otherwise provided under this Plan except as specifically provided herein.
- 8.05 Denial of Benefits - The Retirement Committee may prescribe rules on a basis uniformly applicable to all Employees similarly situated under which an Employee whose employment is terminated because of dishonesty, conviction of a felony or other conduct prejudicial to the Company may be denied any benefit or benefits for which he or she would otherwise be eligible under the Plan, except his or her retirement allowance pursuant to Section 4.01 or his or her vested benefit pursuant to Section 4.05; provided, however, that such denial is not contrary to applicable law.

8.06 Change in Control - In the event of a Change in Control the following restrictions shall apply:

- (a) Notwithstanding any other provision of the plan, in the event of a Change in Control, neither the Board of Directors, its designee, the Retirement Committee nor the Trustee may merge or consolidate the Plan with any other plan, transfer any Plan assets to any other retirement or welfare benefit plan, transfer any other welfare or retirement benefit plan's liabilities to the Plan, spin-off or split-off any part of the Plan or group of Members in the Plan, or reduce future Plan benefits, or cause or permit the Plan to acquire any security or real or personal property of the Company or any Associated Company, during the five-year period commencing on the date on which the Change in Control occurs.
- (b) Notwithstanding any other provision of the Plan, in the event of a Change in Control, neither the Board of Directors nor its designee may, during the five-year period commencing on the date on which the Change in Control occurs, designate any new Participating Units or designate any new groups of Employees as eligible to participate in the Plan.
- (c) Notwithstanding any other provision of the Plan, if at any time during the five-year period commencing on the date on which a Change in Control occurs, the Plan is terminated, any Member who was an Employee on the date of the Change in Control shall, if not previously vested, become fully vested in all Plan benefits. If the Plan has surplus assets, all of the surplus assets shall be allocated to Plan Members who were Members as of the date on which a Change in Control occurs (including Members who terminated employment with entitlement to a retirement allowance and Members who are, on the date

on which a Change in Control occurs, receiving a retirement allowance) on pro rata basis, in relation to the benefits accrued prior to the date of Change in Control and none of this surplus may be recovered by the Company, any successor or any Associated Company. For purposes of this Section 8.06(c) the amount of surplus assets will be determined as part of the process of purchasing non-participating group annuity contracts in connection with the termination of the Plan. In purchasing such annuities, the Plan shall seek competitive bids from at least three unrelated insurance companies. In no event shall the increase in the Retirement Allowance payable pursuant to this paragraph cause the retirement allowance to exceed the limitations in Section 4.08 of the Plan.

- (d) Notwithstanding any other provision of the Plan, if at any time during the five-year period commencing on the date on which a Change in Control occurs (i) a Substantial Reduction in Force (as hereinafter defined) occurs or (ii) any action prohibited by paragraph (a) or (b) of this Section 8.06 is taken, then any Member who was an Employee on the date of the Change in Control shall, if not previously vested, become fully vested in all Plan benefits. Furthermore, if, as of the date either of the events described in (i) or (ii) above occurs, the fair market value of the Plan's assets exceeds the Plan's current liability pursuant to Section 412(1)(7) of the Code (based on the Plan's actuarial assumptions on the date the Change in Control occurs except that the interest rate shall be the maximum rate permitted under Section 412 of the Code) the amount of such excess assets shall be applied to increase, as described below, the Accrued Benefit of all Plan Members who were Members as of the date on which a Change in Control occurs. For purposes of determining the increase in Accrued Benefit under this Section 8.06(d), Plan Member

includes both Members who are Employees as well as former Employees, or Beneficiaries of former Employees either entitled to future benefits or currently in receipt of Plan benefits. The Equivalent Actuarial Value of each Plan Member's Accrued Benefit shall be increased by the amount determined by multiplying (a) the Plan's excess assets as defined in this Section 8.06(d) by (b) the ratio that the Current Liability of each Plan Member bears to the sum of the Current Liability of all Plan Members. Such increased present value will be converted into an enhanced Accrued Benefit for each Plan Member. In no event, however, shall such increase cause a Plan Member's Accrued Benefit to exceed the limitation of Section 4.08 of the Plan.

For purposes of this Section 8.06,

- (i) a "Substantial Reduction in Force" shall mean the Involuntary Separation from employment, following a Change in Control, of the percentage of Members set forth below who were Employees when the Change in Control occurred:
 - (1) 10% or more within any consecutive 12-month period.
 - (2) 15% or more within any consecutive 24-month period.
 - (3) 20% or more within any consecutive 36-month period.
 - (4) 25% or more within any consecutive 48-month period.
 - (5) 30% or more within a 60-month period; and
- (ii) "Involuntary Separation" shall mean the termination of a Member's employment with the Company as a result of Company action such as a discharge, a resignation after a reduction in pay, position or responsibilities, a retirement after the Company has requested such Member to resign or retire, a layoff, or any

relocation of the work location of a Member to a place more than 35 miles from such Member's principal residence; provided, however, that an Involuntary Separation shall not be deemed to have occurred if a Member resigns or retires other than in response to a Company request, or is terminated for serious misconduct in connection with such Member's work.

- (e) In the event the Internal Revenue Service makes a final determination that the utilization of surplus assets of the Plan (or any portion thereof) in accordance with paragraph (c) or (d) of this Section 8.06 cannot be accomplished in any manner without disqualifying the Plan, the Company shall utilize such assets which cannot be so utilized to provide benefits to those Members who were Employees on the date of the Change in Control in any manner that the Company deems to be in the best interests of such Members and which would not disqualify the Plan. Such utilization may include the transfer of such assets to another employee benefit plan of the Company, including a voluntary employees' beneficiary association as described in Section 501(c)(9) of the Code; provided, however, that in no event shall any such assets be transferred to any entity other than a trust devoted exclusively to providing benefits to employees and retirees who were Plan Members as of the date of the Change in Control.

- 8.07 Prevention of Escheat - If the Retirement Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Retirement Committee may, no later than two years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person as shown on the records of the Retirement Committee or the

Company. If such person has not made written claim therefor within three months of the date of the mailing, the Retirement Committee may, if it so elects and upon receiving advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be canceled on the records of the Plan and the amount thereof applied to reduce the contributions of the Company. Upon such cancellation, the Plan shall have no further liability therefor except that, in the event such person or his or her beneficiary later notifies the Retirement Committee of his or her whereabouts and requests the payment or payments due to him or her under the Plan, the amount so applied shall be paid to him or her in accordance with the provisions of the Plan.

ARTICLE 9 - NONALIENATION OF BENEFITS

9.01

- (a) Subject to any applicable Federal and State law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge except any election to make a contribution necessary to provide post-retirement medical benefits under any Plan maintained by the Company and, any attempt so to do shall be void, except as specifically provided in the Plan, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefit.
- (b) Subject to applicable Federal and State law, in the event that the Retirement Committee shall find that any Member or other person who is or may become entitled to benefits hereunder has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any of his or her benefits under the Plan, except as specifically provided in the Plan, or if any garnishment, attachment, execution, levy or court order for payment of money has been issued against any of his or her benefits under the Plan, then such benefit shall cease and terminate. In such event the Retirement Committee shall hold or apply the payments to or for the benefit of such Member or other person who is or may become entitled to benefits hereunder, his or her spouse, children, parents or other blood relatives, or any of them.
- (c) Notwithstanding the foregoing provisions of the Plan, payment shall be made in accordance with the provisions of any judgment, decree, or, domestic relations order which:

- (i) creates for, or assigns to, a spouse, former spouse, child or other dependent of a Member the right to receive all or a portion of the Member's benefits under the Plan for the purpose of providing child support, alimony payments or marital property rights to that spouse, child or dependent,
- (ii) is made pursuant to the domestic relations law of any State (as such term is defined in Section 3(10) of ERISA,
- (iii) does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan, and
- (iv) otherwise meets the requirements of Section 206(d) of ERISA to be a "qualified domestic relations order" as determined by the Retirement Committee.

If the lump sum present value of any series of payments made under the criteria set forth in paragraphs (i) through (iv) above amounts to \$3,500 (\$5,000 effective January 1, 1998) or less, then a lump sum payment of Equivalent Actuarial Value (determined in the manner described in Section 4.10) shall be made in lieu of the series of payments.

- (d) The Retirement Committee shall resolve any questions arising under this Article 9 on a basis uniformly applicable to all persons similarly situated.

ARTICLE 10 - AMENDMENTS

- 10.01 Subject to Section 10.02, the Board of Directors or its delegate reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan; provided that no such modification or amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of Members, spouses, or contingent annuitants or other persons who are or may become entitled to benefits hereunder prior to the satisfaction of all liabilities with respect to them; and that no modification or amendment shall be made which has the effect of decreasing the Accrued Benefit of any Member or of reducing the nonforfeitable percentage of the Accrued Benefit of a Member attributable to Company contributions below that nonforfeitable percentage thereof computed under the Plan as in effect on the later of the date on which the amendment is adopted or becomes effective. Any action to amend the Plan by the Board of Directors shall be taken in such manner as may be permitted under the by-laws of the Company and any action to amend the Plan by a delegate of the Board of Director shall be in writing.
- 10.02 Notwithstanding the above, on or after the date a Change in Control first occurs, Section 8.01, Section 8.06 and this Article 10, as they pertain to events occurring on or after the date such Change in Control occurs, may not be further amended by the Board of Directors without written consent of not less than three-quarters (3/4) of the Members and other persons then receiving to benefits under the Plan.

APPENDIX A

TABLE 4

Factors to Determine Lump Sum Payments

AGE	:	FACTOR	:	AGE	:	FACTOR
25	:	0.989	:	41	:	3.439
26	:	1.069	:	42	:	3.720
27	:	1.155	:	43	:	4.024
28	:	1.249	:	44	:	4.353
29	:	1.350	:	45	:	4.710
30	:	1.459	:	46	:	5.097
31	:	1.577	:	47	:	5.516
32	:	1.705	:	48	:	5.972
33	:	1.843	:	49	:	6.466
34	:	1.992	:	50	:	7.002
35	:	2.153	:	51	:	7.585
36	:	2.327	:	52	:	8.218
37	:	2.516	:	53	:	8.907
38	:	2.720	:	54	:	9.657
39	:	2.941	:	55	:	10.474
40	:	3.180	:		:	

Note: Above factors represent present value of annuity of \$1.00 per annum with payments deferred to commence at age 55.

APPENDIX A

TABLE 5

Factors to Determine Lump Sum Payments

AGE	:	FACTOR
55	:	10.474
56	:	10.323
57	:	10.165
58	:	10.001
59	:	9.829
60	:	9.651
61	:	9.467
62	:	9.278
63	:	9.084
64	:	8.885
65	:	8.682
66	:	8.476
67	:	8.268
68	:	8.057
69	:	7.845
70	:	7.631
71	:	7.417
72	:	7.201
73	:	6.985
74	:	6.768
75	:	6.552

Note: Above factors represent
present value of annuity
of \$1.00 per annum.

APPENDIX A

TABLE 6

Factors to Determine Lump Sum Payments

: FACTOR TO BE APPLIED TO			
: -----			
	: Benefit	:	: Benefit
AGE	: Payable	:	: Payable
	: To Age 62	:	: After Age 62

55	: 5.314	:	: 5.160
56	: 4.724	:	: 5.599
57	: 4.086	:	: 6.079
58	: 3.397	:	: 6.604
59	: 2.649	:	: 7.180
60	: 1.839	:	: 7.812
61	: 0.958	:	: 8.509
62	:	:	: 9.278
63	:	:	: 9.084
64	:	:	: 8.885
65	:	:	: 8.682
66	:	:	: 8.476
67	:	:	: 8.268
68	:	:	: 8.057
69	:	:	: 7.845
70	:	:	: 7.631
71	:	:	: 7.417
72	:	:	: 7.201
73	:	:	: 6.985
74	:	:	: 6.768
75	:	:	: 6.552

Note: Above factors represent present value of annuity of \$1.00 per annum.

APPENDIX A

TABLE 7

Factors to Determine Maximum Benefits Prior to September 1, 1995

AGE AT COMMENCEMENT OF BENEFIT	FACTOR		
	Born Before January 1, 1938	Born After December 31, 1937 and Before January 1, 1955	Born After December 31, 1954
50	0.326	0.306	0.286
51	0.349	0.327	0.305
52	0.374	0.350	0.327
53	0.401	0.376	0.351
54	0.430	0.403	0.376
55	0.462	0.433	0.404
56	0.497	0.466	0.435
57	0.536	0.503	0.469
58	0.578	0.542	0.506
59	0.626	0.587	0.547
60	0.678	0.635	0.593
61	0.735	0.689	0.643
62	0.800	0.750	0.700
63	0.867	0.800	0.750
64	0.933	0.867	0.800
65	1.000	0.933	0.867
66	1.099	1.000	0.933
67	1.210	1.102	1.000
68	1.337	1.217	1.105
69	1.483	1.350	1.225
70	1.649	1.501	1.363
71	1.841	1.676	1.521
72	2.063	1.878	1.705
73	2.321	2.113	1.918
74	2.622	2.388	2.168
75	2.977	2.710	2.461

APPENDIX A

TABLE 7

Factors to Determine Maximum Benefits Effective September 1, 1995

AGE AT COMMENCEMENT OF BENEFIT	FACTOR		
	Born Before January 1, 1938	Born After December 31, 1937 and Before January 1, 1955	Born After December 31, 1954
50	0.338	0.317	0.296
51	0.362	0.339	0.316
52	0.386	0.362	0.338
53	0.413	0.387	0.361
54	0.442	0.415	0.387
55	0.474	0.444	0.414
56	0.509	0.477	0.445
57	0.546	0.512	0.478
58	0.588	0.551	0.515
59	0.634	0.594	0.554
60	0.683	0.641	0.598
61	0.738	0.692	0.646
62	0.800	0.750	0.700
63	0.867	0.800	0.750
64	0.933	0.867	0.800
65	1.000	0.933	0.867
66	1.092	1.000	0.933
67	1.196	1.095	1.000
68	1.313	1.202	1.098
69	1.447	1.324	1.209
70	1.598	1.463	1.336
71	1.772	1.622	1.481
72	1.971	1.805	1.648
73	2.202	2.016	1.841
74	2.470	2.261	2.065
75	2.783	2.548	2.327

RETIREMENT PLAN FOR SALARIED EMPLOYEES OF RAYONIER INC.

APPENDIX B

This Appendix B, effective as of September 1, 1995, is applicable with respect to former employees of Rayonier Inc. (or its predecessor Rayonier Incorporated) who are in receipt of a retirement allowance under the Salaried Employees Retirement Income Plan of Rayonier Incorporated as of August 31, 1995 and their spouses and beneficiaries. This Appendix B constitutes an integral part of the Plan and sets forth the particulars concerning the eligibility requirements for membership as referred to in Article 3 of the Plan.

ARTICLE 3 - MEMBERSHIP

Any former employee of Rayonier Inc. (or its predecessor ITT Rayonier Incorporated) who is in receipt of a retirement allowance under the Salaried Employees Retirement Income Plan of Rayonier Incorporated as of August 31, 1995 shall become a Member of the Plan on September 1, 1995, but he or she shall not accrue any Benefit Service under the Plan after such date. Such Member, or his or her spouse or beneficiary, shall be eligible for and shall receive from this Plan benefits in the same amount and payable in accordance with the same terms as the retirement allowance to which he or she was entitled under the Salaried Employees Retirement Income Plan of Rayonier Incorporated as of August 31, 1995.

APPENDIX B

SCHEDULE I

(FORMER MEMBERS OF THE SALARIED EMPLOYEES
RETIREMENT INCOME PLAN OF RAYONIER INCORPORATED)

Effective as of October 1, 1988, the retirement allowances payable to the following retired Members or, if applicable, beneficiaries shall be supplemented in the amounts listed below (and shall be payable after the death of a retired Member in accordance with the provisions of the Plan, as applicable).

NAME -----	SOCIAL SECURITY NUMBER -----	FIRST MONTHLY SUPPLEMENT -----	SECOND MONTHLY SUPPLEMENT -----	TOTAL MONTHLY SUPPLEMENT -----
Vialas A. Aggergaard	###-##-####	\$ 83.73	\$ 50.27	\$ 134.00
Louis H. Bock	###-##-####	175.66	99.19	274.85
G. M. Atkinson	###-##-####	93.06	32.84	125.90
Leonard E. Attwood	###-##-####	175.99	80.92	256.91
Morton J. Barger	###-##-####	35.00	10.00	45.00
Fred C. Barnhart	###-##-####	191.15	73.74	264.89
George Bartlett	###-##-####	58.55	30.20	88.75
John W. Bennett	###-##-####	110.44	75.56	186.00
Paul W. Blatter	###-##-####	178.31	74.21	252.52
William E. Breitenbach	###-##-####	629.15	334.89	964.04
Oral S. Burnett	###-##-####	48.28	16.49	64.77
Frances M. Cannon	###-##-####	60.25	22.19	82.44
Evert A. Carlson	###-##-####	89.88	37.40	127.28
Henry V. Charnell	###-##-####	240.30	164.40	404.70
Miriam C. Christian	###-##-####	57.41	26.40	83.81
M. A. Corbin	###-##-####	81.33	33.85	115.18
Fred B. Doherty	###-##-####	223.19	152.70	375.89
Frank W. Dolby	###-##-####	53.50	27.60	81.10
Elgin W. Edmisten	###-##-####	146.38	56.47	202.85
Harold C. Ellingson	###-##-####	95.21	32.53	127.74
Claribel S. Forrest	###-##-####	293.85	176.41	470.26
G. A. Franklin	###-##-####	58.78	35.29	94.07
Betty M. Graham	###-##-####	30.00	10.00	40.00
Rolla W. Halbert	###-##-####	133.78	80.31	214.09
H. J. Hamilton	###-##-####	85.42	58.44	143.86
Betty M. Hansen	###-##-####	21.86	19.49	41.35
Kenneth E. Harris	###-##-####	120.28	72.21	192.49
Katherine E. Hirt	###-##-####	68.38	38.61	106.99
Milton L. Holt	###-##-####	35.00	10.00	45.00

NAME	SOCIAL SECURITY NUMBER	FIRST MONTHLY SUPPLEMENT	SECOND MONTHLY SUPPLEMENT	TOTAL MONTHLY SUPPLEMENT
----	-----	-----	-----	-----
Harry L. Hooker	###-##-####	\$ 131.60	\$ 54.77	\$ 186.37
Jack H. Jensen	###-##-####	75.40	45.27	120.67
Martha B. Kitchen	###-##-####	111.08	35.61	146.69
Fletcher T. Lake	###-##-####	98.02	58.85	156.87
Carrie P. Larsen	###-##-####	124.47	40.71	165.18
Arthur L. Leathers	###-##-####	150.31	69.11	219.42
Lecil Leslie	###-##-####	78.40	47.07	125.47
Parker Lindhart	###-##-####	120.76	72.50	193.26
Olaf O. Lodeen	###-##-####	110.03	66.06	176.09
C. V. McKinstry	###-##-####	122.62	63.25	185.87
Anna Marie Smith	###-##-####	42.82	14.63	57.45
Lenhard E. Miller	###-##-####	80.37	28.36	108.73
Don F. Murchison	###-##-####	98.87	45.46	144.33
Harvey O. Nelson	###-##-####	116.09	69.69	185.78
Riley Nelson	###-##-####	101.35	46.60	147.95
Anna K. Spilseth	###-##-####	41.33	15.22	56.55
Robert N. Pollock	###-##-####	87.80	27.79	115.59
Leslie E. Pooler	###-##-####	105.63	63.42	169.05
Bryan L. Rauschert	###-##-####	219.27	123.82	343.09
D. D. Rhebeck	###-##-####	148.07	83.61	231.68
Steve Rupert	###-##-####	460.30	133.70	594.00
Jeanne Sanders	###-##-####	20.00	10.00	30.00
Wanda E. Schirmer	###-##-####	20.00	10.00	30.00
Winston Scott	###-##-####	248.43	84.87	333.30
James T. Sheehy	###-##-####	673.32	418.87	1,092.19
Oren B. Sorensen	###-##-####	97.63	66.80	164.43
Elmer Sytsma	###-##-####	53.18	18.17	71.35
J. B. Talbird	###-##-####	422.08	175.65	597.73
Alonzo R. Teeters	###-##-####	95.64	39.81	135.45
Maxine F. Tinkham	###-##-####	30.00	16.50	46.50
Adolph Tratnick	###-##-####	93.83	64.19	158.02
E. H. Wagner	###-##-####	264.11	59.40	323.51
G. Weighton	###-##-####	106.80	36.49	143.29
Clarke M. Williams	###-##-####	96.22	44.24	140.46
Bernard T. Winiecki	###-##-####	118.50	40.48	158.98
Lewis Woods	###-##-####	30.00	13.64	43.64
Elliott H. Woodruff	###-##-####	370.94	144.91	515.85
Rena Young	###-##-####	108.82	34.44	143.26

SCHEDULE I

(FORMER MEMBERS OF THE SALARIED EMPLOYEES
RETIREMENT INCOME PLAN OF RAYONIER INCORPORATED)

Effective as of January 1, 1996, the Retirement Allowance payable to the following retired Members, contingent annuitants or surviving spouses shall be supplemented in the amounts listed below, and shall be payable after the death of a Member in accordance with the provisions of Section 4.06 of the Plan.

NAME -----	SOCIAL SECURITY NUMBER -----	MONTHLY SUPPLEMENT -----
Leonard E. Attwood	###-##-####	\$ 84.97
Paul W. Blatter	###-##-####	80.56
Louis H. Bock	###-##-####	98.34
William Breitenbach	###-##-####	337.07
Henry V. Charnell	###-##-####	155.53
M. A. Corbin	###-##-####	36.60
Fred Doherty	###-##-####	144.42
Frank W. Dolby	###-##-####	28.08
Claribel Forrest	###-##-####	171.99
Betty M. Graham	###-##-####	10.00
Betty M. Hansen	###-##-####	17.49
Katherine Hirt	###-##-####	38.22
Margaret Holt	###-##-####	10.29
Martha B. Kitchen	###-##-####	42.34
Arthur L. Leathers	###-##-####	72.47
Riley Nelson	###-##-####	48.95
Robert N. Pollock	###-##-####	33.22
Marjorie Raichert	###-##-####	61.30
Vivian Rhebeck	###-##-####	41.45
Steve Rupert	###-##-####	165.38
Jeanne Sanders	###-##-####	10.00
Wanda E. Schirmer	###-##-####	10.00
Winston Scott	###-##-####	98.49
Anna K. Spilseth	###-##-####	17.20
Elmer Sytsma	###-##-####	21.02
J. B. Talbird	###-##-####	190.37
Adolph Tratnick	###-##-####	60.71
Clarke M. Williams	###-##-####	46.45
Bernhard Winiecki	###-##-####	47.04
Isobel Woodruff	###-##-####	80.26

RETIREMENT PLAN FOR SALARIED EMPLOYEES OF RAYONIER INC.

APPENDIX C

This Appendix C, effective as of September 1, 1995, is applicable with respect to employees or former employees of Rayonier Inc. (or its predecessor ITT Rayonier Incorporated) who are entitled to a pension benefit under The Vanillin Operation of the Northwest Chemical Products Division of Rayonier Inc. Pension Plan for Hourly Employees as of August 31, 1995 and their spouses and beneficiaries. This Appendix C constitutes an integral part of the Plan and sets forth the particulars concerning:

- (i) The definition of "Accrued Benefit", "Annuity Starting Date", "Equivalent Actuarial Value", "Final Average Compensation", "Normal Retirement Date", "Public Disability Benefit", "Total and Permanent Disability" and "Vanillin Plan."
- (ii) The determination of Eligibility Service as referred to in Section 2.01 of the Plan.
- (iii) The determination of Benefit Service as referred to in Section 2.02 of the Plan.
- (iv) The eligibility requirements for membership as referred to in Article 3 of the Plan.
- (v) The determination of the amount of normal retirement allowance as referred to in Section 4.01(b) of the Plan.
- (vi) The determination of the amount of postponed retirement allowance as referred to in Section 4.02(b) and (c) of the Plan.
- (vii) The eligibility requirements for the standard early retirement allowance referred to in Section 4.03(a) of the Plan.
- (viii) The determination of the amount of the standard early retirement allowance referred to in Section 4.03(b) of the Plan.
- (ix) The eligibility requirements for a disability retirement allowance.
- (x) The determination of the amount of a disability retirement allowance.

- (xi) The eligibility requirements for a vested benefit as referred to in Section 4.05(a) of the Plan.
- (xii) The determination of the amount of vested benefit as referred to in Section 4.05(b) of the Plan.
- (xiii) The forms of benefit payment after retirement as referred to in Section 4.06 of the Plan.
- (xiv) The survivor's benefit applicable before retirement as referred to in Section 4.07 of the Plan.
- (xv) The provisions for payment of benefits as referred to in Section 4.10(a) of the Plan.
- (xvi) The determination of the amount of an automatic lump sum payment as referred to in Section 4.10(b) of the Plan.
- (xvii) The effect of reemployment on the election of an optional form of benefit as referred to in Section 4.11(b) of the Plan.
- (xviii) The determination of the amount of benefit payable to a reemployed Member upon his or her subsequent retirement as referred to in Section 4.11(c) of the Plan.
- (xix) The minimum adjusted benefit payable under the Plan.

ARTICLE 1 - DEFINITIONS

- 1.01 Accrued Benefit shall mean, as of any date of determination, the retirement allowance computed under Section 4.01(b) on the basis of the Member's Benefit Service and applicable components of the Plan formula as of the determination date.
- 1.03 Annuity Starting Date shall mean the first day of the first period for which an amount is due on behalf of a Member or former Member as an annuity or any other form of payment under the Plan; provided, however, that in the case of a Member who retires under Section 4.04, Annuity Starting Date shall mean his or her Normal Retirement Date.
- 1.17 Equivalent Actuarial Value shall mean equivalent value of a benefit under the Plan determined on the basis of the applicable factors set forth in Schedule I, except as otherwise specified in the Plan. In any other event, Equivalent Actuarial Value shall be determined on the same actuarial basis utilized to compute the factors set forth in Schedule I.
- 1.19 Final Average Compensation shall mean the Member's "Pensionable Compensation" under the Vanillin Plan as of August 31, 1995.
- 1.26 Normal Retirement Date shall mean the last day of the calendar month in which the former employee attains age 65, which is his Normal Retirement Age.

- 1.44 Public Disability Benefit shall mean disability payments or lump sum payments under any workers' compensation or occupational diseases law, except fixed statutory payments for the loss of any bodily member and except lump-sum payments for disfigurement. The amount of the deduction to be made from monthly disability retirement allowances in respect to any lump-sum payments under any workers' compensation or occupational diseases law shall be determined by dividing the lump-sum payment by the maximum number of months or fractions thereof in the period provided by statute or regulation, provided the amount of such deduction shall be limited to the amount of monthly disability retirement allowance and shall be applicable for the number of months and fractions thereof in such maximum period.
- 1.45 Total and Permanent Disability shall mean the total and permanent disablement of a Member if (a) through some unintentional cause, he or she has been totally disabled by bodily injury or disease or by mental derangement so as to be prevented thereby from engaging in any regular occupation or employment for remuneration or profit, and (b) such total disability is expected to be permanent and continuous during the remainder of his or her life, provided such disability is not incurred in service in the armed forces of any country, each as determined by the Company on the basis of qualified medical evidence.
- 1.46 Vanillin Plan shall mean The Vanillin Operation of the Northwest Chemical Products Division of Rayonier Inc. Pension Plan for Hourly Employees as in effect on the date specified in the Plan.

ARTICLE 2 - SERVICE

2.01 Eligibility Service

- (a) Eligibility Service on and after September 1, 1995: Except as otherwise provided in this Article 2, all uninterrupted employment with the Company or with an Associated Company rendered on and after September 1, 1995 and prior to the date such Member's employment terminates shall be recognized as Eligibility Service for all Plan purposes. Notwithstanding the foregoing, with respect to any calendar year in which the employee completes at least 1,000 Hours of Service there shall be included in his or her Eligibility Service a full year of Eligibility Service.
- (b) Hours of Service - "Hours of Service" shall include hours worked and hours for which a person is compensated by the Company or by an Associated Company for the performance of duties for the Company or an Associated Company, although he or she has not worked (such as: paid holidays, paid vacation, paid sick leave, paid time off and back pay for the period for which it was awarded), and each hour shall be computed as only one hour, even though he or she is compensated at more than the straight time rate. This definition of "Hours of Service" shall be applied in a consistent and non-discriminatory manner in compliance with 29 Code of Federal Regulations, Section 2530.200b-2(b) and (c) as promulgated by the United States Department of Labor and as may hereafter be amended.
- (c) Certain absences to be recognized as Eligibility Service - Except as otherwise indicated in this Article 2, the period of any leave of absence granted in respect of service with the armed forces of the United States shall be recognized as Eligibility Service under the Plan and shall not be

considered as a break in service, provided the employee shall have returned to the service of the Company or an Associated Company in accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment. If an employee fails to return to active employment upon expiration of the approved absence set forth in the prior sentence, such period of approved absence shall not be considered as Eligibility Service under the Plan.

- (d) Breaks in Service - If an employee does not complete more than 500 Hours of Service in any calendar year, other than the calendar year in which the employee was hired, he or she shall incur a one-year break in service; provided that no break in service shall occur unless the employee's employment with the Company or an Associated Company is terminated. For purposes of this Section 2.01, the length of an employee's break in service shall be determined on the following basis:
- (i) If the employee completes at least 500 Hours of Service in the calendar year in which his or her employment terminates, the date his or her break in service begins shall be the January 1st of the next following calendar year; otherwise, the date his or her break in service begins shall be the date on which his or her employment terminates.
 - (ii) If the employee completes at least 500 Hours of Service in the calendar year in which he or she is reemployed, the date his or her break in service ceases is the January 1st of the calendar year in which he or she is reemployed; otherwise, the date his or her break in service ceases is the date on which he or she is reemployed.

Solely for purposes of determining whether such an employee has incurred a break in service, hours shall include each Hour of Service for which such employee would otherwise have been credited under paragraph (a) above were it not for the employee's absence due to Parental Leave. Hours of Service credited under the preceding sentence shall not exceed the number of hours needed to avoid a break in service in the computation period in which the Parental Leave began, and in any event shall not exceed 501 hours; if no hours are needed to avoid a break in service in such computation period, then the provisions of the preceding sentence shall apply as though the Parental Leave began in the immediately following computation period.

(e) Bridging breaks in service

If an employee has a break in service, except as otherwise provided in Section 4.11, employment both before and after the employee's absence shall be immediately recognized as Eligibility Service, subject to the provisions of this Section 2.01, upon his or her return to the employ of the Company or an Associated Company.

(f) Eligibility Service prior to September 1, 1995

Notwithstanding any foregoing provisions to the contrary, a Member's Eligibility Service shall include the "Continuous Service" credited to such Member under the Vanillin Plan as of August 31, 1995.

2.02 Benefit Service

For purposes of determining the amount of a Member's retirement allowance or vested benefit under this Appendix C, there shall be recognized as Benefit Service the "Credited Service" credited to such Member under the Vanillin Plan as of August 31, 1995.

ARTICLE 3 - MEMBERSHIP

Any former employee of Rayonier Inc. (or its predecessor ITT Rayonier Incorporated) who is entitled to a pension benefit under the Vanillin Plan as of August 31, 1995 shall become a Member of the Plan on September 1, 1995, but he or she shall not accrue any Benefit Service for purposes of this Appendix C after such date and, unless he or she is reemployed by the Company or an Associated Company, he or she shall not accrue any Eligibility Service under the Plan after such date. Such Member, or his or her spouse or beneficiary, shall be eligible for and shall receive from this Plan benefits in the same amount and payable in accordance with the same terms as the pension benefit to which he or she was entitled under the Vanillin Plan as of August 31, 1995.

ARTICLE 4 - BENEFITS

4.01 Normal Retirement Allowance

- (b) Benefit - Prior to adjustment in accordance with Sections 4.06(a) and 4.07(b), the annual normal retirement allowance payable on a lifetime basis upon retirement at a Member's Normal Retirement Date shall be equal to 70% of the Member's Average Final Compensation, minus 50% of his or her Social Security Benefit; provided, however, that if the Member has completed less than 40 years of Benefit Service, the resulting monthly retirement allowance shall be reduced in proportion that the number of years of his or her Benefit Service bears to 40. The annual normal retirement allowance shall not be less than the greatest annual early retirement allowance which would have been payable to a Member had he or she retired under Section 4.03 at any time before his or her Normal Retirement Date, but based on the Federal Social Security Act in effect at the time of the Member's actual retirement, or Normal Retirement Date, if earlier.

4.02 Postponed Retirement Allowance

- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Section 4.06(a) and 4.07(b), the annual postponed retirement allowance payable on a lifetime basis upon retirement at a Member's Postponed Retirement Date shall be equal to the greater of:
- (i) an amount determined in accordance with Section 4.01(b) but based on the Member's Benefit Service, Social Security Benefit and Average Final Compensation as of his or her Postponed Retirement Date; or

(ii) the annual normal retirement allowance to which the Member would have been entitled under Section 4.01(b) had he or she retired on his or her Normal Retirement Date, increased by an amount which is the Equivalent Actuarial Value of the monthly payments which would have been payable with respect to each month in which he or she completed less than 40 Hours of Service. Any monthly payment determined under this paragraph (b)(ii) with respect to any such month in which the Member completed less than 40 Hours of Service shall be computed as if the Member had retired on his or her Normal Retirement Date.

(c) Benefit for Member in Active Service after he or she attains Age 70-1/2 - In the event a Member's retirement allowance is required to begin under Section 4.10 while the Member is in active service, the January 1 immediately following the calendar year in which the Member attained age 70-1/2 shall be the Member's Annuity Starting Date for purposes of this Article 4 and the Member shall receive a postponed retirement allowance commencing on that January 1 in an amount determined as if he or she had retired on such date. As of each succeeding January 1 prior to the Member's actual Postponed Retirement Date and as of his or her actual Postponed Retirement Date, the Member's retirement allowance shall be reduced by the Equivalent Actuarial Value of the total payments of his or her postponed retirement allowance made with respect to each month of continued employment in which he or she completed at least 40 Hours of Service which were paid prior to each such recomputation, provided that no such reduction shall reduce the Member's postponed retirement allowance below the amount of postponed retirement allowance payable to the Member immediately prior to the recomputation of such retirement allowance.

4.03 Standard Early Retirement Allowance

- (a) Eligibility - A Member who has not reached his or her Normal Retirement Date but has, prior to his or her termination of employment reached the 55th anniversary of his or her birth and completed 10 years of Eligibility Service, is eligible to retire on a standard early retirement allowance on the last day of the calendar month in which the Member terminates employment, which date shall be the Member's Early Retirement Date.
- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(b) the standard early retirement allowance shall be an allowance deferred to commence on the first day of the calendar month next following the Member's Normal Retirement Date and shall be equal to the Member's Accrued Benefit earned up to his or her Early Retirement Date, computed on the basis of his or her Benefit Service, Final Average Compensation and Social Security Benefit as of his or her Early Retirement Date, with the Social Security Benefit determined on the assumption that the Member had no earnings after his or her Early Retirement Date. The Member may, however, elect to receive an early retirement allowance commencing on the first day of the calendar month next following his or her Early Retirement Date or on the first day of any calendar month before his or her Normal Retirement Date specified in his or her later request therefor in a reduced amount which, prior to adjustment in accordance with Sections 4.06(a) and 4.07(b), shall be equal to his or her Accrued Benefit, reduced by 1/3 of 1 percent per month for each month by which the commencement date of his or her retirement allowance precedes his or her Normal Retirement Date.

4.04 Disability Retirement Allowance

- (a) Eligibility - A Member who has reached the 50th anniversary of his or her birth and completed fifteen years of Eligibility Service, who incurs a Total and Permanent Disability, is eligible to retire on a disability retirement allowance on the last day of the calendar month as of which the Member is determined to be so disabled by the Company based on a qualified medical evidence.
- (b) Benefit - The disability retirement allowance shall commence on the first day of the calendar month next following the date the Member meets the eligibility requirements in paragraph (a) above and, prior to the Member's Normal Retirement Date, shall be equal to his or her Accrued Benefit earned up to his or her date of disability, computed on the basis of his or her Benefit Service, Final Average Compensation and Social Security Benefit as of his or her date of disability, with the Social Security Benefit determined on the basis of the Federal Social Security Act as in effect on the Member's date of disability. Notwithstanding the preceding sentence, if a Member is awarded a Public Disability Benefit, the disability retirement allowance payable prior to his or her Normal Retirement Date shall be reduced by the amount of the Company-provided Public Disability Benefit. On and after the first day of the calendar month next following the Member's Normal Retirement Date, the disability retirement allowance shall be adjusted, if applicable, in accordance with Sections 4.06(a) and 4.06(b).

4.05 Vested Benefit

- (a) Eligibility - A Member shall be vested in, and have a nonforfeitable right to, his or her Accrued Benefit upon completion of five years of Eligibility Service or, if the Member terminated employment on or after January 1, 1993, on his or her date of termination, if earlier.

If such Member's services are subsequently terminated for reasons other than death or early retirement prior to his or her Normal Retirement Date, he or she shall be entitled to a vested benefit under the provisions of this Section 4.05.

- (b) Benefit - Prior to adjustment in accordance with Sections 4.06(a) and 4.07(a), the vested benefit payable to a Member shall be a benefit deferred to commence on the first day of the calendar month next following the former Member's Normal Retirement Date and shall be equal to 1.75% of his or her Final Average Compensation multiplied by his or her years of Benefit Service, not in excess of 40 years, minus the lesser of:
- (i) 1.25% of the Member's Social Security Benefit multiplied by his or her years of Benefit Service, not in excess of 40 years; or
 - (ii) 50% of the Member's Social Security Benefit multiplied by a fraction, the numerator of which is the number of years of Benefit Service to date of termination and the denominator of which is the number of years of Benefit Service the Member would have had, had he or she continued in service to his or her Normal Retirement Date.

The Social Security Benefit shall be determined on the assumption that the Member continued in service to his or her Normal Retirement Date at the Member's rate of compensation in effect as of his or her date of termination.

On or after the date on which the former Member shall have reached the 55th anniversary of his or her birth, he or she may elect to receive a benefit commencing on the first day of any calendar

month next following the 55th anniversary of his or her birth and prior to his or her Normal Retirement Date as specified in his or her request therefor, after receipt by the Retirement Committee of written application therefor made by the former Member and filed with the Retirement Committee. Upon such earlier payment, the vested benefit otherwise payable shall be reduced by 1/180th for each month up to 60 months by which the commencement date of such payments precedes his or her Normal Retirement Date and further reduced by 1/360th for each such month in excess of 60 months.

4.06 Forms of Benefit Payment after Retirement

(a) Automatic Forms of Payment

- (i) Automatic Joint and Survivor Annuity - If a Member or former Member who is married on his or her Annuity Starting Date has not made an election of an optional form of payment as provided in Section 4.06(b), the retirement allowance or vested benefit payable to such Member or former Member commencing on his or her Annuity Starting Date shall automatically be adjusted to provide (A) a reduced benefit payable to the Member or former Member during his or her life equal to his or her benefit otherwise payable without optional modification computed in accordance with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, multiplied by the appropriate factor contained in Table 1 of Schedule I and (B) a benefit payable after his or her death to his or her surviving spouse equal to 50% of the reduced benefit payable to the former Member.
- (ii) Automatic Life Annuity - If a Member or former Member is not married on his or her Annuity Starting Date, the retirement allowance or vested benefit computed in accordance

with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, shall be paid to the Member or former Member in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death, unless the Member or former Member is eligible for and makes an election of an optional form of payment under Section 4.06(b).

(b) Optional Forms of Payment

- (i) Life Annuity Option - Any Member or former Member who retires or terminates employment with the right to a retirement allowance or vested benefit, may elect, in accordance with the provisions of Section 4.06(d), to provide that the retirement allowance payable to him or her under Section 4.01, 4.02, 4.03, or 4.04 or the vested benefit payable to him or her under Section 4.05 shall be in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death.
- (ii) Contingent Annuity Option - Any Member or former Member who retires or terminates employment with the right to a retirement allowance in accordance with the provisions of Section 4.01, 4.02 or 4.03 may elect, in accordance with provisions of Section 4.06(d), to convert the benefit otherwise payable to him or her without optional modification under Section 4.01, 4.02 or 4.03, as the case may be, into one of the following alternative options in order to provide that after his or her death, a lifetime benefit shall be payable to the person who, when the option became effective, was designated by him or her to be his or her contingent annuitant. The optional benefit elected shall be the Equivalent Actuarial

Value of the retirement allowance otherwise payable without optional modification under Section 4.01, 4.02 or 4.03.

Option 1 - A reduced retirement allowance payable during the Member's or former Member's life with the provision that after his or death a benefit equal to 100% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

Option 2 - A reduced retirement allowance payable during the Member's or former Member's life with the provision that after his or her death a benefit equal to 50% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

- (d) Election of Options - A Member or former Member may, subject to the provisions of this Section 4.06(d), elect to receive his or her retirement allowance or vested benefit in the optional form of payment described in Section 4.06(b)(i) or, in the case of a Member who retires under the provisions of Section 4.01, 4.02 or 4.03, in one of the optional forms of payment described in Section 4.06(b)(ii), in lieu of the automatic forms of payment described in Section 4.06(a). Notwithstanding the preceding sentence, a Member who retired on a disability retirement allowance may only elect an optional form of payment to take effect on the first day of the calendar month next following his or her Normal Retirement Date. A married Member's or a married former Member's election of a Life Annuity form of payment under Section 4.06(b)(i) or any optional form of payment under Section 4.06(b)(ii), which does not provide for monthly payments to his or

her spouse for life after the Member's or former Member's death, in an amount equal to at least 50% but not more than 100% of the monthly amount payable under that form of payment to the Member or former Member and which is not of Equivalent Actuarial Value to the Automatic Joint and Survivor Annuity described in Section 4.06(a) (i), shall be effective only with Spousal Consent; provided that such Spousal Consent to the election has been received by the Retirement Committee.

4.07 Survivor's Benefit Applicable Before the Annuity Starting Date

(a) Automatic Pre-Retirement Spouse's Benefit

- (i) Automatic Pre-Retirement Spouse's Benefit applicable before termination of employment - The surviving spouse of a Member who has completed 5 years of Eligibility Service or who is receiving a disability retirement allowance under Section 4.04 shall automatically receive a benefit payable under the automatic Pre-Retirement Spouse's Benefit of this Section 4.07(a) (i) in the event said Member should die after the effective date of coverage hereunder and before termination of employment (or Normal Retirement Date, in the case of a Member receiving a disability retirement allowance). The benefit payable to the Member's spouse shall be equal to the benefit the Member's spouse would have received if the retirement allowance or vested benefit the Member was entitled to at his or her date of death had commenced as of the month next following the month in which his or her Normal Retirement Date would have occurred (or the month next following the month in which the Member's date of death occurred, if later) in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a) (i). Such benefit shall be payable for the life of the spouse commencing on the first day of the calendar month next following what would have been the Member's Normal Retirement Date (or next following the month in

which the Member's date of death occurred, if later). However, the Member's spouse may elect, by written application filed with the Retirement Committee, to have payments begin as of the first day of any calendar month after the date the former Member would have reached the 55th anniversary of his or her birth; provided, however, if the Member dies while receiving a disability retirement allowance under Section 4.04, payments begin under this automatic Pre-Retirement Spouse's Benefit as of the first day of the month following the Member's death.

If payment of the automatic Pre-Retirement Spouse's Benefit commences prior to what would have been the Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on (i) the standard early retirement allowance or vested benefit to which the Member would have been entitled, had the Member elected to have payments commence to himself or herself on such earlier date in accordance with the provisions of Section 4.03(b) or Section 4.05(b), or in the case of a Member who dies while receiving a disability retirement allowance under Section 4.04, the disability retirement allowance the Member was receiving on his date of death.

Coverage hereunder shall be applicable to a married Member in active service who has satisfied the eligibility requirements for a retirement allowance under Section 4.01(a), 4.02(a), 4.03(a) or 4.04(a) or a vested benefit under Section 4.05(a) and shall become effective on the date the Member marries and shall cease on the earlier of (i) the date such active Member's marriage is legally dissolved by a divorce decree or (ii) the date such active Member's spouse dies.

- (ii) Automatic Pre-Retirement Spouse's Benefit applicable upon termination of employment - In the case of a Member or former Member who is married and entitled to a standard early retirement allowance under Section 4.03 or a vested benefit under Section 4.05, the provisions of this Section 4.07(a)(ii) shall apply to the period between the date his or her services are terminated or the date, if later, the Member or former Member is married and his or her Annuity Starting Date, or other cessation of coverage as later specified in this Section 4.07(a)(ii).

In the event of a married Member's or former Member's death during any period in which these provisions have not been waived or revoked by the Member or former Member and his or her spouse, the benefit payable to the Member's or former Member's spouse shall be equal to 50% of the standard early retirement allowance or vested benefit the Member or former Member would have received as of the month next following the month in which his or her Normal Retirement Date would have occurred if he or she had elected to receive such benefit in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a).

The spouse's benefit shall be payable for the life of the spouse commencing on the first day of the calendar month next following what would have been the Member's or former Member's Normal Retirement Date. However, the Member's or former Member's spouse may elect, by written application filed with the Retirement Committee, to have payments begin as of the first day of any calendar month after the date the Member or former

Member would have reached the 55th anniversary of his or her birth (or his or her date of death, if later). If the Member's or former Member's spouse elects to commence payment of this automatic Pre-Retirement Spouse's Benefit prior to what would have been the Member's or former Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on the standard early retirement allowance or vested benefit to which the Member or former Member would have been entitled, had the Member or former Member elected to have payments commence to himself or herself on such earlier date in accordance with the provisions of Section 4.03(b) or Section 4.05(b).

However, if a Member or former Member had elected Option 1 under Section 4.06(b)(ii) within the 90-day period preceding his or her Annuity Starting Date, with his or her spouse as contingent annuitant, the amount of benefit payable to the spouse shall be based on the provisions of Option 1, in lieu of the provisions of this Section 4.07(a)(ii).

The vested benefit payable to a former Member whose spouse is covered under this Section 4.07(a)(ii) or, if applicable, the benefit payable to his or her spouse upon his or her death shall be reduced by the applicable percentages shown below. Such reduction shall apply to each month during which coverage is in effect for at least one day; provided, however, no reduction shall be made with respect to any period before the later of (1) the date the Retirement Committee furnishes the former Member the notice of his or her right to waive the automatic Pre-Retirement Spouse's Benefit or (2) the commencement of the election period specified in Section 4.07(b) below.

ANNUAL REDUCTION FOR SPOUSE'S COVERAGE
AFTER TERMINATION OF EMPLOYMENT
OTHER THAN RETIREMENT

Age ---	Reduction -----
Less than 40	1/10 of 1% per year
40 but prior to 50	2/10 of 1% per year
50 but prior to 55	3/10 of 1% per year
55 but prior to 60	5/10 of 1% per year
60 but less than 65	1% per year

- (b) The Retirement Committee shall furnish to each former Member a written explanation which describes (i) the terms and conditions of the automatic Pre-Retirement Spouse's Benefit, (ii) the former Member's right to make, and the effect of, an election to waive the automatic Pre-Retirement Spouse's Benefit, (iii) the rights of the or former Member's spouse, and (iv) the right to make, and the effect of, a revocation of such a waiver. Such written explanation shall be furnished to each former Member before the first anniversary of the date he or she terminated service, and shall be furnished to such Member even though he or she is not married.
- (c) The period during which the former Member may make an election to waive the automatic Pre-Retirement Spouse's Benefit provided under Section 4.07(a)(ii) shall begin not later than the date his or her employment terminates and end on his or her Annuity Starting Date or, if earlier, his or her date of death. Any waiver, revocation or re-election of the automatic Pre-Retirement Spouse's Benefit shall be made on a form provided by the Retirement Committee and any waiver or revocation shall require Spousal Consent. If, upon termination of employment, the former Member waives coverage hereunder in accordance with administrative procedures established by the

Retirement Committee for all Members similarly situated, such waiver shall be effective as of the former Member's Severance Date. Any later re-election or revocation shall be effective when the completed form is received by the Retirement Committee. If a former Member dies during the period when a waiver is in effect, there shall be no benefits payable to his or her spouse under the provisions of this Section 4.07.

Except as described above in the event of a waiver or revocation, coverage under Section 4.07(a) (ii) shall cease to be effective upon a Member's or former Member's Annuity Starting Date, or upon the date a Member's or former Member's marriage is legally dissolved by a divorce decree, or upon the death of the spouse, whichever event shall first occur.

- (d) Any election made under Section 4.07 (including any waiver or revocation thereof) shall be made on a form approved by and filed with the Retirement Committee.

4.10 Payment of Benefits

- (a) Unless otherwise provided under an optional benefit elected pursuant to Section 4.06, the survivor's benefits available under Section 4.07 or the provisions of Section 4.10(e) (ii), all retirement allowances, vested benefits or other benefits payable will be paid in monthly installments for each month beginning with (i) the month next following the month in which the Member has reached his or her Normal Retirement Date and has retired from active service, (ii) the month next following the month in which a Member has reached his or her Postponed Retirement Date and retired from active service, (iii) the month next following the month in which a Member or former Member files a proper application requesting commencement of his or her vested benefit, standard early

retirement allowance or disability retirement allowance, or (iv) the month in which benefits under an optional benefit under Section 4.06 or the survivor's benefits under Section 4.07 become payable, whichever is applicable. Such monthly installments shall cease with the payment for the month in which the recipient dies. In no event shall a retirement allowance or vested benefit be payable to a Member who continues in or resumes active service with the Company or an Associated Company for any period between his or her Normal Retirement Date and Postponed Retirement Date, except as provided in Sections 4.02(d) and 4.10(e).

- (b) In any case, a lump sum payment equal to the retirement allowance or vested benefit payable under Section 4.01, 4.02, 4.03, 4.04 or 4.05 or the pre-retirement spouse's benefit payable under Section 4.07(a) multiplied by the appropriate factor contained in Table 3 of Schedule I shall be made in lieu of any retirement allowance or vested benefit payable to a Member or former Member or any pre-retirement spouse's benefit payable to a spouse of a Member or a former Member, if the lump sum present value of such benefit amounts to \$3,500 (\$5,000 effective January 1, 1998) or less. For distributions prior to September 1, 1995, however, in no event shall that adjustment factor produce a lump sum that is less than the amount determined by using the interest rate assumption used by the Pension Benefit Guaranty Corporation for valuing benefits for determining lump sum payments under single employer plans that terminate on January 1 of the Plan Year in which the Annuity Starting Date occurs. For distributions on and after September 1, 1995, in no event shall that adjustment factor produce a lump sum that is less than the amount determined by using the "Applicable Mortality Table" (as defined in Code Section 417(e) (A) (ii) (II)) and the interest rate on 30-year Treasury Securities for December of the year preceding the Plan Year in which the Annuity Starting Date occurs. The lump sum payment shall be made as soon as administratively

practicable following the date the Member has terminated employment or died, but in any event prior to the date his or her benefit payment would have otherwise commenced.

4.11 Reemployment of former Member or retired Member

(b) Optional forms of pension benefits

If the Member is reemployed, any previous election of an optional benefit under Section 4.06 or a survivor's benefit under Section 4.07 shall be revoked.

(c) Benefit payments at subsequent termination or retirement

- (i) In accordance with the procedure established by the Retirement Committee on a basis uniformly applicable to all Members similarly situated, upon the subsequent retirement of a Member in service after his or her Normal Retirement Date, payment of such Member's retirement allowance shall resume no later than the third month after the final month during the reemployment period in which he or she is credited with at least 40 Hours of Service.
- (ii) Upon the subsequent retirement or termination of employment of a retired or former Member, the Retirement Committee shall, in accordance with rules uniformly applicable to all Members similarly situated, determine the amount of vested benefit or retirement allowance which shall be payable to such Member at such subsequent retirement or termination. Such vested benefit or retirement allowance shall be reduced by an amount of Equivalent Actuarial Value to the benefits, if any, other than disability retirement allowance payments, he or she received before the earlier of the date of his or her

restoration to service or his or her Normal Retirement Date, provided that no such reduction shall reduce such retirement allowance or vested benefit below the original amount of retirement allowance or vested benefit earned but not received or retirement allowance or vested benefit previously received by such Member in accordance with the terms of the Plan in effect during such previous employment, adjusted to reflect the election of any survivor's benefits pursuant to Section 4.07(a)(ii).

4.16 Minimum Adjusted Benefit

- (a) The adjustment factor applied to a retirement allowance or vested benefit payable to any Member or former Member who terminates employment on or after October 1, 1985, or to the Beneficiary of such Member or former Member, shall not result in a retirement allowance or vested benefit which is less than the adjusted retirement allowance or vested benefit which would have been payable to such Member, former Member or Beneficiary under the provisions of the Vanillin Plan as in effect on September 30, 1985 based on Benefit Service rendered up to and including September 30, 1985.
- (b) The adjustment factor applied to a retirement allowance or vested benefit payable to any Member or former Member who terminates employment on or after January 1, 1989, or to the Beneficiary of such Member or former Member, shall not result in a retirement allowance or vested benefit which is less than the adjusted retirement allowance or vested benefit which would have been payable to such Member, former Member or Beneficiary under the provisions of the Vanillin Plan as in effect on December 31, 1988 based on Benefit Service rendered up to and including December 31, 1988.

RETIREMENT PLAN FOR SALARIED EMPLOYEES OF RAYONIER INC.

APPENDIX D

This Appendix D, effective as of September 1, 1995, is applicable with respect to employees or former employees of Southern Wood Piedmont Company who are entitled to a pension benefit under the Southern Wood Piedmont Company Pension Plan for Non-Union Hourly Employees as of August 31, 1995 and their spouses and beneficiaries. This Appendix D constitutes an integral part of the Plan and sets forth the particulars concerning:

- (i) The definition of "Accrued Benefit", "Annuity Starting Date", "Equivalent Actuarial Value", "Normal Retirement Date", "Public Disability Benefit", "Southern Wood Plan", and "Total and Permanent Disability."
- (ii) The determination of Eligibility Service as referred to in Section 2.01 of the Plan.
- (iii) The determination of Benefit Service as referred to in Section 2.02 of the Plan.
- (iv) The eligibility requirements for membership as referred to in Article 3 of the Plan.
- (v) The determination of the amount of normal retirement allowance as referred to in Section 4.01(b) of the Plan.
- (vi) The determination of the amount of postponed retirement allowance as referred to in Section 4.02(b) and (c) of the Plan.
- (vii) The eligibility requirements for the standard early retirement allowance referred to in Section 4.03(a) of the Plan.
- (viii) The determination of the amount of the standard early retirement allowance referred to in Section 4.03(b) of the Plan.
- (ix) The eligibility requirements for a disability retirement allowance.
- (x) The determination of the amount of a disability retirement allowance.

- (xi) The eligibility requirements for a vested benefit as referred to in Section 4.05(a) of the Plan.
- (xii) The determination of the amount of vested benefit as referred to in Section 4.05(b) of the Plan.
- (xiii) The forms of benefit payment after retirement as referred to in Section 4.06 of the Plan.
- (xiv) The survivor's benefit applicable before retirement as referred to in Section 4.07 of the Plan.
- (xv) The provisions for payment of benefits as referred to in Section 4.10(a) of the Plan.
- (xvi) The determination of the amount of an automatic lump sum payment as referred to in Section 4.10(b) of the Plan.
- (xvii) The effect of reemployment on the election of an optional form of benefit as referred to in Section 4.11(b) of the Plan.
- (xviii) The determination of the amount of benefit payable to a reemployed Member upon his or her subsequent retirement as referred to in Section 4.11(c) of the Plan.
- (xix) The minimum adjusted benefit payable under the Plan.

ARTICLE 1 - DEFINITIONS

- 1.01 Accrued Benefit shall mean the accrued benefit under the Southern Wood Plan as of August 31, 1995.
- 1.03 Annuity Starting Date shall mean the first day of the first period for which an amount is due on behalf of a Member or former Member as an annuity or any other form of payment under the Plan; provided, however, that in the case of a Member who retires under Section 4.04, Annuity Starting Date shall mean his or her Normal Retirement Date.
- 1.17 Equivalent Actuarial Value shall mean equivalent value of a benefit under the Plan determined on the basis of the applicable factors set forth in Schedule I, except as otherwise specified in the Plan. In any other event, Equivalent Actuarial Value shall be determined on the same actuarial basis utilized to compute the factors set forth in Schedule I.
- 1.26 Normal Retirement Date shall mean the last day of the calendar month in which the employee or former employee attains age 65, which is his Normal Retirement Age.
- 1.44 Public Disability Benefit shall mean disability payments or lump sum payments under any workers' compensation or occupational diseases law, except fixed statutory payments for the loss of any bodily member and except lump-sum payments for disfigurement. The amount of the deduction to be made from monthly disability retirement allowances in respect to any lump-sum payments under any workers' compensation or occupational diseases law shall be determined by

dividing the lump-sum payment by the maximum number of months or fractions thereof in the period provided by statute or regulation, provided the amount of such deduction shall be limited to the amount of monthly disability retirement allowance and shall be applicable for the number of months and fractions thereof in such maximum period.

- 1.45 Southern Wood Plan shall mean the Southern Wood Piedmont Company Pension Plan for Non-Union Hourly Employees as in effect on the date specified in the Plan.
- 1.46 Total and Permanent Disability shall mean the total and permanent disablement of a Member if (a) through some unintentional cause, he or she has been totally disabled by bodily injury or disease or by mental derangement so as to be prevented thereby from engaging in any regular occupation or employment for remuneration or profit, and (b) such total disability is expected to be permanent and continuous during the remainder of his or her life, provided such disability is not incurred in service in the armed forces of any country, each as determined by the Company on the basis of qualified medical evidence.

ARTICLE 2 - SERVICE

2.01 Eligibility Service

- (a) Eligibility Service on and after September 1, 1995: Except as otherwise provided in this Article 2, all uninterrupted employment with the Company or with an Associated Company rendered on and after September 1, 1995 and prior to the date such Member's employment terminates, or his Normal Retirement Date, if earlier, shall be recognized as Eligibility Service for all Plan purposes. Notwithstanding the foregoing, with respect to any calendar year in which the employee completes at least 1,000 Hours of Service there shall be included in his or her Eligibility Service a full year of Eligibility Service.
- (b) Hours of Service - "Hours of Service" shall include hours worked and hours for which a person is compensated by the Company or by an Associated Company for the performance of duties for the Company or an Associated Company, although he or she has not worked (such as: paid holidays, paid vacation, paid sick leave, paid time off and back pay for the period for which it was awarded), and each hour shall be computed as only one hour, even though he or she is compensated at more than the straight time rate. This definition of "Hours of Service" shall be applied in a consistent and non-discriminatory manner in compliance with 29 Code of Federal Regulations, Section 2530.200b-2(b) and (c) as promulgated by the United States Department of Labor and as may hereafter be amended.
- (c) Certain absences to be recognized as Eligibility Service - Except as otherwise indicated in this Article 2, the period of any leave of absence granted in respect of service with the armed forces of

the United States shall be recognized as Eligibility Service under the Plan and shall not be considered as a break in service, provided the employee shall have returned to the service of the Company or an Associated Company in accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment. If an employee fails to return to active employment upon expiration of the approved absence set forth in the prior sentence, such period of approved absence shall not be considered as Eligibility Service under the Plan.

- (d) Breaks in Service - If an employee does not complete more than 500 Hours of Service in any calendar year, other than the calendar year in which the employee was hired, he or she shall incur a one-year break in service; provided that no break in service shall occur unless the employee's employment with the Company or an Associated Company is terminated. For purposes of this Section 2.01, the length of an employee's break in service shall be determined on the following basis:
- (i) If the employee completes at least 500 Hours of Service in the calendar year in which his or her employment terminates, the date his or her break in service begins shall be the January 1st of the next following calendar year; otherwise, the date his or her break in service begins shall be the date on which his or her employment terminates.
 - (ii) If the employee completes at least 500 Hours of Service in the calendar year in which he or she is reemployed, the date his or her break in service ceases is the January 1st of the calendar year in which he or she is reemployed; otherwise, the date his or her break in service ceases is the date on which he or she is reemployed.

Solely for purposes of determining whether such an employee has incurred a break in service, hours shall include each Hour of Service for which such employee would otherwise have been credited under paragraph (a) above were it not for the employee's absence due to Parental Leave. Hours of Service credited under the preceding sentence shall not exceed the number of hours needed to avoid a break in service in the computation period in which the Parental Leave began, and in any event shall not exceed 501 hours; if no hours are needed to avoid a break in service in such computation period, then the provisions of the preceding sentence shall apply as though the Parental Leave began in the immediately following computation period.

(e) Bridging breaks in service

If an employee has a break in service, except as otherwise provided in Section 4.11, employment both before and after the employee's absence shall be immediately recognized as Eligibility Service, subject to the provisions of this Section 2.01, upon his or her return to the employ of the Company or an Associated Company.

(f) Eligibility Service prior to September 1, 1995

Notwithstanding any foregoing provisions to the contrary, a Member's Eligibility Service shall include the "Continuous Service" credited to such Member under the Southern Wood Plan as of August 31, 1995.

2.02 Benefit Service

For purposes of determining the amount of a Member's retirement allowance or vested benefit under this Appendix D, there shall be recognized as Benefit Service the "Credited Service" credited to such Member under the Southern Wood Plan as of August 31, 1995.

ARTICLE 3 - MEMBERSHIP

Any former employee of Southern Wood Piedmont Company who is entitled to a pension benefit under the Southern Wood Plan as of August 31, 1995 shall become a Member of the Plan on September 1, 1995, but he or she shall not accrue any Benefit Service for purposes of this Appendix D after such date, and unless he or she is employed or reemployed by the Company or an Associated Company, he or she shall not accrue any Eligibility Service under the Plan after such date. Such Member, or his or her spouse or beneficiary, shall be eligible for and shall receive from this Plan benefits in the same amount and payable in accordance with the same terms as the pension benefit to which he or she was entitled under the Southern Wood Plan as of August 31, 1995.

ARTICLE 4 - BENEFITS

4.01 Normal Retirement Allowance

- (b) Benefit - Prior to adjustment in accordance with Sections 4.06(a) and 4.07(b), the annual normal retirement allowance payable on a lifetime basis upon retirement at a Member's Normal Retirement Date shall be equal to his Accrued Benefit.

4.02 Postponed Retirement Allowance

- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Section 4.06(a) and 4.07(b), the annual postponed retirement allowance payable on a lifetime basis upon retirement at a Member's Postponed Retirement Date shall be equal to the annual normal retirement allowance to which the Member would have been entitled under Section 4.01(b) had he or she retired on his or her Normal Retirement Date, increased by an amount which is the Equivalent Actuarial Value of the monthly payments which would have been payable with respect to each month in which he or she completed less than 40 Hours of Service. Any monthly payment determined under this paragraph (b) with respect to any such month in which he or she completed less than 40 Hours of Service shall be computed as if the Member had retired on his or her Normal Retirement Date.
- (c) Benefit for Member in Active Service after he or she attains Age 70-1/2 - In the event a Member's retirement allowance is required to begin under Section 4.10 while the Member is in active service, the January 1 immediately following the calendar year in which the Member attained age 70-1/2 shall be the Member's Annuity Starting Date for purposes of this Article 4 and the

Member shall receive a postponed retirement allowance commencing on that January 1 in an amount determined as if he or she had retired on such date. As of each succeeding January 1 prior to the Member's actual Postponed Retirement Date and as of his or her actual Postponed Retirement Date, the Member's retirement allowance shall be reduced by the Equivalent Actuarial Value of the total payments of his or her postponed retirement allowance made with respect to each month of continued employment in which he or she completed at least 40 Hours of Service which were paid prior to each such recomputation, provided that no such reduction shall reduce the Member's postponed retirement allowance below the amount of postponed retirement allowance payable to the Member immediately prior to the recomputation of such retirement allowance.

4.03 Standard Early Retirement Allowance

- (a) Eligibility - A Member who has not reached his or her Normal Retirement Date but has, prior to his or her termination of employment reached the 62nd anniversary of his or her birth and completed 20 years of Eligibility Service, is eligible to retire on a standard early retirement allowance on the last day of the calendar month in which the Member terminates employment, which date shall be the Member's Early Retirement Date.
- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(b) the standard early retirement allowance shall be an allowance deferred to commence on the first day of the calendar month next following the Member's Normal Retirement Date and shall be equal to the Member's Accrued Benefit. The Member may, however, elect to receive an early retirement allowance commencing on the first day of the calendar month next following his or her Early Retirement Date or on the first day of any calendar month before his or

her Normal Retirement Date specified in his or her later request therefor in a reduced amount which, prior to adjustment in accordance with Sections 4.06(a) and 4.07(b), shall be equal to his or her Accrued Benefit, reduced by 1/180th for each month by which the commencement date of his or her retirement allowance precedes his or her Normal Retirement Date.

4.04 Disability Retirement Allowance

- (a) Eligibility - A Member who has reached the 50th anniversary of his or her birth and completed fifteen years of Eligibility Service, who incurs a Total and Permanent Disability, is eligible to retire on a disability retirement allowance on the last day of the calendar month as of which the Member is determined to be so disabled by the Company based on a qualified medical evidence; provided, however, that any Member who on December 31, 1970 was a member of (i) the Pension Agreement entered into as of April 7, 1965 between Southern Wood Piedmont Company and the Oil, Chemical and Atomic Workers International Union, AFL-CIO, Local 3-116 or (ii) the Southern Wood Piedmont Company Pension Plan and Trust for Hourly-Paid Employees at Wilburn, Florida; Jacksonburg, Alabama and Homerville, Georgia may retire in accordance with the eligibility requirements for a disability benefit under such plan.
- (b) Benefit - The disability retirement allowance shall commence on the first day of the calendar month next following the date the Member meets the eligibility requirements in paragraph (a) above and, prior to the Member's Normal Retirement Date, shall be equal to his or her Accrued Benefit, without any adjustment. Notwithstanding the preceding sentence, if a Member is awarded a Public Disability Benefit, the disability retirement allowance payable prior to his or her Normal Retirement Date shall be reduced by the amount of the Company-provided Public Disability

Benefit. On and after the first day of the calendar month next following the Member's Normal Retirement Date, the disability retirement allowance shall be adjusted, if applicable, in accordance with Sections 4.06(a) and 4.06(b).

4.05 Vested Benefit

- (a) Eligibility - A Member shall be vested in, and have a nonforfeitable right to, his or her Accrued Benefit upon completion of five years of Eligibility Service or, if the Member terminated employment on or after January 1, 1988 but prior to January 1, 1990 for any reason other than death or retirement, on his or her date of termination, if earlier.
- (b) Benefit - Prior to adjustment in accordance with Sections 4.06(a) and 4.07(a), the vested benefit payable to a Member shall be a benefit deferred to commence on the first day of the calendar month next following the former Member's Normal Retirement Date and shall be equal to his or her Accrued Benefit. On or after the date on which the former Member shall have reached the 62nd anniversary of his or her birth, he or she may elect to receive a benefit commencing on the first day of any calendar month following the 62nd anniversary of his or her birth and prior to his or her Normal Retirement Date as specified in his or her request therefor, after receipt by the Retirement Committee of written application therefor made by the former Member and filed with the Retirement Committee. Upon such earlier payment, the vested benefit otherwise payable shall be reduced by 1/180th for each month by which the commencement date of such payments precedes his or her Normal Retirement Date.

4.06 Forms of Benefit Payment after Retirement

(a) Automatic Forms of Payment

- (i) Automatic Joint and Survivor Annuity - If a Member or former Member who is married on his or her Annuity Starting Date has not made an election of an optional form of payment as provided in Section 4.06(b), the retirement allowance or vested benefit payable to such Member or former Member commencing on his or her Annuity Starting Date shall automatically be adjusted to provide (A) a reduced benefit payable to the Member or former Member during his or her life equal to his or her benefit otherwise payable without optional modification computed in accordance with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, multiplied by the appropriate factor contained in Table 1 of Schedule I and (B) a benefit payable after his or her death to his or her surviving spouse equal to 50% of the reduced benefit payable to the Member or former Member.
- (ii) Automatic Life Annuity - If a Member or former Member is not married on his or her Annuity Starting Date, the retirement allowance or vested benefit computed in accordance with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, shall be paid to the Member or former Member in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death, unless the Member or former Member is eligible for and makes an election of an optional form of payment under Section 4.06(b).
- (iii) A married former Member entitled to, but not in receipt of, a retirement allowance or vested benefit as of August 23, 1984 who terminated service on or after September 2,

1974 but before January 1, 1976 may elect, during the period beginning on August 23, 1984 and ending on his or her Annuity Starting Date, to have his or her retirement allowance or vested benefit payable in accordance with the provisions of this Section 4.06(a).

(b) Optional Forms of Payment

- (i) Life Annuity Option - Any Member or former Member who retires or terminates employment with the right to a retirement allowance or vested benefit may elect, in accordance with the provisions of Section 4.06(d), to provide that the retirement allowance payable to him or her under Section 4.01, 4.02, 4.03, or 4.04 or the vested benefit payable to him or her under Section 4.05 shall be in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death.
- (ii) Contingent Annuity Option - Any Member or former Member who retires or terminates employment with the right to a retirement allowance in accordance with the provisions of Section 4.01, 4.02 or 4.03 may elect, in accordance with provisions of Section 4.06(d), to convert the benefit otherwise payable to him or her without optional modification under Section 4.01, 4.02 or 4.03, as the case may be, into one of the following alternative options in order to provide that after his or her death, a lifetime benefit shall be payable to the person who, when the option became effective, was designated by him or her to be his or her contingent annuitant. The optional benefit elected shall be the Equivalent Actuarial Value of the retirement allowance otherwise payable without optional modification under Section 4.01, 4.02 or 4.03.

Option 1 - A reduced retirement allowance payable during the Member's or former Member's life with the provision that after his or death a benefit equal to 100% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

Option 2 - A reduced retirement allowance payable during the Member's or former Member's life with the provision that after his or her death a benefit equal to 50% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

- (d) Election of Options - A Member or former Member may, subject to the provisions of this Section 4.06(d), elect to receive his or her retirement allowance or vested benefit in the optional form of payment described in Section 4.06(b)(i) or, in the case of a Member who retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04, one of the optional forms of payment described in Section 4.06(b)(ii), in lieu of the automatic forms of payment described in Section 4.06(a). Notwithstanding the preceding sentence, a Member who retired on a disability retirement allowance may only elect an optional form of benefit to take effect on the first day of the calendar month next following his or her Normal Retirement Date. A married Member's or a married former Member's election of a Life Annuity form of payment under Section 4.06(b)(i) or any optional form of payment under Section 4.06(b)(ii), which does not provide for monthly payments to his or her spouse for life after the Member's or former Member's death, in an amount equal to at least 50% but not more than 100% of the monthly amount payable under that form of payment to the Member

or former Member and which is not of Equivalent Actuarial Value to the Automatic Joint and Survivor Annuity described in Section 4.06(a)(i), shall be effective only with Spousal Consent; provided that such Spousal Consent to the election has been received by the Retirement Committee.

4.07 Survivor's Benefit Applicable Before the Annuity Starting Date

(a) Automatic Pre-Retirement Spouse's Benefit

- (i) Automatic Pre-Retirement Spouse's Benefit applicable before termination of employment - The surviving spouse of a Member who has completed 5 years of Eligibility Service or who is receiving a disability retirement allowance under Section 4.04 shall automatically receive a benefit payable under the automatic Pre-Retirement Spouse's Benefit of this Section 4.07(a)(i) in the event said Member should die after the effective date of coverage hereunder and before termination of employment (or Normal Retirement Date, in the case of a Member receiving a disability retirement allowance). The benefit payable to the Member's spouse shall be equal to the benefit the Member's spouse would have received if the retirement allowance or vested benefit the Member was entitled to at his or her date of death had commenced as of the month next following the month in which his or her Normal Retirement Date would have occurred (or the month next following the month in which the Member's date of death occurred, if later) in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a)(i). Such benefit shall be payable for the life of the spouse commencing on the first day of the calendar month next following what would have been the Member's Normal Retirement Date (or next following the month in which the Member's date of death occurred, if later). However, the Member's spouse may elect, by written application filed with the Retirement Committee, to have payments begin

as of the first day of any calendar month after the date the former Member would have reached the 62nd anniversary of his or her birth; provided, however, if the Member dies while receiving a disability retirement allowance under Section 4.04, payments begin under this automatic Pre-Retirement Spouse's Benefit as of the first day of the month following the Member's death.

If payment of the automatic Pre-Retirement Spouse's Benefit commences prior to what would have been the Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on (i) the standard early retirement allowance or vested benefit to which the Member would have been entitled, had the Member elected to have payments commence to himself or herself on such earlier date in accordance with the provisions of Section 4.03(b) or Section 4.05(b), or in the case of a Member who dies while receiving a disability retirement allowance under Section 4.04, the disability retirement allowance the Member was receiving on his date of death.

Coverage hereunder shall be applicable to a married Member in active service who has satisfied the eligibility requirements for a retirement allowance under Section 4.01(a), 4.02(a), 4.03(a) or 4.04(a) or vested benefit under Section 4.05(a) and shall become effective on the date the Member marries and shall cease on the earlier of (i) the date such active Member's marriage is legally dissolved by a divorce decree or (ii) the date such active Member's spouse dies.

- (ii) Automatic Pre-Retirement Spouse's Benefit applicable upon termination of employment - In the case of a Member or former Member who is married and entitled to a standard early retirement allowance under Section 4.03 or a vested benefit under Section 4.05, the provisions of this Section 4.07(a)(ii) shall apply to the period between the date his or her services are terminated or the date, if later, the Member or former Member is married and his or her Annuity Starting Date, or other cessation of coverage as later specified in this Section 4.07(a)(ii).

In the event of a married Member's or former Member's death during any period in which these provisions have not been waived or revoked by the Member or former Member and his or her spouse, the benefit payable to the Member's or former Member's spouse shall be equal to 50% of the standard early retirement allowance or vested benefit the Member or former Member would have received as of the month next following the month in which his or her Normal Retirement Date would have occurred if he or she had elected to receive such benefit in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a).

The spouse's benefit shall be payable for the life of the spouse commencing on the first day of the calendar month next following what would have been the Member's or former Member's Normal Retirement Date. However, the Member's or former Member's spouse may elect, by written application filed with the Retirement Committee, to have payments begin as of the first day of any calendar month after the date the Member or former Member would have reached the 62nd anniversary of his or her birth (or his or her date of

death, if later). If the Member's or former Member's spouse elects to commence payment of this automatic Pre-Retirement Spouse's Benefit prior to what would have been the Member's or former Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on the standard early retirement allowance or vested benefit to which the Member or former Member would have been entitled, had the Member or former Member elected to have payments commence to himself or herself on such earlier date in accordance with the provisions of Section 4.03(b) or Section 4.05(b).

However, if a Member or former Member has elected Option 1 under Section 4.06(b)(ii) within the 90-day period preceding his or her Annuity Starting Date, with his or her spouse as contingent annuitant, the amount of benefit payable to the spouse shall be based on the provisions of Option 1, in lieu of the provisions of this Section 4.07(a)(ii).

The vested benefit payable to a former Member whose spouse is covered under this Section 4.07(a)(ii) or, if applicable, the benefit payable to his or her spouse upon his or her death shall be reduced by the applicable percentages shown below. Such reduction shall apply to each month during which coverage is in effect for at least one day; provided, however, no reduction shall be made with respect to any period before the later of (1) the date the Retirement Committee furnishes the former Member the notice of his or her right to waive the automatic Pre-Retirement Spouse's Benefit or (2) the commencement of the election period specified in Section 4.07(b) below.

ANNUAL REDUCTION FOR SPOUSE'S COVERAGE
AFTER TERMINATION OF EMPLOYMENT
OTHER THAN RETIREMENT

Age ---	Reduction -----
Less than 40	1/10 of 1% per year
40 but prior to 50	2/10 of 1% per year
50 but prior to 55	3/10 of 1% per year
55 but prior to 60	5/10 of 1% per year
60 but less than 65	1% per year

- (b) The Retirement Committee shall furnish to each former Member a written explanation which describes (i) the terms and conditions of the automatic Pre-Retirement Spouse's Benefit, (ii) the former Member's right to make, and the effect of, an election to waive the automatic Pre-Retirement Spouse's Benefit, (iii) the rights of the former Member's spouse, and (iv) the right to make, and the effect of, a revocation of such a waiver. Such written explanation shall be furnished to each former Member before the first anniversary of the date he or she terminated service, and shall be furnished to such former Member even though he or she is not married.

The period during which the former Member may make an election to waive the automatic Pre-Retirement Spouse's Benefit provided under Section 4.07(a)(ii) shall begin not later than the date his or her employment terminates and end on his or her Annuity Starting Date or, if earlier, his or her date of death. Any waiver, revocation or re-election of the automatic Pre-Retirement Spouse's Benefit shall be made on a form provided by the Retirement Committee and any waiver or revocation shall require Spousal Consent. If, upon termination of employment, the former Member waives coverage hereunder in accordance with administrative procedures established by the Retirement Committee for all Members similarly situated, such waiver shall be effective as of the

former Member's Severance Date. Any later re-election or revocation shall be effective on the first day of the month coincident with or next following the date the completed form is received by the Retirement Committee. If a former Member dies during the period after a waiver is in effect, there shall be no benefits payable to his or her spouse under the provisions of this Section 4.07 unless an effective election under Section 4.07(b) is in effect.

Except as described above in the event of a waiver or revocation, coverage under Section 4.07(a)(ii) shall cease to be effective upon a Member's or former Member's Annuity Starting Date, or upon the date a Member's or former Member's marriage is legally dissolved by a divorce decree, or upon the death of the spouse, whichever event shall first occur.

- (c) Any election made under Section 4.07 (including any waiver or revocation thereof) shall be made on a form approved by and filed with the Retirement Committee.
- (d) Notwithstanding the provisions of Section 4.07(a), a Member or former Member whose employment terminated on or after January 1, 1976 and prior to August 23, 1984 and who is entitled to a retirement allowance or vested benefit pursuant to the provisions of Section 4.03 or 4.05, but who is not yet in receipt thereof, may elect, on or after August 23, 1984 and prior to the commencement of such retirement allowance or vested benefit, to have the provisions of Section 4.07(a)(ii) apply to him or her.

4.10 Payment of Benefits

- (a) Unless otherwise provided under an optional benefit elected pursuant to Section 4.06, the survivor's benefits available under Section 4.07 or the provisions of Section 4.10(e)(ii), all retirement allowances, vested benefits or other benefits payable will be paid in monthly installments for each month beginning with (i) the month next following the month in which the Member has reached his or her Normal Retirement Date and has retired from active service, (ii) the month next following the month in which a Member has reached his or her Postponed Retirement Date and has retired from service, (iii) the month next following the month in which a Member or former Member, files a proper application requesting commencement of his or her vested benefit, standard early retirement allowance or disability retirement allowance, or (iv) the month in which benefits under an optional benefit under Section 4.06 or the survivor's benefits under Section 4.07 become payable, whichever is applicable. Such monthly installments shall cease with the payment for the month in which the recipient dies. In no event shall a retirement allowance or vested benefit be payable to a Member who continues in or resumes active service with the Company or an Associated Company for any period between his or her Normal Retirement Date and Postponed Retirement Date, except as provided in Sections 4.02(d) and 4.10(e).
- (b) In any case, a lump sum payment equal to the retirement allowance or vested benefit payable under Section 4.01, 4.02, 4.03, 4.04 or 4.05 or the pre-retirement spouse's benefit payable under Section 4.07(a) multiplied by the appropriate factor contained in Table 3 of Schedule I shall be made in lieu of any retirement allowance or vested benefit payable to a Member or former Member or any pre-retirement spouse's benefit payable to a spouse of a Member or a former Member, if the lump sum present value of such benefit amounts to \$3,500 (\$5,000 effective January 1, 1998) or less.

For distributions prior to September 1, 1995, however, in no event shall that adjustment factor produce a lump sum that is less than the amount determined by using the interest rate assumption used by the Pension Benefit Guaranty Corporation for valuing benefits for determining lump sum payments under single employer plans that terminate on January 1 of the Plan Year in which the Annuity Starting Date occurs. For distributions on and after September 1, 1995, in no event shall that adjustment factor produce a lump sum that is less than the amount determined by using the "Applicable Mortality Table" (as defined in Code Section 417(e) (A) (ii) (II)) and the interest rate on 30-year Treasury Securities for December of the year preceding the Plan Year in which the Annuity Starting Date occurs. The lump sum payment shall be made as soon as administratively practicable following the date the Member has terminated employment or died, but in any event prior to the date his or her benefit payment would have otherwise commenced.

4.11 Reemployment of former Member or retired Member

(b) Optional forms of pension benefits

If the Member is reemployed, any previous election of an optional benefit under Section 4.06 or a survivor's benefit under Section 4.07 shall be revoked.

(c) Benefit payments at subsequent termination or retirement

- (i) In accordance with the procedure established by the Retirement Committee on a basis uniformly applicable to all Members similarly situated, upon the subsequent retirement of a Member in service after his or her Normal Retirement Date, payment of such Member's retirement allowance shall resume no later than the third month after the final month

during the reemployment period in which he or she is credited with at least 40 Hours of Service.

- (ii) Upon the subsequent retirement or termination of employment of a retired or former Member, the Retirement Committee shall, in accordance with rules uniformly applicable to all Members similarly situated, determine the amount of vested benefit or retirement allowance which shall be payable to such Member at such subsequent retirement or termination. Such vested benefit or retirement allowance shall be reduced by an amount of Equivalent Actuarial Value to the benefits, if any, other than disability retirement allowance payments, he or she received before the earlier of the date of his or her restoration to service or his or her Normal Retirement Date, provided that no such reduction shall reduce such retirement allowance or vested benefit below the original amount of retirement allowance or vested benefit earned but not received or retirement allowance or vested benefit previously received by such Member in accordance with the terms of the Plan in effect during such previous employment, adjusted to reflect the election of any survivor's benefits pursuant to Section 4.07(a) (ii).

4.16 Minimum Adjusted Benefit

- (a) The adjustment factor applied to a retirement allowance or vested benefit payable to any Member or former Member who terminates employment on or after October 1, 1985, or to the Beneficiary of such Member or former Member, shall not result in a retirement allowance or vested benefit which is less than the adjusted retirement allowance or vested benefit which would have been payable to such Member, former Member or Beneficiary under the provisions of the Southern

Wood Plan as in effect on September 30, 1985 based on Benefit Service rendered up to and including September 30, 1985.

- (b) The adjustment factor applied to a retirement allowance or vested benefit payable to any Member or former Member who terminates employment on or after January 1, 1989, or to the Beneficiary of such Member or former Member, shall not result in a retirement allowance or vested benefit which is less than the adjusted retirement allowance or vested benefit which would have been payable to such Member, former Member or Beneficiary under the provisions of the Southern Wood Plan as in effect on December 31, 1988 based on Benefit Service rendered up to and including December 31, 1988.

SCHEDULE I
[TABLE OMITTED]

APPENDIX D

SCHEDULE II

(SOUTHERN WOOD PIEDMONT NON-UNION LOCATIONS)

Effective as of September 1, 1986, the Retirement Allowances payable to the following retired Members, contingent annuitants or surviving spouses shall be supplemented in the amounts listed below, and shall be payable after the death of a Member in accordance with the provisions of Section 4.06 of the Plan, if applicable.

NAME ----	SOCIAL SECURITY NO. -----	MONTHLY SUPPLEMENT -----
Lillie V. Barnhill	###-##-####	\$ 10.00
Charles J. Calloway	###-##-####	10.00
Julius Davis	###-##-####	10.00
David Russell Fowler	###-##-####	10.00
Willie Gilchrist	###-##-####	10.00
Foster Gore	###-##-####	10.00
Manson Griffin	###-##-####	10.00
Robert J. Hardy	###-##-####	10.00
Calvin B. Hyde	###-##-####	10.00
Savannah A. Jeter	###-##-####	10.00
Codozar Jeter	###-##-####	10.00
Charles E. Lambert	###-##-####	10.00
Franklin C. Lyile	###-##-####	10.00

APPENDIX D

SCHEDULE II

(SOUTHERN WOOD PIEDMONT NON-UNION LOCATIONS)

Effective as of October 1, 1988, the Retirement Allowances payable to the following retired Members, contingent annuitants or surviving spouses shall be supplemented in the amounts listed below, and shall be payable after the death of a Member in accordance with the provisions of Section 4.06 of the Plan, if applicable.

NAME -----	SOCIAL SECURITY NO. -----	MONTHLY SUPPLEMENT -----
John W. Anderson	###-##-####	\$ 10.00
Otis J. Atkinson	###-##-####	10.00
James Baker, Jr.	###-##-####	10.00
Lillie V. Barnhill	###-##-####	10.00
Asberry Bell	###-##-####	10.00
Daniel Bell	###-##-####	10.00
Lawson Bethune	###-##-####	10.00
Homer A. Blanton	###-##-####	10.00
Charles J. Calloway	###-##-####	10.00
Marvin Chandler	###-##-####	10.00
James Davenport	###-##-####	10.00
Terry Davenport	###-##-####	10.00
Julius Davis	###-##-####	10.00
David Russell Fowler	###-##-####	10.00
Andrew Foster	###-##-####	10.00
Clyde Fullenwider	###-##-####	10.00
Willie Gilchrist	###-##-####	10.00
Joseph Goodman	###-##-####	10.00
Foster Gore	###-##-####	13.85
Manson Griffin	###-##-####	12.60
Robert L. Hardy	###-##-####	10.00
Charles Holmes, Sr.	###-##-####	10.00
Calvin B. Hyde	###-##-####	10.00
Savanah A. Jeter	###-##-####	10.00
Codozar Jeter	###-##-####	10.00
Laddie Joe Johnson	###-##-####	10.00
James Jones	###-##-####	10.00
Murry L. Jones	###-##-####	10.00
Robert H. Knuckles	###-##-####	10.00

NAME -----	SOCIAL SECURITY NO. -----	MONTHLY SUPPLEMENT -----
Charles E. Lambert	###-##-####	\$ 10.00
Harold J. Lawter	###-##-####	10.00
Gilbert F. Lemay	###-##-####	10.00
Ruby Inez Lytle	###-##-####	10.00
Herman J. Mason	###-##-####	10.00
Walter K. Mayo	###-##-####	10.00
Walter E. Paden	###-##-####	10.08
John Lee Palmer	###-##-####	10.00
Charles F. Parnell	###-##-####	10.00
J. Landrum Prince	###-##-####	12.42
Oliver L. Rhodes	###-##-####	10.00
John Rogers	###-##-####	10.00
William Rollins	###-##-####	10.00
Clarence Ruffin	###-##-####	10.00
Charles O. Scott	###-##-####	13.85
Beezie Sheppard	###-##-####	10.00
John C. Stripling	###-##-####	10.00
James E. Tennant	###-##-####	10.00
John H. Terley	###-##-####	10.00
Leroy Thompson	###-##-####	10.00
Thomas Thompson	###-##-####	10.00
Oscar Travis	###-##-####	10.00
Woodrow Wilson Tyson	###-##-####	10.00
Isaac Valentine	###-##-####	10.00
Walter Webster	###-##-####	10.00
John H. West	###-##-####	10.00
Louise H. Williamson	###-##-####	10.00

SCHEDULE II

(SOUTHERN WOOD PIEDMONT NON-UNION LOCATIONS)

Effective as of January 1, 1996, the Retirement Allowance payable to the following retired Members, contingent annuitants or surviving spouses shall be supplemented in the amounts listed below, and shall be payable after the death of a Member in accordance with the provisions of Section 4.06 of the Plan.

NAME -----	SOCIAL SECURITY NO. -----	MONTHLY SUPPLEMENT -----
John Anderson	###-##-####	\$ 10.38
Otis J. Atkinson	###-##-####	10.00
H. Baker	###-##-####	10.00
Asberry Bell	###-##-####	10.00
Lawson Bethune	###-##-####	10.00
Roman Bing	###-##-####	10.00
Homer A. Blanton	###-##-####	10.00
Calvin Boykin	###-##-####	10.00
Arthur L. Brown	###-##-####	12.73
Elizabeth Clark	###-##-####	10.00
James Davenport	###-##-####	11.98
Terry Davenport	###-##-####	10.00
Julius Davis	###-##-####	10.00
Mary Dunn	###-##-####	10.00
James P. Edgins	###-##-####	11.78
G. F. Ellis	###-##-####	10.00
Steve Finch	###-##-####	12.87
Andrew Foster	###-##-####	10.00
David Russell Fowler	###-##-####	10.00
Delois Fullenwider	###-##-####	10.00
Joseph Goodman	###-##-####	10.05
Foster Gore	###-##-####	10.12
Corrine Griffin	###-##-####	10.00
Robert L. Hardy	###-##-####	10.00
Charles Holmes, Sr.	###-##-####	10.00
Sam Horton	###-##-####	10.07
Fannie M. Hughes	###-##-####	10.00
Woodrow Hunter	###-##-####	15.35
Savanah Jeter	###-##-####	10.00
Laddie Joe Johnson	###-##-####	11.90
James Jones	###-##-####	10.00
Annie Knuckles	###-##-####	10.00

NAME -----	SOCIAL SECURITY NO. -----	MONTHLY SUPPLEMENT -----
Charles E. Lambert	###-##-####	10.00
Louise Lawter	###-##-####	10.88
Gilbert F. Lemay	###-##-####	10.00
Ruby Inez Lytle	###-##-####	10.00
Herman J. Mason	###-##-####	10.00
Estella Mayo	###-##-####	10.00
M. Curtis McIntyre	###-##-####	11.41
Willie McIntyre	###-##-####	11.16
Clarence E. Neal	###-##-####	10.00
Will Norton	###-##-####	12.77
Walter E. Paden	###-##-####	10.00
John Lee Palmer	###-##-####	10.00
Walter G. Palmer	###-##-####	10.00
Charles F. Parnell	###-##-####	10.00
Edgar Lee Pope	###-##-####	10.00
J. Landrum Prince	###-##-####	10.00
Oliver L. Rhodes	###-##-####	10.00
William Rollins	###-##-####	10.00
Frank Ross	###-##-####	10.00
Joe Ross, Jr.	###-##-####	10.00
Clarence Ruffin	###-##-####	10.00
Charles O. Scott	###-##-####	10.00
Earl Sexton	###-##-####	11.09
George Smith, Sr.	###-##-####	11.07
George Stallings	###-##-####	13.37
Ruth Stripling	###-##-####	10.00
Wallace Tate	###-##-####	10.00
James E. Tennant	###-##-####	13.13
W. Thomason	###-##-####	12.89
Leroy Thompson	###-##-####	10.00
Oscar Travis	###-##-####	10.00
Woodrow Wilson Tyson	###-##-####	10.00
Isaac Valentine	###-##-####	12.13
Walter Webster	###-##-####	10.00
John H. West	###-##-####	10.00
Willie A. Willis	###-##-####	10.00
W. G. Worrell	###-##-####	10.51
Nina Wright	###-##-####	10.00

RETIREMENT PLAN FOR SALARIED EMPLOYEES OF RAYONIER INC.

APPENDIX E

This Appendix E, effective as of January 1, 1996, is applicable with respect to (a) employees of Rayonier Inc. at the Southeast Forest Resources who were participants in the Employees Retirement Income Plan for Rayonier Incorporated Hourly Employees at the Southeast Forest Resources as of December 31, 1995 and (b) former employees of Rayonier Inc. at the Southeast Forest Resources who are entitled to a pension benefit under the Employees Retirement Income Plan for Rayonier Incorporated Hourly Employees at the Southeast Forest Resources as of December 31, 1995 and their spouses and beneficiaries. This Appendix E constitutes an integral part of the Plan and sets forth the particulars concerning:

- (i) The definition of "Annuity Starting Date", "Benefit Service", "Eligibility Service", "Equivalent Actuarial Value", "Normal Retirement Date", "Postponed Retirement Date", "Public Disability Benefit", "Southeast Forest Accrued Benefit", "Southeast Forest Plan", and "Total and Permanent Disability."
- (ii) The determination of Eligibility Service as referred to in Section 2.01 of the Plan.
- (iii) The determination of Benefit Service as referred to in Section 2.02 of the Plan.
- (iv) The eligibility requirements for membership as referred to in Article 3 of the Plan.
- (v) The determination of the amount of normal retirement allowance as referred to in Section 4.01(b) of the Plan.
- (vi) The determination of the amount of postponed retirement allowance as referred to in Sections 4.02(b) and (c) of the Plan
- (vii) The eligibility requirements for a standard early retirement allowance as referred to in Section 4.03(a) of the Plan.
- (viii) The determination of the amount of a standard early retirement allowance as referred to in Section 4.03(b) of the Plan.

- (ix) The eligibility requirements for a disability retirement allowance.
- (x) The determination of the amount of a disability retirement allowance.
- (xi) The determination of the amount of vested benefit as referred to in Section 4.05(b) of the Plan.
- (xii) The forms of benefit payment after retirement as referred to in Section 4.06 of the Plan.
- (xiii) The survivor's benefit applicable before retirement as referred to in Section 4.07 of the Plan.
- (xiv) The determination of the amount of an automatic lump sum payment as referred to in Section 4.10(b) of the Plan.
- (xv) The effect of re-employment on the election of an optional form of benefit as referred to in Section 4.11(b) of the Plan.
- (xvi) The determination of the amount of benefit payable to a re-employed Member upon his or her subsequent retirement as referred to in Section 4.11(c) of the Plan.
- (xvii) The minimum adjusted benefit payable under the Plan.

Notwithstanding the foregoing, the provisions set forth in this Appendix E, other than the provisions of Sections 2.01(a)(i), 2.02(a) and Article 3 of this Appendix E, shall only be applicable with respect to retirement allowances, vested benefits, or other benefits attributable to a Member's Benefit Service prior to January 1, 1996; provided, however, that a Member's Benefit Service on and after January 1, 1996 shall be taken into account for purposes of the determination under Section 4.03 of this Appendix E of whether a reduction for the commencement of benefits prior to Normal Retirement Date applies and for purposes of calculating the percentage of disability retirement allowance payable pursuant to Section 4.04 of this Appendix E.

ARTICLE 1 - DEFINITIONS

- 1.03 Annuity Starting Date shall mean the first day of the first period for which an amount is due on behalf of a Member or former Member as an annuity or any other form of payment under the Plan; provided, however, that in the case of a Member who retires under Section 4.04, Annuity Starting Date shall mean his or her Normal Retirement Date.
- 1.07 Benefit Service shall mean employment recognized as such for the purposes of determining eligibility for certain benefits and computing a benefit under the Plan as provided under Article 2.
- 1.15 Eligibility Service shall mean any employment recognized as such for the purposes of meeting the eligibility requirements for membership in the Plan and for eligibility for certain benefits under the Plan as provided under Article 2.
- 1.17 Equivalent Actuarial Value shall mean equivalent value of a benefit under the Plan determined on the basis of the applicable factors set forth in Schedule I, except as otherwise specified in the Plan. In any other event, Equivalent Actuarial Value shall be determined on the same actuarial basis utilized to compute the factors set forth in Schedule I.
- 1.26 Normal Retirement Date shall mean the first day of the calendar month next following the date the employee or former employee attains age 65, which is his or her Normal Retirement Age.
- 1.32 Postponed Retirement Date shall mean, with respect to an Employee who does not retire at Normal Retirement Date but who works after such date, the first day of the calendar month next

following the date on which such Employee retires from active service. No retirement allowance shall be paid to the Employee until his or her Postponed Retirement Date, except as otherwise provided in Article 4.

- 1.44 Public Disability Benefit shall mean disability payments or lump sum payments under any workers' compensation or occupational diseases law, except fixed statutory payments for the loss of any bodily member and except lump-sum payments for disfigurement. The amount of the deduction to be made from monthly disability retirement allowances in respect to any lump-sum payments under any workers' compensation or occupational diseases law shall be determined by dividing the lump-sum payment by the maximum number of months or fractions thereof in the period provided by statute or regulation, provided the amount of such deduction shall be limited to the amount of monthly disability retirement allowance and shall be applicable for the number of months and fractions thereof in such maximum period.
- 1.45 Southeast Forest Accrued Benefit shall mean the accrued benefit under the Southeast Forest Plan as of December 31, 1995.
- 1.46 Southeast Forest Plan shall mean the Employees Retirement Income Plan for Rayonier Incorporated Hourly Employees at the Southeast Forest Resources as in effect on the date specified in the Plan.
- 1.47 Total and Permanent Disability shall mean the total and permanent disablement of a Member if (a) through some unintentional cause, he or she has been totally disabled by bodily injury or disease or by mental derangement so as to be prevented thereby from engaging in any regular

occupation or employment for remuneration or profit, and (b) such total disability is expected to be permanent and continuous during the remainder of his or her life, provided such disability is not incurred in service in the armed forces of any country, each as determined by the Company on the basis of qualified medical evidence.

ARTICLE 2 - SERVICE

2.01 Eligibility Service

- (a) (i) Eligibility Service Prior to January 1, 1996 - Subject to the bridging breaks in service provisions of Section 2.01(e), a Member's Eligibility Service shall include the "Vesting Service" credited to such Member under the Southeast Forest Plan as of December 31, 1995.
- (ii) Eligibility Service on and after January 1, 1996 - Except as otherwise provided in this Article 2, all uninterrupted employment with the Company or with an Associated Company rendered on and after January 1, 1996 and prior to the date such Member's employment terminates, shall be recognized as Eligibility Service for all Plan purposes. Notwithstanding the foregoing, with respect to any calendar year in which the employee completes at least 1,000 Hours of Service there shall be included in his or her Eligibility Service a full year of Eligibility Service. For any calendar year in which the employee completes less than 1,000 Hours of Service there shall be included in his or her Eligibility Service one month of Eligibility Service for each calendar month in which he or she works at least one day.
- (b) Hours of Service - "Hours of Service" shall include hours worked and hours for which a person is compensated by the Company or by an Associated Company for the performance of duties for the Company or an Associated Company, although he or she has not worked (such as: paid holidays, paid vacation, paid sick leave, paid time off and back pay for the period for which it was awarded), and each such hour shall be computed as only one hour, even though he or she is compensated at

more than the straight time rate. This definition of "Hours of Service" shall be applied in a consistent and non-discriminatory manner in compliance with 29 Code of Federal Regulations, Section 2530.200b-2(b) and (c) as promulgated by the United States Department of Labor and as may hereafter be amended.

- (c) Certain absences to be recognized as Eligibility Service - Except as otherwise indicated in this Article 2, the following periods of approved absence shall be recognized as Eligibility Service under the Plan and shall not be considered as breaks in Eligibility Service:

- (i) The period of any leave of absence granted in respect of service with the armed forces of the United States on or after January 1, 1996, provided the Employee shall have returned to the service of the Company or an Associated Company in accordance with re-employment rights under applicable law and shall have complied with all of the requirements of such law as to re-employment.
- (ii) The period on or after January 1, 1996 of any leave of absence approved by the Company, provided the employee shall have returned to the service of the Company or an Associated Company upon the expiration of such approved leave.

If an Employee fails to return to active employment upon expiration of the approved absences specified in sub-paragraphs (i) and (ii) above, such periods of approved absence shall not be considered as Eligibility Service under the Plan.

- (d) Breaks in Service - All calendar years other than the calendar year in which the employee is hired or calendar years in which an absence specified in paragraph (c) above occurs and such absence is considered as Eligibility Service, in which an employee does not work at least one day shall be considered as breaks in Eligibility Service; provided, however, that in no event shall there be a

break in Eligibility Service unless the employee's employment with the Company or an Associated Company is terminated.

(e) Bridging breaks in service

- (i) If an Employee has a break in service and such Employee was eligible for a vested benefit under Section 4.05 at the time of his or her break in service, except as otherwise provided in Section 4.11, employment both before and after the Employee's absence shall be immediately recognized as Eligibility Service, subject to the provisions of this Section 2.01, upon his or her return to the employ of the Company or an Associated Company.
- (ii) If an Employee has a break in service and such Employee was not eligible for a vested benefit under Section 4.05 at the time of his or her break in service, Eligibility Service shall begin from the date of his or her return to the employ of the Company or an Associated Company. If such Employee returns to the employ of the Company or an Associated Company and the period of the Employee's break is less than the greater of (1) five years or (2) the Eligibility Service rendered prior to such break, the service prior to such break shall be included as Eligibility Service, subject to the provisions of this Section 2.01, only upon completion of at least twelve months of Eligibility Service following his or her break in service. However, if the period of the Employee's break in service equals or exceeds the greater of (1) five years or (2) the Eligibility Service rendered prior to such break, the service rendered prior to such break shall not be included as Eligibility Service.

2.02 Benefit Service

- (a) Benefit Service prior to January 1, 1996 - Subject to the restoration of Benefit Service provisions of Section 2.02(e)(ii), Benefit Service shall include the "Benefit Service" credited to such Member under the Southeast Forest Plan as of December 31, 1995.
- (b) Employment on or after January 1, 1996 with the Company or an Associated Company - All uninterrupted employment with the Company or with an Associated Company rendered or after January 1 1996 and prior to the date such Member's employment terminates shall be recognized as Benefit Service for the purpose of meeting the eligibility requirements of the Plan for a standard early retirement allowance under Section 4.03 or a disability retirement allowance under Section 4.04, but not for the purpose of computing the amount of any retirement allowance or vested benefit under the Plan. However, such uninterrupted employment shall be included for the purposes of calculating the Benefit Service with respect to which the determination is made pursuant to Section 4.03(b) of whether a reduction for the commencement of benefits prior to Normal Retirement Date applies and for purposes of calculating the percentage of disability retirement allowance payable pursuant to Section 4.04(b).
- (c) Certain absences to be recognized as Benefit Service - Except as otherwise indicated below, the following periods of approved absence shall be recognized as Benefit Service and shall not be considered as breaks in Benefit Service:
 - (i) The period of any leave of absence granted in respect of service with the armed forces of the United States on and after January 1, 1996, provided the Employee shall have returned to the service of the Company or an Associated Company in

accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment, shall be recognized as Benefit Service for the purpose of meeting the eligibility requirements of the Plan for a standard early retirement allowance under Section 4.03 or a disability retirement allowance under Section 4.04 and shall not be considered as a break in Benefit Service nor be considered as Benefit Service for the purpose of computing the amount of any retirement allowance or vested benefit under the Plan. However, such leave of absence shall be included for the purposes of calculating the Benefit Service with respect to which the determination is made pursuant to Section 4.03(b) of whether a reduction for the commencement of benefit prior to Normal Retirement Date applies and for purposes of calculating the percentage of disability retirement allowance payable pursuant to Section 4.04 (b).

- (ii) With respect to an Employee who was in receipt of Worker's Compensation benefits on December 31, 1995 as a result of such Employee's employment with the Company, the continuous period on and after January 1, 1996 for which such benefits are paid to the Employee shall be recognized as Benefit Service for all purposes of the Plan and shall not be considered as a break in Benefit Service.

(d) All Other Absences for Employees

- (i) No period of absence approved by the Company other than that specified in Section 2.02(c) above shall be recognized as Benefit Service for purposes of this Section 2.02.
- (ii) No other absence, other than the absence covered by the exception in clause (i) above, shall be recognized as Benefit Service for purposes of this Section 2.02 and any such absence shall be considered as a break in Benefit Service for purposes of this Section 2.02.

If the Employee was eligible for a vested benefit under Section 4.05 at the time of a break in service, Benefit Service under Section 2.02(a) above before the Employee's absence shall be immediately recognized as Benefit Service for purposes of Section 2.02(a) above upon his or her return to service and Benefit Service under Sections 2.02(b) and (c) above both before and after the Employee's absence shall be immediately recognized as Benefit Service for purposes of Sections 2.02(b) and (c) above upon his or her return to service.

If the Employee was not eligible for a vested benefit under Section 4.05 at the time of a break in service, Benefit Service under Section 2.02(b) above shall begin from the date of the Employee's return to the employ of the Company. However, any Benefit Service prior to January 1, 1996 rendered prior to such break in service shall be included as Benefit Service for purposes of Section 2.02(a) above and any Benefit Service on or after January 1, 1996 shall be included as Benefit Service for purposes of Sections 2.02 (b) and (c) above only at the time that the Member bridges his or her Eligibility Service in accordance with the provisions of Section 2.01(e).

ARTICLE 3 - MEMBERSHIP

- 3.01 Any employee or former employee of Rayonier Inc. at the Southeast Forest Resources (or its predecessor ITT Rayonier Incorporated at its Southeast Forest Operations) who is a participant in the Southeast Forest Plan as of December 31, 1995 shall become a Member of the Plan on January 1, 1996, but he or she shall not accrue any Eligibility Service or Benefit Service for purposes of this Appendix E of the Plan unless he or she is employed by the Company or an Associated Company. Any former employee of Rayonier Inc. at the Southeast Forest Resources (or its predecessor ITT Rayonier Incorporated at its Southeast Forest Operations) who is entitled to receive a pension benefit or disability benefit under the Southeast Forest Plan as of December 31, 1995, or his or her spouse or beneficiary, shall be eligible for and shall receive from this Plan benefits in the same amount and payable in accordance with the same terms as the pension benefit or disability benefit to which he or she was entitled under the Southeast Forest Plan as of December 31, 1995.

ARTICLE 4 - BENEFITS

4.01 Normal Retirement Allowance

(b) Benefit

Prior to adjustment in accordance with Sections 4.06(a) and 4.07(b), the annual normal retirement allowance with respect to Benefit Service credited prior to January 1, 1996 and Benefit Service credited under Section 2.02(c)(ii) on and after January 1, 1996 payable on a lifetime basis upon retirement at such Member's Normal Retirement Date, shall be equal to the sum of (i) and (ii) where:

- (i) equals his or her Southeast Forest Accrued Benefit; and
- (ii) equals \$180.00 multiplied by his or her Benefit Service credited pursuant to Section 2.02(c)(ii).

4.02 Postponed Retirement Allowance

- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(b), the annual postponed retirement allowance with respect to Benefit Service credited prior to January 1, 1996 and Benefit Service credited under Section 2.02(c)(ii) on and after January 1, 1996 payable on a lifetime basis upon retirement at a Member's Postponed Retirement Date shall be equal to the annual normal retirement allowance to which the Member would have been entitled under Section 4.01(b) based on such Benefit Service had he or she retired on his or her Normal Retirement Date, increased by an amount which is the Actuarial Equivalent Value of the monthly payments which would have been payable with respect to such Benefit Service with respect to each month in which he or she completed less than 40 Hours of Service. Any monthly payment determined under this paragraph (b) with respect to any such month in

which he or she completed less than 40 Hours of Service shall be computed as if the Member had retired on his or her Normal Retirement Date.

- (c) Benefit for Member in Active Service after he or she attains Age 70-1/2 - In the event a Member's retirement allowance is required to begin under Section 4.10 while the Member is in active service, the January 1 immediately following the calendar year in which the Member attained age 70-1/2 shall be the Member's Annuity Starting Date for purposes of this Article 4 and the Member shall receive a postponed retirement allowance commencing on that January 1 in an amount determined as if he or she had retired on such date. As of each succeeding January 1 prior to the Member's actual Postponed Retirement Date and as of his or her actual Postponed Retirement Date, the Member's retirement allowance shall be reduced by the Equivalent Actuarial Value of the total payments of his or her postponed retirement allowance made with respect to each month of continued employment in which he or she completed at least 40 Hours of Service and which were paid prior to each such recomputation, provided that no such reduction shall reduce the Member's postponed retirement allowance below the amount of postponed retirement allowance payable to the Member immediately prior to the recomputation of such retirement allowance.

4.03 Standard Early Retirement Allowance

- (a) Eligibility - A Member who has not reached his or her Normal Retirement Date but has, prior to his or her termination of employment reached the 55th anniversary of his or her birth and completed 15 years of Benefit Service (as determined in accordance with Sections 2.02 (a), (b) and (c)), is eligible to retire on a standard early retirement allowance on the first day of the calendar month next following termination of employment, which date shall be the Member's Early Retirement Date.

- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(b), the standard early retirement allowance with respect to Benefit Service credited prior to January 1, 1996 and Benefit Service credited under Section 2.02(c)(ii) on and after January 1, 1996 shall be an allowance deferred to commence on the Member's Normal Retirement Date and shall be equal to the sum of (i) and (ii) where:
- (i) equals his or her Southeast Forest Accrued Benefit; and
 - (ii) equals \$180.00 multiplied by his or her Benefit Service credited pursuant to Section 2.02(c)(ii).

The Member may, however, elect to receive an early retirement allowance commencing on the last day of the month in which his or her Early Retirement Date occurs or on the last day of any calendar month before his or her Normal Retirement Date specified in his or her later request therefor; provided, however, that in the event the Member had not attained age 62 and completed at least 20 years of Benefit Service (as determined in accordance with Sections 2.02(a), (b) and (c)) as of the date he or she terminated employment, such retirement allowance shall be a reduced amount which, prior to adjustment in accordance with Sections 4.06(a) and 4.07(a) shall be equal to his or her Southeast Forest Accrued Benefit reduced by 1/180th for each month up to 60 months by which the commencement date of his or her retirement allowance precedes his or her Normal Retirement Date and further reduced by 1/360th for each such month in excess of 60 months.

4.04 Disability Retirement Allowance

- (a) Eligibility - A Member who has completed ten years of Benefit Service (determined in accordance with Sections 2.02(a), (b) and (c)) who incurs a Total and Permanent Disability is eligible to retire on a disability retirement allowance on the first day of the calendar month next following the date the Member is determined to be so disabled by the Company based on a qualified medical evidence, which date shall be the Member's Disability Retirement Date.
- (b) Benefit -Except as herein provided and prior to any adjustment in accordance with Section 4.07(b)(ii), the disability retirement allowance shall commence on the last day of the calendar month in which the Member's Disability Retirement Date occurs and shall be equal to the sum of (i) and (ii) where:
- (i) equals his or her Southeast Forest Accrued Benefit; and
- (ii) equals \$180.00 multiplied by his or her Benefit Service credited pursuant to Section 2.02(c)(ii);

multiplied by the percentage set forth below based on his or her years of Benefit Service (as determined in accordance with Sections 2.02(a), (b) and (c)):

Years of Benefit Service	Percentage
-----	-----
10	50%
11	60
12	70
13	80
14	90
15 or more	100

(The above percentages are to be interpolated to reflect fractional years of Benefit Service.)

Notwithstanding the preceding sentence, if a Member is awarded a Public Disability Benefit, the disability retirement allowance payable prior to his or her Normal Retirement Date shall be reduced by the amount of the Company-provided Public Disability Benefit. On and after the Member's Normal Retirement Date, the disability retirement allowance, which shall be calculated without regard to any adjustment prior to the Member's Normal Retirement Date made pursuant to Section 4.07(b)(ii), will be adjusted, if applicable, in accordance with Sections 4.06(a) and 4.06(b).

- (c) Benefit Discontinuance - In the event such Member's disability retirement allowance is discontinued as herein provided and he or she is not restored to service as an Employee, he or she shall be entitled to retire on a standard early retirement allowance as of the first day of the calendar month next following such discontinuance or to receive a vested benefit commencing on the last day of the month in which his or her Normal Retirement Date occurs, provided that, in the case of early retirement, at his or her Disability Retirement Date he or she had completed the eligibility requirements for the standard early retirement allowance. In either case, the standard early retirement allowance or vested benefit shall be computed on the basis of the Member's Benefit Service as of the earlier of his or her Disability Retirement Date or January 1, 1996.
- (d) Medical Examination - Any Member who has not reached his or her Normal Retirement Date and who is claiming to be totally and permanently disabled may be required by the Company to submit to examination in a clinic or by a physician or physicians selected by the Company, and any question as to the existence of such disability shall be settled on the basis of such examination. Should any Member in receipt of a disability retirement allowance refuse to submit to such medical examination, his or her disability retirement allowance shall be discontinued until his or her withdrawal of such refusal, and should his or her refusal continue for a year, all rights in and to the

disability retirement allowance shall cease; provided, however, that he or she shall be entitled to have his or her disability retirement allowance restored, prior to his or her Normal Retirement Date, if, on the basis of a medical examination by a physician or physicians designated by the Company, the Company finds that he or she has again lost earning capacity because of the same disability.

4.05 Vested Benefit

(b) Benefit - Prior to adjustment in accordance with Sections 4.06(a) and 4.07(a), the vested benefit payable to a Member shall be a benefit deferred to commence on the last day of the month in which the former Member's Normal Retirement Date occurs and shall be equal to the sum of (i) and (ii) where:

(i) equals his or her Southeast Forest Accrued Benefit; and

(ii) equals \$180.00 multiplied by his or her Benefit Service credited pursuant to Section 2.02(c)(ii).

On or after the date on which the former Member shall have reached the 55th anniversary of his or her birth, he or she may elect to receive a benefit commencing on the last day of any calendar month next following the 55th anniversary of his or her birth and prior to his or her Normal Retirement Date as specified in his or her request therefor, after receipt by the Retirement Committee of written application therefor made by the former Member and filed with the Retirement Committee. Upon such earlier payment, the vested benefit otherwise payable at the former Member's Normal Retirement Date will be reduced by 1/180th for each month up to 60 months by which the commencement date of such payments precedes his or her Normal Retirement Date and further reduced by 1/360th for each such month in excess of 60 months.

4.06 Forms of Benefit Payment after Retirement

(a) Automatic Forms of Payment

- (i) Automatic Joint and Survivor Annuity - If a Member or former Member who is married on his or her Annuity Starting Date has not made an election of an optional form of payment as provided in Section 4.06(b), the retirement allowance or vested benefit payable to such Member or former Member commencing on his or her Annuity Starting Date shall automatically be adjusted to provide (A) a reduced benefit payable to the Member or former Member during his or her life equal to his or her benefit otherwise payable without optional modification computed in accordance with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, multiplied by the appropriate factor contained in Table 1 of Schedule I and (B) a benefit payable after his or her death to his or her surviving spouse equal to 50% of the reduced benefit payable to the Member or former Member.
- (ii) Automatic Life Annuity - If a Member or former Member is not married on his or her Annuity Starting Date, the retirement allowance or vested benefit computed in accordance with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, shall be paid to the Member or former Member in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death, unless the Member or former Member is eligible for and makes an election of an optional form of payment under Section 4.06(b).
- (iii) A married former Member entitled to, but not in receipt of, a retirement allowance or vested benefit as of August 23, 1984 who terminated service on or after September 2,

1974 but before January 1, 1976 may elect, during the period beginning on August 23, 1984 and ending on his or her Annuity Starting Date, to have his or her retirement allowance or vested benefit payable in accordance with the provisions of this Section 4.06(a).

(b) Optional Forms of Payment

- (i) Life Annuity Option - Any Member or former Member who retires or terminates employment with the right to a retirement allowance or vested benefit may elect, in accordance with the provisions of Section 4.06(d), to provide that the retirement allowance payable to him or her under Section 4.01, 4.02, 4.03 or 4.04 or the vested benefit payable to him or her under Section 4.05 shall be in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death.
- (ii) Contingent Annuity Option - Any Member who retires or terminates employment with the right to a retirement allowance may elect, in accordance with provisions of Section 4.06(d), to convert the benefit otherwise payable to him or her without optional modification under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, into one of the following alternative options in order to provide that after his or her death, a lifetime benefit shall be payable to the person who, when the option became effective, was designated by him or her to be his or her contingent annuitant. The optional benefit elected shall be the Equivalent Actuarial Value of the benefit otherwise payable without optional modification under Section 4.01, 4.02, 4.03 or 4.04.

Option 1 - A reduced retirement allowance payable during the Member's or former Member's life with the provision that after his or her death a benefit equal to 100% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

Option 2 - A reduced benefit payable during the Member's or former Member's life with the provision that after his or her death a benefit equal to 50% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

- (d) Election of Options - A Member or former Member may, subject to the provisions of this Section 4.06(d), elect to receive his or her retirement allowance or vested benefit in the optional form of payment described in Section 4.06(b)(i) or, in the case of a Member who retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04, in one of the optional forms of payment described in Section 4.06(b)(ii), in lieu of the automatic forms of payment described in Section 4.06(a). Notwithstanding the preceding sentence, a Member who retired on a disability retirement allowance may only elect an optional form of payment under this Section 4.06 to take effect on his or her Normal Retirement Date. A married Member's or a married former Member's election of a Life Annuity form of payment under Section 4.06(b)(i) or any optional form of payment under Section 4.06(b)(ii), which does not provide for monthly payments to his or her spouse for life after the Member's or former Member's death, in an amount equal to at least 50% but not more than 100% of the monthly amount payable under that form of payment to the Member or former Member and which is not of Equivalent Actuarial Value to the Automatic Joint and Survivor Annuity described

in Section 4.06(a) (i), shall be effective only with Spousal Consent; provided that such Spousal Consent to the election has been received by the Retirement Committee.

Any election made under Section 4.06(a) or Section 4.06(b) shall be made on a form approved by the Retirement Committee and may be made during the 90-day period ending on the Member's Annuity Starting Date, but not prior to the date the Member or former Member receives the written explanation described in Section 4.06(c). Any such election shall become effective on the Member's or former Member's Annuity Starting Date, provided the appropriate form is filed with and received by the Retirement Committee and may not be modified or revoked after his or her Annuity Starting Date. Any election made under Section 4.06(a) or Section 4.06(b) after having been filed, may be revoked or changed by the Member or former Member only by written notice received by the Retirement Committee before his or her election becomes effective on his or her Annuity Starting Date. Any subsequent elections and revocations may be made at any time and from time to time during the 90-day period ending on the Member's or former Member's Annuity Starting Date. A revocation shall be effective when the completed notice is received by the Retirement Committee. A re-election shall be effective on the Member's or former Member's Annuity Starting Date. If, however, the Member or the spouse or the contingent annuitant designated in the election dies before the election has become effective, the election shall thereby be revoked.

If a Member dies after his or her Annuity Starting Date, any payment continuing on to his or her spouse or contingent annuitant shall be distributed at least as rapidly as under the method of distribution being used as of the Member's date of death.

4.07 Survivor's Benefit Applicable Before the Annuity Starting Date

(a) Automatic Pre-Retirement Spouse's Benefit

- (i) Automatic Pre-Retirement Spouse's Benefit applicable before termination of employment - The surviving spouse of a Member who has completed 5 years of Eligibility Service and who does not have an effective election of the optional Pre-Retirement Survivor's Benefit under Section 4.07(b)(i) shall automatically receive a benefit payable under the automatic Pre-Retirement Spouse's Benefit of this Section 4.07(a)(i) in the event said Member should die after the effective date of coverage hereunder and before termination of employment. The benefit payable to the Member's spouse shall be equal to 50% of the benefit the Member would have received if the retirement allowance or vested benefit the Member was entitled to at his or her date of death had commenced as of the month in which his or her Normal Retirement Date would have occurred (or as of the month following the month in which his or her date of death occurred, if later) in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a)(i). Such benefit shall be payable for the life of the spouse commencing as of the month in which the Member's Normal Retirement Date would have occurred (or the month next following the month in which the Member's date of death occurred, if later). However, the Member's spouse may elect, by written application filed with the Retirement Committee, to have payments begin as of the last day of any calendar month on or after the date the former Member would have reached the 55th anniversary of his or her birth.

If the Member's spouse elects to commence payment of the automatic Pre-Retirement Spouse's Benefit prior to what would have been the Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on the standard early

retirement allowance or vested benefit to which the Member would have been entitled, had the Member elected to have payments commence to himself or herself on such earlier date in accordance with the provisions of Section 4.03(b) or Section 4.05(b).

However, if a Member had elected Option 1 under Section 4.06(b)(ii) within the 90-day period proceeding his or her Annuity Starting Date, with his or her spouse as contingent annuitant, the amount of benefit payable to the spouse shall be based on the provisions of Option 1, in lieu of the provisions of this Section 4.07(a)(i).

Coverage hereunder shall be applicable to a married Member in active service who has satisfied the eligibility requirements for a retirement allowance under Section 4.01(a), 4.02(a) or 4.03(a) or a vested benefit under Section 4.05(a) and shall become effective on the date the Member marries and shall cease on the earlier of (i) the date such active Member's marriage is legally dissolved by a divorce decree or (ii) the date such active Member's spouse dies.

- (ii) Automatic Pre-Retirement Spouse's Benefit applicable during disability retirement - The surviving spouse of a Member who is receiving a disability retirement allowance under Section 4.04 and who does not have an effective election of the optional Pre-Retirement Survivor's Benefit under Section 4.07(b)(ii) shall automatically receive a benefit payable under the automatic Pre-Retirement Spouse's Benefit of this Section 4.07(a)(ii) in the event said Member should die after the effective date of coverage thereunder and before Normal Retirement Date. The benefit payable to the Member's

spouse shall be equal to 50% of the benefit the Member was receiving prior to his date of death multiplied by the applicable factor in Table 1 of Schedule I based on the ages of the Member and his or her spouse on the Member's date of death. Such benefit shall be payable for the life of the spouse commencing as of the last day of the month of the Member's death.

However, if a Member had elected Option 1 under Section 4.06(b)(ii) within the 90-day period proceeding his or her Annuity Starting Date, with his or her spouse as contingent annuitant, the amount of benefit payable to the spouse shall be based on the provisions of Option 1, in lieu of the provisions of this Section 4.07(a)(ii).

Coverage hereunder shall be applicable to a married Member who has satisfied the eligibility requirements for a disability retirement allowance under Section 4.04(a) and shall become effective on the date the Member marries and shall cease on the earliest of (i) the date such Member's marriage is legally dissolved by a divorce decree or (ii) the date such Member's spouse dies.

- (iii) Automatic Pre-Retirement Spouse's Benefit applicable upon termination of employment - In the case of a Member or former Member who is married and entitled to a standard early retirement allowance under Section 4.03 or a vested benefit under Section 4.05, the provisions of this Section 4.07(a)(iii) shall apply to the period between the date his or her services are terminated or the date, if later, the Member or former Member is married and his or her Annuity Starting Date, or other cessation of coverage as later specified in this Section 4.07(a)(iii).

In the event of a married Member's or former Member's death during any period in which these provisions have not been waived or revoked by the Member or former Member and his or her spouse, the benefit payable to the Member's or former Member's spouse shall be equal to 50% of the standard early retirement allowance or vested benefit the Member or former Member would have received as of the month in which his or her Normal Retirement Date would have occurred if he or she had elected to receive such benefit in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a).

The spouse's benefit shall be payable for the life of the spouse commencing as of the month in which the Member's or former Member's Normal Retirement Date would have occurred. However, the Member's or former Member's spouse may elect, by written application filed with the Retirement Committee, to have payments begin as of any month following the month in which the Member or former Member would have reached the 55th anniversary of his or her birth (or following the month in which his or her date of death occurred, if later). If the Member's or former Member's spouse elects to commence payment of this automatic Pre-Retirement Spouse's Benefit prior to what would have been the Member's or former Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on the standard early retirement allowance or vested benefit to which the Member or former Member would have been entitled, had the Member or former Member elected to have payments commence to himself or herself on such earlier date in accordance with the provisions of Section 4.03(b) or Section 4.05(b).

However, if a Member or former Member had elected Option 1 under Section 4.06(b)(ii) within the 90-day period preceding his or her Annuity Starting Date, with his or her spouse as contingent annuitant, the amount of benefit payable to the spouse shall be based on the provisions of Option 1, in lieu of the provisions of this Section 4.07(a)(iii).

The vested benefit payable to a former Member whose spouse is covered under this Section 4.07(a)(iii) or, if applicable, the benefit payable to his or her spouse upon his or her death shall be reduced by the applicable percentages shown below. Such reduction shall apply to each month during which coverage is in effect for at least one day; provided, however, no reduction shall be made with respect to any period before the later of (1) the date the Retirement Committee furnishes the former Member the notice of his or her right to waive the automatic Pre-Retirement Spouse's Benefit or (2) the commencement of the election period specified in Section 4.07(c) below.

ANNUAL REDUCTION FOR SPOUSE'S COVERAGE
AFTER TERMINATION OF EMPLOYMENT
OTHER THAN RETIREMENT

Age ---	Reduction -----
Less than 40	1/10 of 1% per year
40 but prior to 50	2/10 of 1% per year
50 but prior to 55	3/10 of 1% per year
55 but prior to 60	5/10 of 1% per year
60 but less than 65	1% per year

(b) Optional Pre-Retirement Survivor's Benefit

The term "Beneficiary" for purposes of this Section 4.07(b) shall mean any person named by the Member by written designation to receive benefits payable under the optional Pre-Retirement Survivor's Benefit; provided, however, that for any married Member the term "Beneficiary" shall

automatically mean the Member's spouse and any prior designation to the contrary will be canceled, unless the Member, with Spousal Consent, designates otherwise. An election of a non-spouse Beneficiary by a married Member shall be effective only if accompanied by Spousal Consent and such Spousal Consent has been received by the Retirement Committee. The Retirement Committee shall resolve any questions arising hereunder as to the meaning of "Beneficiary" on a basis uniformly applicable to all Members similarly situated.

- (i) Optional Pre-Retirement Survivor's Benefit in Active Service After Normal Retirement Date - A Member in active service after his or her Normal Retirement Date may elect a Pre-Retirement Survivor's Benefit with a non-spouse Beneficiary pursuant to this Section 4.07(b)(i); provided, however, that if such Member is married, he or she must first make an effective waiver of the automatic Pre-Retirement Spouse's Benefit under Section 4.07(a)(i) pursuant to Section 4.07(c).

In the event of a Member's death during any period in which the Pre-Retirement Survivor's Benefit provided in this Section 4.07(b)(i) is in effect, the benefit payable to the Member's Beneficiary shall be equal to 50% of the retirement allowance the Member would have received on his or her date of death if he or she had elected to receive such benefit in the form of Option 2 under Section 4.06(b)(ii). The Pre-Retirement Survivor's Benefit shall be payable for the life of the Beneficiary commencing on the last day of the month following the Member's death.

- (ii) Optional Pre-Retirement Survivor's Benefit During Disability - In the case of a Member retired due to disability under the provisions of

Section 4.04, the provisions of this Section 4.07(b)(ii) shall apply to the period between his or her Disability Retirement Date and his or her Normal Retirement Date.

The Member may elect the optional Pre-Retirement Survivor's Benefit under Option A or B below; provided, however, that a married Member may not elect Option A below with his spouse as Beneficiary.

Option A - The disability retirement allowance payable to the Member prior to his or her Normal Retirement Date shall be equal to the retirement allowance the Member would have received on his or her Disability Retirement Date if he or she had elected to receive such retirement allowance in the form of Option 2 under Section 4.06(b)(ii). In the event of the Member's death during any period in which this Option A is in effect, the benefit payable during the life of, and to, his or her Beneficiary shall be equal to 50% of the Member's disability retirement allowance calculated in accordance with the prior sentence, and shall commence on the last day of the month following the Member's death.

Option B - The disability retirement allowance payable to the Member prior to his or her Normal Retirement Date shall be equal to the retirement allowance the Member would have received on his or her Disability Retirement Date if he or she had elected to receive such retirement allowance in the form of Option 1 under Section 4.06(b)(ii). In the event of the Member's death during any period when this Option B is in effect, the benefit payable during the life of, and to, his or her Beneficiary shall be equal to 100% of the Member's disability retirement allowance calculated in accordance with the prior sentence, and shall commence on the last day of the month following the Member's death.

A Member who is eligible for a disability retirement allowance under Section 4.04 may elect the optional Pre-Retirement Survivor's Benefit pursuant to this Section 4.07(b)(ii); provided, however, that if such Member is married and elects a Beneficiary other than his or her spouse, he or she must first make an effective waiver of the automatic Pre-Retirement Spouse's Benefit under Section 4.07(a)(ii) pursuant to Section 4.07(c). In order to elect the optional Pre-Retirement Survivor's Benefit under this Section 4.07(b)(ii), the Member shall, at his or her Disability Retirement Date, complete such forms as are required under this Section 4.07(b)(ii) and, if he or she elects this optional Pre-Retirement Survivor's Benefit, coverage hereunder shall be effective as of his or her Disability Retirement Date. A Member will be deemed to have waived coverage under this Section 4.07(b)(ii) if he or she does not file the appropriate forms with the Retirement Committee at his or her Disability Retirement Date.

- (c) The Retirement Committee shall furnish to each Member and former Member a written explanation which describes (i) the terms and conditions of the automatic Pre-Retirement Spouse's Benefit and the optional Pre-Retirement Survivor Benefit, (ii) the Member's or former Member's right to make, and the effect of, an election to waive the automatic Pre-Retirement Spouse's Benefit and to elect the optional Pre-Retirement Survivor's Benefit, (iii) the rights of the Member's or former Member's spouse, and (iv) the right to make, and the effect of, a revocation of such a waiver. Such written explanation shall be furnished (A) to each Member in active service within the period beginning one year prior to his or her attainment of his or her Normal Retirement Date and ending one year after his or her attainment thereof, (B) to each Member or former Member who has terminated service before the first anniversary of the date he or she terminated service, and (C) to each

Member eligible for a disability retirement allowance before his or her Disability Retirement Date, and shall be furnished to such Member or former Member even though he or she is not married.

The period during which the Member may make an election to waive the automatic Pre-Retirement Spouse's Benefit provided under Section 4.07(a) (i) and to elect in lieu thereof the optional Pre-Retirement Survivor's Benefit under Section 4.07(b) (i) shall begin not later than his or her Normal Retirement Date and end on his or her Annuity Starting Date or, if earlier, his or her date of death. The period during which the Member may make an election to waive the automatic Pre-Retirement Spouse's Benefit provided under Section 4.07(a) (ii) and to elect in lieu thereof the optional Pre-Retirement Survivor's Benefit under Section 4.07(b) (ii) shall begin not later than on the date he or she becomes disabled and end on his or her Disability Retirement Date. The period during which the former Member may make an election to waive the automatic Pre-Retirement Spouse's Benefit provided under Section 4.07(a) (iii) shall begin not later than the date his or her employment terminates and end on his or her Annuity Starting Date or, if earlier, his or her date of death. Any waiver, revocation or re-election of the automatic Pre-Retirement Spouse's Benefit shall be made on a form provided by the Retirement Committee and any waiver or revocation shall require Spousal Consent. If, upon termination of employment, the former Member waives coverage hereunder in accordance with administrative procedures established by the Retirement Committee for all Members similarly situated, such waiver shall be effective as of the Member's or former Member's Severance Date. Any later re-election or revocation under Section 4.07(a) (iii) shall be effective when the completed form is received by the Retirement Committee. If a Member or former Member dies during the period when a waiver is in effect, there shall be no benefits payable to his or her spouse under the provisions of this Section 4.07, unless an effective election under Section 4.07(b) (i) or (ii) is in effect and the spouse is the Beneficiary.

Except as described above in the event of a waiver or revocation, coverage under Section 4.07(a) (i), (ii) or (iii) shall cease to be effective upon a Member's or former Member's Annuity Starting Date, or upon the date a Member's or former Member's marriage is legally dissolved by a divorce decree, or upon the death of the spouse, whichever event shall first occur.

Coverage under Section 4.07(b) (i) shall cease to be effective upon a Member's Annuity Starting Date, upon the death of the Beneficiary, or upon the marriage of an unmarried Member, whichever event shall first occur. Coverage under Section 4.07(b) (ii) shall cease to be effective upon a Member's Annuity Starting Date, upon the death of the Beneficiary, upon the marriage of an unmarried Member, or upon the cessation of a Member's Total and Permanent Disability, whichever event shall first occur.

- (d) Any election made under Section 4.07 (including any waiver or revocation thereof) shall be made on a form approved by and filed with the Retirement Committee and in accordance with the term "Beneficiary" as defined in this Section 4.07.
- (e) Notwithstanding the provisions of Section 4.07(a), a Member or former Member whose employment terminated on or after January 1, 1976 and prior to August 23, 1984 and who is entitled to a retirement allowance or vested benefit pursuant to the provisions of Section 4.03 or 4.05, but who is not yet in receipt thereof, may elect, on or after August 23, 1984 and prior to the commencement of such retirement allowance or vested benefit, to have the provisions of Section 4.07(a) (iii) apply to him or her.

4.10 Payment of Benefits

- (a) Unless otherwise provided under an optional benefit elected pursuant to Section 4.06, the survivor's benefit available under Section 4.07 or the provisions of Section 4.10(e)(ii), all retirement allowances, vested benefits or other benefits payable will be paid in monthly installments for each month beginning with (i) the month in which the Member has reached his or her Normal Retirement Date and has retired from active service, (ii) the month in which a Member has reached his or her Postponed Retirement Date and retired from active service, (iii) the month next following the month in which a Member or former Member files a proper application requesting commencement of his or her vested benefit, standard early retirement allowance or disability retirement allowance, or (iv) the month in which benefits under an optional benefit under Section 4.06 or the survivor's benefits under Section 4.07 become payable, whichever is applicable. Such monthly installments shall cease with the payment for the month preceding the month in which the recipient dies. In no event shall a retirement allowance or vested benefit be payable to a Member who continues in or resumes active service with the Company or an Associated Company for any period between his or her Normal Retirement Date and Postponed Retirement Date, except as provided in Sections 4.02(d) and 4.10(e).
- (b) In any case, a lump sum payment equal to the retirement allowance or vested benefit payable under Section 4.01, 4.02, 4.03, 4.04 or 4.05 or any pre-retirement spouse's benefit payable under Section 4.07(a) multiplied by the appropriate factor contained in Table 3 of Schedule I shall be made in lieu of any retirement allowance or vested benefit payable to a Member or former Member or any pre-retirement spouse's benefit payable to a spouse of a Member or a former Member, if the lump sum present value of such benefit amounts to \$3,500 (\$5,000 effective January 1, 1998) or less. For distributions prior to September 1, 1995, however, in no event shall that adjustment factor

produce a lump sum that is less than the amount determined by using the interest rate assumption used by the Pension Benefit Guaranty Corporation for valuing benefits for determining lump sum payments under single employer plans that terminate on January 1 of the Plan Year in which the Annuity Starting Date occurs. For distributions on or after September 1, 1995, in no event shall that adjustment factor produce a lump sum that is less than the amount determined by using the "Applicable Mortality Table" (as such term is defined in Code Section 417(e)(3)(A)(ii)(II)) and the interest rate on 30-year Treasury Securities for December of the year preceding the Plan Year in which the Annuity Starting Date occurs. The lump sum payment shall be made as soon as administratively practicable following the date the Member has terminated employment or died, but in any event prior to the date his or her benefit payment would have otherwise commenced.

In the event a Member is not entitled to any retirement allowance or vested benefit upon his or her termination of employment, he or she shall be deemed "cashed-out" under the provisions of this paragraph (b) as of the date he or she terminated service.

4.11 Re-employment of former Member or retired Member

(b) Optional forms of pension benefits

If the Member is reemployed, any previous election of an optional benefit under Section 4.06 or a survivor's benefit under Section 4.07 shall be revoked.

(c) Benefit payments at subsequent termination or retirement

- (i) In accordance with the procedure established by the Retirement Committee on a basis uniformly applicable to all Members similarly situated, upon the subsequent retirement of a Member in service after his or her Normal Retirement Date, payment of such Member's

retirement allowance shall resume no later than the third month after the final month during the reemployment period in which he or she completes at least 40 Hours of Service.

- (ii) Upon the subsequent retirement or termination of employment of a retired or former Member, the Retirement Committee shall, in accordance with rules uniformly applicable to all Members similarly situated, determine the amount of vested benefit or retirement allowance which shall be payable to such Member at such subsequent retirement or termination. Such vested benefit or retirement allowance shall be reduced by an amount of Equivalent Actuarial Value to the benefits, if any, other than disability retirement allowance payments, he or she received before the earlier of the date of his or her restoration to service or his or her Normal Retirement Date, provided that no such reduction shall reduce such retirement allowance or vested benefit below the original amount of retirement allowance or vested benefit earned but not received or retirement allowance or vested benefit previously received by such Member in accordance with the terms of the Plan in effect during such previous employment, adjusted to reflect the election of any survivor's benefits pursuant to Section 4.07(a)(iii).

4.16 Minimum Adjusted Benefit

- (a) The adjustment factor applied to a retirement allowance or vested benefit payable to any Member or former Member who terminates employment on or after October 1, 1985, or to the Beneficiary of such Member or former Member, shall not result in a retirement allowance or vested benefit which is less than the adjusted retirement allowance or vested benefit which would have been payable to such Member, former Member or Beneficiary under the provisions of the Southeast

Forest Plan as in effect on September 30, 1985 based on Benefit Service rendered up to and including September 30, 1985.

- (b) The adjustment factor applied to a retirement allowance or vested benefit payable to any Member or former Member who terminates employment on or after January 1, 1989, or to the Beneficiary of such Member or former Member, shall not result in a retirement allowance or vested benefit which is less than the adjusted retirement allowance or vested benefit which would have been payable to such Member, former Member or Beneficiary under the provisions of the Southeast Forest Plan as in effect on December 31, 1988 based on Benefit Service rendered up to and including December 31, 1988.

SCHEDULE II

(SOUTHEAST FOREST RESOURCES)

Effective as of September 1, 1986, the Retirement Allowances payable to the following retired Members, contingent annuitants or surviving spouses shall be supplemented in the amounts listed below, and shall be payable after the death of a Member in accordance with the provisions of Section 4.06 of the Plan, if applicable.

NAME -----	SOCIAL SECURITY NO. -----	MONTHLY SUPPLEMENT -----
Homer Betts	###-##-####	\$ 21.50
Carl M. Harrell	###-##-####	11.00
Bessie Mae Hill	###-##-####	16.00
Ernest Johnson	###-##-####	20.50
W. J. Kemp	###-##-####	21.00
John L. Kirkland, Sr.	###-##-####	15.00
R. L. Lauramore	###-##-####	14.50
Robert D. McIntosh	###-##-####	20.00
Henry Mikulka	###-##-####	18.50
Carlton B. Persall	###-##-####	17.50
Mark M. Roberts	###-##-####	19.50
Elizabeth J. Robson	###-##-####	19.50
Dean Rossin	###-##-####	11.00
McKinley Taylor	###-##-####	14.00
Harold D. Thomas	###-##-####	14.00
Leonard Thrift	###-##-####	16.50
Winnie B. William	###-##-####	17.50

SCHEDULE II

(SOUTHEAST FOREST RESOURCES)

Effective as of October 1, 1988, the Retirement Allowances payable to the following retired Members, contingent annuitants or surviving spouses shall be supplemented in the amounts listed below, and shall be payable after the death of a Member in accordance with the provisions of Section 4.06 of the Plan, if applicable.

NAME -----	SOCIAL SECURITY NO. -----	MONTHLY SUPPLEMENT -----
Homer Betts	###-##-####	\$ 32.45
David Burdette	###-##-####	40.64
Joyce M. Fitzgerald	###-##-####	10.00
Edward M. Hickox	###-##-####	15.16
Bessie Mae Hill	###-##-####	29.13
Ernest Johnson	###-##-####	11.91
Winnie B. Jones	###-##-####	10.61
W. J. Kemp	###-##-####	22.31
John L. Kirkland, Sr.	###-##-####	55.03
R. L. Lauramore	###-##-####	62.86
Robert D. McIntosh	###-##-####	68.89
Ruth C. Mikulka	###-##-####	28.05
Carlton B. Persall	###-##-####	13.68
Jessie Mae Reed	###-##-####	10.00
Mark M. Roberts	###-##-####	79.01
Elizabeth Robson	###-##-####	31.80
Dean Rossin	###-##-####	70.66
Allen Rossin, Jr.	###-##-####	33.19
Joe G. Rozier	###-##-####	16.70
Tot. W. Sowell	###-##-####	29.57
Clyde L. Sullivan	###-##-####	39.46
McKinley Taylor	###-##-####	18.07
Lonnie A. Thomas	###-##-####	10.00
Leonard Thrift	###-##-####	31.87
Ollie Lee Trail	###-##-####	22.03
Hugh L. Turner	###-##-####	10.00

SCHEDULE II

(SOUTHEAST FOREST RESOURCES)

Effective as of January 1, 1996, the Retirement Allowance payable to the following retired Members, contingent annuitants or surviving spouses shall be supplemented in the amounts listed below, and shall be payable after the death of a Member in accordance with the provisions of Section 4.06 of the Plan.

NAME -----	SOCIAL SECURITY NO. -----	MONTHLY SUPPLEMENT -----
David Burdette	###-##-####	\$ 29.69
Joyce M. Fitzgerald	###-##-####	13.38
James W. Godwin	###-##-####	10.00
Edward M. Hickox	###-##-####	63.65
Bessie Mae Hill	###-##-####	21.32
Winnie B. Jones	###-##-####	10.00
John L. Kirkland	###-##-####	40.13
Robert D. McIntosh	###-##-####	50.27
Ruth C. Mikulka	###-##-####	21.82
Jessie Mae Reed	###-##-####	17.49
Allen Rossin, Jr.	###-##-####	40.43
Dean Rossin	###-##-####	51.60
Joe G. Rozier	###-##-####	70.12
Dewey Sapp	###-##-####	25.55
Myrtle Sowell	###-##-####	10.00
Ruby Aleene Sullivan	###-##-####	24.11
Mc Kinley Taylor	###-##-####	13.23
Lonnie A. Thomas	###-##-####	30.72
Jack Thrift	###-##-####	11.03
Ollie Lee Trail	###-##-####	60.71
Hugh L. Turner	###-##-####	28.81

RAYONIER INC.

I, John P. O'Grady, do hereby certify that I am the Senior Vice President, Administration of Rayonier Inc., and that pursuant to the authority granted me in resolutions adopted by the Compensation and Management Development Committee of the Board of Directors on July 18, 1997, I adopted the following preambles and resolutions:

WHEREAS, Rayonier Inc. (the "Company") maintains the Rayonier Inc. Excess Benefit Plan ("Excess Plan") for the benefit of employees of the Company who are eligible to participate thereunder; and

WHEREAS, pursuant to Section 4.01 of the Plan, the Compensation and Management Development Committee of the Board of Directors (the "Committee") reserves the right to amend the Excess Plan, subject to certain conditions not now relevant; and

WHEREAS, the Committee deems it advisable to amend the Excess Plan to (1) clarify that benefits will be paid from the Excess Plan that would have been payable from the Retirement Plan for Salaried Employees of Rayonier Inc. ("Retirement Plan") upon a change of ownership or management of the company but for the limitations on benefits and pensionable compensation in the Retirement Plan and (2) make other technical changes that the actuary for the Excess Plan deems appropriate;

NOW, THEREFORE, it is

RESOLVED, that the Excess Plan shall be, and hereby is, amended as follows:

1. The first sentence of Section 2.02 is amended by deleting the phrase "or 4.05" and substituting the phrase "4.05, 8.06(c), or 8.06(d)" in its stead.

2. Section 2.04(c) is amended by deleting the phrase "determined in accordance with Section 4.10(b) of the Retirement Plan" and substituting the following in its stead:

"determined by using the interest rate assumption used by the Pension Benefit Guaranty Corporation for valuing benefits for single employer plans that terminate in the month in which his applicable retirement date under the Retirement Plan is effective, and the 1984 George B. Buck Unisex Mortality Table, 75% male, 25% female."

3. The last sentence of Section 4.03 is amended by deleting the phrase "4.10(b) of the Retirement Plan" and substituting the phrase "2.04(c)" in its stead.

and be it further

RESOLVED, that a proper officer or officers of the Company are hereby authorized and empowered to do or cause to be done all such further acts and things as shall be necessary and proper to implement the foregoing resolution.

Dated: August 18, 1997

/s/ John P. O'Grady

John P. O'Grady

Senior Vice President, Human Resources

RAYONIER INC. EXCESS SAVINGS
AND DEFERRED COMPENSATION PLAN
(Amended and Restated
Effective July 18, 1997)

RAYONIER INC. EXCESS SAVINGS AND DEFERRED COMPENSATION PLAN

(Amended and Restated Effective January 1, 1997)

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RAYONIER INC. EXCESS SAVINGS AND DEFERRED COMPENSATION PLAN

(Amended and Restated Effective January 1, 1997)

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ARTICLE I. THE PLAN

1.1 ESTABLISHMENT OF THE PLAN

Rayonier Inc. heretofore established and presently maintains an unfunded supplemental retirement plan for eligible salaried Employees, effective as of March 1, 1994, known as the "Rayonier Inc. Excess Savings Plan" (hereinafter referred to as the "Plan"). Effective September 1, 1995, the Plan is amended and restated and shall be known as the "Rayonier Inc. Excess Savings and Deferred Compensation Plan".

1.2 PURPOSE

The Plan is intended to provide Employees with contributions lost due to restrictions on defined contribution plans under sections 401(a)(17), 401(k), 401(m), 402(g), and 415 of the Internal Revenue Code of 1986, as amended, which primarily affect higher-paid Employees. The intent is to provide these Employees with allocations under this Plan that, when added to such Employees' contributions under the Rayonier Investment and Savings Plan for Salaried Employees, will be similar to contributions other Employees can receive under such plan. Effective September 1, 1995, the Plan is amended to provide Employees with an opportunity to defer that portion of the Employee's Base Salary in excess of the qualified plan limitation under section 401(a)(17) of the Internal Revenue Code of 1986, as amended, which primarily impacts higher-paid Employees. The Plan is also intended to provide these Employees with the opportunity to defer all or any portion of bonus otherwise payable for a Plan Year. The Plan is intended to be an unfunded plan under the Employee Retirement Income Security Act of 1974, as amended, that is maintained for the purpose of providing deferred compensation for a select group of management or highly compensated Employees.

ARTICLE II. DEFINITIONS

2.1 DEFINITIONS

Capitalized terms used in the Plan shall have the respective meanings set forth below:

- (a) "ACCOUNTS" shall mean a Participant's Excess Savings Account (comprised of an Excess Basic Savings Account, an Excess Matching Company Contribution Account, and an Excess Retirement Contribution Account), an Excess Base Salary Deferral Account, and a Bonus Deferral Account.
- (b) "BASE SALARY" shall mean an Employee's compensation from the Company at the Employee's base rate, determined prior to any election by the Participant pursuant to section 401(k) or 125 of the Code, excluding any overtime, bonus, foreign service allowance, or any other form of compensation.
- (c) "BASIC SAVINGS" shall have the meaning set forth in the Qualified Plan.
- (d) "BENEFICIARY" shall mean the person designated under section 4.10.
- (e) "BONUS DEFERRAL" shall mean the amount of annual bonus that the Participant elects to defer under section 4.3.
- (f) "BONUS DEFERRAL ACCOUNT" shall mean the account established for the Participant on the books of the Company under section 4.1.
- (g) "BONUS DEFERRAL AGREEMENT" shall mean a written agreement between the Company and the Participant to defer all or a portion of the Participant's annual bonus, as described in section 4.3.
- (h) "CHANGE OF CONTROL" hereto meaning specified in the Retirement Plan for Salaried Employees of Rayonier Inc. as amended effective July 18, 1997, and as the same may be hereafter amended from time to time prior to the occurrence of a Change in Control.
- (i) "CODE" means the Internal Revenue Code of 1986, as amended.
- (j) "COMPANY" shall have the meaning set forth in the Qualified Plan.
- (k) "EMPLOYEE" shall have the meaning set forth in the Qualified Plan.
- (l) "EXCESS BASE SALARY" shall mean that portion of the Employee's Base Salary that exceeds the annual indexed dollar amount under section 401(a)(17) of the Code.

- (m) "EXCESS BASE SALARY DEFERRAL ACCOUNT" shall mean the account established for the Participant on the books of the Company under section 4.1.
- (n) "EXCESS BASE SALARY DEFERRAL AGREEMENT" means a written agreement between the Company and the Participant to defer all or a portion of the Participant's Excess Base Salary, as described in section 4.2(b).
- (o) "EXCESS BASE SALARY DEFERRALS" means the amount of Excess Base Salary that the Participant elects to defer, as described in section 4.2(b).
- (p) "EXCESS BASIC SAVINGS" means those amounts deferred by the Participant under section 4.2(a).
- (q) "EXCESS BASIC SAVINGS ACCOUNT" means an account established for the Participant on the books of the Company under section 4.1 to which the Participant's Excess Basic Savings are credited.
- (r) "EXCESS BASIC SAVINGS AGREEMENT" means a written agreement between the Company and the Participant to defer a portion of the Participant's Excess Base Salary, as described in section 4.2(a).
- (s) "EXCESS MATCHING COMPANY CONTRIBUTION" means the amount credited to the Participant under section 4.4.
- (t) "EXCESS MATCHING COMPANY CONTRIBUTION ACCOUNT" shall mean the account established for the Participant on the books of the Company under section 4.1.
- (u) "EXCESS RETIREMENT CONTRIBUTION" means the amount credited to the Participant under section 4.5.
- (v) "EXCESS RETIREMENT CONTRIBUTION ACCOUNT" shall mean the account established for the Participant on the books of the Company under section 4.1.
- (w) "EXCESS SAVINGS ACCOUNT" shall mean an account comprised of an Excess Basic Savings Account, an Excess Matching Company Contribution Account, and an Excess Retirement Contribution Account.
- (x) "MATCHING COMPANY CONTRIBUTION" shall have the meaning set forth in the Qualified Plan.
- (y) "PARTICIPANT" means an Employee who participates in the Plan pursuant to Article III.
- (z) "PLAN ADMINISTRATOR" means the entity described in Article VI.

- (aa) "PLAN YEAR" means the plan year of the Qualified Plan.
- (bb) "QUALIFIED PLAN" means the Rayonier Investment and Savings Plan for Salaried Employees, which is intended to be qualified under section 401(a) of the Code.
- (cc) "RETIREMENT CONTRIBUTION" shall have the meaning set forth in the Qualified Plan.
- (dd) "TERMINATION OF EMPLOYMENT" shall have the meaning set forth in the Qualified Plan.
- (ee) "VALUATION DATE" shall have the meaning set forth in the Qualified Plan.

2.2 GENDER AND NUMBER

Unless the context clearly requires otherwise, the masculine pronoun whenever used shall include the feminine and neuter pronoun, and the singular shall include the plural.

ARTICLE III. PARTICIPATION

3.1 ELIGIBILITY

Each management Employee or highly compensated Employee who participates in the Qualified Plan and whose Base Salary exceeds the annual indexed dollar amount under section 401(a)(17) of the Code shall be eligible to participate in the Plan; provided, however, that an Employee shall be eligible to participate with respect to a Plan Year only if the Employee has made the maximum Basic Savings permitted under the terms of the Qualified Plan for such Plan Year.

3.2 COMMENCEMENT

Each Employee who is a Participant prior to the date of this amended and restated Plan shall continue to be a Participant on September 1, 1995. Each other Employee shall become a Participant on the first day of the month coincident with or next following the date he satisfies the eligibility requirements. Notwithstanding the foregoing, an Employee participating in the Plan in 1995 may execute an Excess Base Salary Deferral Agreement and/or a Bonus Deferral Agreement no later than September 1, 1995, with respect to Excess Base Salary payable for the remainder of 1995 and/or any bonus payable for 1995.

3.3 TERMINATION OF ELIGIBILITY

An individual shall cease to be a Participant as of the date such individual ceases to meet all of the requirements of section 3.1 above; provided however, that benefits accrued as of such date shall not be reduced and shall be paid as provided herein.

ARTICLE IV. EXCESS SAVINGS AND CONTRIBUTIONS

4.1 ACCOUNTS

The Company shall establish and maintain as a bookkeeping entry an Excess Savings Account (with separate bookkeeping entries for the Excess Basic Savings Account, the Excess Matching Company Contribution Account, and the Excess Retirement Contribution Account), an Excess Base Salary Deferral Account, and a Bonus Deferral Account for each Participant. During each Plan Year, the Company shall credit to the appropriate Account the amounts described in this Article IV.

4.2 BASE SALARY

- (a) EXCESS BASIC SAVINGS. Each Employee described in section 3.1 may enter into an Excess Basic Savings Agreement with the Company under which the Participant elects to defer up to 6 percent of the Excess Base Salary that would otherwise be payable to him each payroll period during each subsequent Plan Year. Such election shall be irrevocable and shall remain in effect for such Plan Year and all subsequent Plan Years unless the Participant, prior to the beginning of a Plan Year, elects to revoke or amend the Excess Basic Savings Agreement. An Excess Basic Savings Agreement may be reinstated or amended prior to the beginning of any Plan Year for Excess Base Salary payable in that Plan Year. Notwithstanding the foregoing, an Employee who becomes eligible during a Plan Year to participate in the Plan may execute an Excess Basic Savings Agreement with respect to unearned Excess Base Salary within 30 days of becoming eligible. The Company shall credit the Excess Basic Savings to the Participant's Excess Basic Savings Account as of the payroll period to which the Excess Basic Savings relates.
- (b) EXCESS BASE SALARY DEFERRAL. Each Employee described in section 3.1 may enter into an Excess Base Salary Deferral Agreement with respect to any Plan Year in which Excess Base Salary is otherwise payable to the Employee. Prior to the beginning of such Plan Year, the Employee may elect to defer all or any portion (but not less than \$10,000) of such Excess Base Salary otherwise payable to him during such Plan Year; provided, however, that such deferral shall first be reduced by the amount of Excess Basic Savings contributed under section 4.2(a). Such Excess Base Salary Deferral Agreement shall remain in effect for such Plan Year and shall be irrevocable. Notwithstanding the foregoing, an

Employee who becomes eligible during a Plan Year to participate may execute an Excess Base Salary Deferral Agreement with respect to unearned Excess Base Salary within 30 days of becoming eligible. The Company shall credit the Excess Base Salary Deferral to the Participant's Excess Base Salary Deferral Account as of the payroll period to which the Excess Base Salary Deferral relates.

4.3 BONUS DEFERRAL

An Employee described in section 3.1 may enter into a Bonus Deferral Agreement with the Company under which the Participant elects to defer all or any portion of any bonus (but not less than \$10,000) that would otherwise be payable to him during a Plan Year. Such Bonus Deferral Agreement shall be entered into by the Participant and the Company on or prior to the December 1 preceding the beginning of the Plan Year for which services are rendered with respect to the bonus, shall remain in effect for the Plan Year, and shall be irrevocable; provided, however, that an election with respect to any bonus payable in 1996 attributable to services rendered in 1995 shall be made no later than September 1, 1995. The Company shall credit the above amounts to the Participant's Bonus Deferral Account as of the payroll period to which the deferral relates.

4.4 EXCESS MATCHING COMPANY CONTRIBUTION ACCOUNT

During each Plan Year, the Company shall credit to a Participant's Excess Matching Company Contribution Account an amount that is equal to 60 percent of Excess Basic Savings for that Plan Year, but in no event more than an amount equal to 3.6 percent of Excess Base Salary; provided, however that Excess Basic Savings prior to July 1, 1995 shall be credited with an amount that is equal to 50 percent of Excess Basic Savings (but in no event more than an amount equal to 3 percent of Excess Base Salary). The Excess Matching Company Contribution shall be credited to the Participant's Excess Matching Company Contribution Account as of the same date or dates that the Excess Basic Savings are allocated to the Participant's Excess Basic Savings Account.

4.5 EXCESS RETIREMENT CONTRIBUTIONS

During each Plan Year, the Company shall credit to a Participant's Excess Retirement Contribution Account an amount that is equal to the difference between the amount in (a) and the amount in (b) where --

(a) is an amount equal to one-half of one percent of the Participant's Base

Salary for the Plan Year, and

- (b) is an amount equal to the amount of the Retirement Contribution allocated to the Participant's Account for such Plan Year pursuant to the Qualified Plan.

The Excess Retirement Contribution shall be credited to the Participant's Excess Retirement Contribution Account as of the same date or dates that the Retirement Contribution under the Qualified Plan is actually allocated to the Participant's Account under the Qualified Plan.

4.6 ADJUSTMENT TO ACCOUNTS

As of each Valuation Date, the Excess Base Salary Deferral Account and the Bonus Deferral Account of each Participant shall be credited or debited on the books of the Company with a gain or loss equal to the adjustment that would be made if assets equal to each such Account had been invested with a rate of return equal to the rate of return of 10-Year Treasury Notes (adjusted monthly) plus 1.5 percent. As of each Valuation Date, the Excess Savings Account of each Participant shall be credited or debited on the books of the Company with a gain or loss equal to the adjustment that would be made if assets equal to such Account had been invested in Fund C, as described in section 6.1 of the Qualified Plan, or in any successor to Fund C.

4.7 VESTING

Except as provided in section 4.9, a Participant shall have a nonforfeitable right to amounts credited to the Participant's Accounts.

4.8 DATE OF PAYMENT

A Participant's Excess Savings Account shall be payable upon the Participant's Termination of Employment. At the time the Participant executes the Excess Base Salary Deferral Agreement and the Bonus Deferral Agreement, the Participant shall designate the date upon which the amounts deferred under such agreements shall become payable. Such amounts may be made payable either before, after, or upon the Participant's Termination of Employment; provided, however, that, subject to the provisions of section 4.9, such election shall be irrevocable.

4.9 FORM OF PAYMENT

- (a) EXCESS BASE SALARY AND BONUS DEFERRAL. At the time the Participant executes the Excess Base Salary Deferral Agreement and the Bonus Deferral Agreement, the Participant shall elect one of the following

forms of payment for amounts credited to the Excess Base Salary Deferral Account and one of the following forms of payment for amounts credited to the Bonus Deferral Account:

- (1) LUMP SUM. The Participant shall receive a single sum cash payment equal to the amount credited to such Account.

- (2) INSTALLMENTS. The Participant shall receive the amount credited to such Account in equal annual installments payable over a period not exceeding 15 years. Earnings shall continue to be credited on the unpaid amounts.

In the event the Participant changes any of the foregoing elections prior to the date of payment or changes the time of payment elected under section 4.8, then, notwithstanding the provisions of section 4.7 and except as provided in section 4.11, the Participant shall forfeit 6 percent of the amount otherwise payable to the Participant under such election, and such forfeited amount shall cease to be an obligation of the Company and the Plan.

- (b) EXCESS SAVINGS ACCOUNT. Within 30 days after becoming a Participant, the Participant shall execute an Excess Basic Savings Agreement and elect one of the following forms of payment for amounts credited to the Excess Savings Account:

- (1) LUMP SUM. The Participant shall receive a single sum cash payment equal to the amount credited to the Excess Savings Account.
- (2) INSTALLMENTS. The Participant shall receive the amount credited to the Excess Savings Account in equal annual installments payable over a period not exceeding 15 years. Earnings shall continue to be credited on the unpaid amounts.

In the event the Participant changes the foregoing election prior to the date of payment, then, notwithstanding the provisions of section 4.7 and except as provided in section 4.11, the Participant shall forfeit 6 percent of the amount otherwise payable to the Participant under such election, such forfeited amount shall cease to be an obligation of the Company and the Plan, and no subsequent changes may be made by the Participant.

- (c) PARTICIPANTS PRIOR TO SEPTEMBER 1, 1995. A Participant in the Plan prior to September 1, 1995 shall make an election as to form of payment with respect to deferrals credited to his Accounts as of that date no later than September 1, 1995.

4.10 DEATH BENEFITS

At the time the Participant executes the Excess Basic Savings Agreement, the Excess Savings Account election, the Excess Base Salary Deferral Agreement, and the Bonus Deferral Agreement, the Participant shall designate a Beneficiary to receive death benefits payable under this section 4.10. In the event of the death of the Participant prior to full payment of amounts credited to the Participant's Accounts, the unpaid amounts shall be paid as soon as practicable in a single sum cash payment to the Beneficiary. If no

Beneficiary is designated or if no Beneficiary survives the Participant, the Participant's surviving spouse or, in the case of an unmarried Participant, the designated Beneficiary under the Rayonier Salaried Life Insurance Plan shall be the Beneficiary. In the event that no spouse survives the Participant or, in the case of an unmarried Participant, that the life insurance benefits have been assigned or that no Beneficiary has been designated under the Rayonier Salaried Life Insurance Plan, the Beneficiary shall be the Participant's estate.

4.11 HARDSHIP WITHDRAWALS

Notwithstanding the provisions of section 4.9, a Participant may, prior to the date payment of his Accounts is otherwise to be made, request a financial hardship withdrawal from any of his Accounts. A hardship withdrawal shall be available only upon a determination by the Company's Senior Vice President, Human Resources, that the Participant has suffered a severe and unanticipated emergency caused by an event that is beyond the control of the Participant. The amount of the withdrawal shall be limited to the amount necessary to satisfy the hardship. The Company's Senior Vice President, Human Resources, shall examine all relevant facts and circumstances to determine whether the Participant has a financial hardship and may require a Participant to submit any and all documentation that he deems necessary to substantiate the existence of a financial hardship.

4.12 CHANGE OF CONTROL

Notwithstanding the provisions of sections 4.8 and 4.9, upon the occurrence of a Change of Control, a Participant shall receive a single sum cash payment equal to the amount credited to the Participant's Accounts.

ARTICLE V. RIGHTS OF PARTICIPANTS

5.1 CONTRACTUAL OBLIGATION

It is intended that the Company is under a contractual obligation to make payments under this Plan when due. The benefits under this Plan shall be paid out of the general assets of the Company.

5.2 UNSECURED INTEREST

No special or separate fund shall be established and no segregation of assets shall be made to assure the payment of benefits hereunder. No Participant hereunder shall have any right, title, or interest whatsoever in any specific asset of the Company. Nothing contained in this Plan and no action taken pursuant to its provisions shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

ARTICLE VI. ADMINISTRATION

6.1 ADMINISTRATION

The Plan shall be administered by the Company as Plan Administrator. The Plan Administrator may appoint one or more individuals and delegate such of its powers and duties described herein as it deems desirable to any such individual, in which case every reference herein made to the Plan Administrator shall be deemed to mean or include the individuals as to matters within their jurisdiction; provided, however, that in the absence of any contrary appointment or delegation, the authority, powers, and duties herein shall be assigned to the Company's Senior Vice President, Human Resources. The Plan Administrator shall, in its sole discretion, be authorized to construe and interpret all provisions of the Plan, to adopt rules and practices concerning the administration of the same, and to make any determinations and calculations necessary or appropriate hereunder. The determination of the Plan Administrator as to any disputed question arising under this Plan, including questions of construction and interpretation, shall be final, binding, and conclusive on all persons.

6.2 INDEMNIFICATION

To the extent permitted by law, all agents and representatives of the Plan Administrator shall be indemnified by the Company and saved harmless against any claims, and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect, or willful misconduct.

6.3 EXPENSES

The cost of benefit payments from this Plan and the expenses of administering the Plan shall be borne by the Company.

6.4 TAX WITHHOLDING

The Company may withhold from a payment any federal, state, or local taxes required by law to be withheld with respect to such payment and such sums as the Company may reasonably estimate are necessary to cover any taxes for which the Company may be liable and which may be assessed with regard to such payment.

6.5 CLAIMS PROCEDURE

- (a) SUBMISSION OF CLAIMS. Claims for benefits under the Plan shall be submitted in writing to the Plan Administrator or to an individual designated by the Plan Administrator for this purpose.
- (b) DENIAL OF CLAIM. If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth --
- (1) the specific reason or reasons for the denial;
 - (2) specific reference to pertinent Plan provisions on which the denial is based;
 - (3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
 - (4) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted, and if written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

- (c) CLAIM REVIEW PROCEDURE. The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Plan Administrator, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Plan Administrator shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Plan Administrator shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified

time period, the claim shall be deemed to have been denied on review.

- (d) EXHAUSTION OF REMEDY. No claimant shall institute any action or proceeding in any state or federal court of law or equity, or before any administrative tribunal or arbitrator, for a claim for benefits under the Plan, until the claimant has first exhausted the procedures set forth in this section.

ARTICLE VII. MISCELLANEOUS

7.1 NONTRANSFERABILITY

In no event shall the Company make any payment under this Plan to any assignee or creditor of a Participant or of a Beneficiary, except as otherwise required by law. Prior to the time of a payment hereunder, a Participant or a Beneficiary shall have no rights by way of anticipation or otherwise to assign or otherwise dispose of any interest under this Plan, nor shall rights be assigned or transferred by operation of law.

7.2 RIGHTS AGAINST THE COMPANY

Neither the establishment of the Plan, nor any modification thereof, nor any payments hereunder, shall be construed to give any Participant the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge the Participant at any time.

7.3 AMENDMENT OR TERMINATION

The Plan may be amended, modified, or terminated at any time by the Company except that, without the consent of any Participant or Beneficiary, if applicable, no such amendment, modification, or termination shall reduce or diminish such person's right to receive any benefit accrued hereunder prior to the date of such amendment, modification, or termination. Notice of such amendment, modification, or termination shall be given in writing to each Participant and Beneficiary of a deceased Participant having an interest in the Plan.

7.4 APPLICABLE LAW

This instrument shall be binding on all successors and assignees of the Company and shall be construed in accordance with and governed by the laws of the State of Connecticut, subject to the provisions of all applicable Federal laws.

7.5 ILLEGALITY OF PARTICULAR PROVISION

The illegality of any particular provision of this document shall not affect the other provisions, and the document shall be construed in all respects as if such invalid provision were omitted.

* * * * *

IN WITNESS WHEREOF, Rayonier Inc. has caused this instrument to be executed, effective July 18, 1997, on this 29 day of September, 1997.

RAYONIER, INC.

ATTEST: /s/ John B. Canning
Corporate Secretary

By /s/ John P. O'Grady

Senior Vice President,
Administration

By

THIS AMENDMENT is made this 22nd day of July, 1997, by and between RAYONIER INC. (the "Employer") and RONALD M. GROSS (the "Employee") with respect to the SPLIT-DOLLAR LIFE INSURANCE AGREEMENT effective June 22, 1994 (the "Agreement").

WHEREAS, the Employer and the Employee desire to amend the Agreement effective as of the day and year first above written to authorize the continuation of the Agreement as hereinafter provided following a Change in Control of the Employer. (Terms not otherwise defined herein shall have the same meaning as in the Agreement.)

NOW, THEREFORE, in consideration of the agreements hereinafter contained, the parties hereto hereby agree to amend the Agreement effective as of the day and year first above written by adding thereto the following new Article 14:

"14. Change in Control.

Notwithstanding any provision in this Agreement to the contrary, if, following a Change in Control and before January 3, 1999, the Employee retires or otherwise terminates his employment for any reason whatsoever or the Employer terminates the Employee's employment for any reason whatsoever, this Agreement shall remain in full force and effect unless and until payments shall have commenced to the Employee under that certain Deferred Compensation/Supplemental Retirement Agreement, effective June 28, 1994 (as amended), between the Employer and the Employee (the "Deferral Agreement").

The Employer shall have no right of offset with respect to payments due under the Deferral Agreement for payments, if any, made to the Employee or his designated beneficiary, on or pursuant to the Policy. Nothing in this Agreement shall be construed to give the Employee a right in the Policy or in the proceeds therefrom from and after the commencement of payments under the Deferral Agreement nor shall such Policy secure in any fashion the obligations of the Employer thereunder.

In the event that the Employee is required to defend in any legal action or other proceeding the validity or enforceability of any right or benefit afforded by this Agreement, including this Article 14, the Employer shall pay any and all actual legal fees and expenses incurred by the Employee regardless of the outcome of such action and, if requested by the Employee, shall (within two business days of such request) advance such expenses to the Employee. The Employer shall be precluded from asserting in any judicial or other proceeding commenced with respect to any right or benefit afforded by this Agreement, including this Article 14, that such rights and benefits are not valid, binding and enforceable and shall stipulate in any such proceeding that the Employer is bound by all the provisions of the Agreement.

For purposes of this Article 14, "Change in Control" has the meaning specified in the Retirement Plan for Salaried Employees of Rayonier Inc. as amended effective July 18, 1997, and as the same may be thereafter amended from time to time prior to the occurrence of a Change in Control."

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed by its duly authorized officer and the Employee has hereunto set his hand as of the date and year first above written.

ATTEST:

RAYONIER INC.

By: /s/ John B. Canning
Title: Corporate Secretary

By: /s/John P. O'Grady
Name: John P. O'Grady
Title: Senior Vice President,
Administration

/S/ RONALD M. GROSS

THIS AMENDMENT is made the 22nd of July, 1997, by and between RAYONIER INC. (the "Corporation") and RONALD M. GROSS (the "Employee") with respect to the DEFERRED COMPENSATION/SUPPLEMENTAL RETIREMENT AGREEMENT effective June 28, 1994 (the "Agreement").

WHEREAS, the Corporation and the Employee desire to amend the Agreement effective as of the day and year first above written to authorize the payment of the Retirement Benefit thereunder upon termination of the Employee's employment for any reason following a Change in Control of the Corporation.

NOW, THEREFORE, in consideration of the agreements hereinafter contained, the parties hereto hereby agree to amend the Agreement effective as of the day and year first above written by adding thereto the following new Article 9:

"9. Change in Control.

Notwithstanding any provision in this Agreement to the contrary, if, following a Change in Control, the Employee terminates his employment for any reason other than death or the Corporation terminates the Employee's employment for any reason other than death, the Employee shall be entitled to payment of the Retirement Benefit set forth in Article 1 of this Agreement. Payment of the Retirement Benefit shall commence as soon as is practicable after the Employee's termination of employment following a Change in Control. If the Employee dies during the Payout Period, the amounts due under Article 1 of this Agreement shall be paid to the Employee's Designated Beneficiary as provided therein.

In the event that the Employee is required to defend in any legal action or other proceeding the validity or enforceability of any right or benefit afforded by this Agreement, including this Article 9, the Corporation shall pay any and all actual legal fees and expenses incurred by the Employee regardless of the outcome of such action and, if requested by the Employee, shall (within two business days of such request) advance such expenses to the Employee. The Corporation shall be precluded from asserting in any judicial or other proceeding commenced with respect to any right or benefit afforded by this Agreement, including this Article 9, that such rights and benefits are not valid, binding and enforceable and shall stipulate in any such proceeding that the Corporation is bound by all the provisions of the Agreement.

For purposes of this Article 9, "Change in Control" has the meaning specified in the Retirement Plan for Salaried Employees of Rayonier Inc. as amended effective July 18, 1997, and as the same may be thereafter amended from time to time prior to the occurrence of a Change in Control."

IN WITNESS WHEREOF, the Corporation has caused this Amendment to be executed by its duly authorized officer and the Employee has hereunto set his hand as of the date and year first above written.

ATTEST:

By: /s/ John B. Canning
Title: Corporate Secretary

RAYONIER INC.

By: /s/John P. O'Grady
Name: John P. O'Grady
Title: Senior Vice President, Administration

/S/ RONALD M. GROSS

RAYONIER INC. AND SUBSIDIARIES
RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited, thousands of dollars)

	Year Ended December 31,				
	1997	1996	1995	1994	1993
Earnings:					
Income (loss) from continuing operations	\$ 87,319	\$ (160)	\$ 142,348	\$ 70,032	\$ 52,466
Add (deduct):					
Income tax	33,328	(13,297)	65,711	38,038	30,432
Minority interest	25,520	27,474	29,897	32,419	22,508
Amortization of capitalized interest	2,067	4,505	1,963	1,644	1,411
	148,234	18,522	239,919	142,133	106,817
Adjustments to earnings for fixed charges:					
Interest and other financial charges	25,868	27,662	33,615	31,065	23,368
Interest factor attributable to rentals	1,974	2,187	1,444	1,474	1,760
	27,842	29,849	35,059	32,539	25,128
Earnings as adjusted	\$ 176,076	\$ 48,371	\$ 274,978	\$ 174,672	\$ 131,945
Fixed charges:					
Fixed charges above	\$ 27,842	\$ 29,849	\$ 35,059	\$ 32,539	\$ 25,128
Capitalized interest	5,005	2,664	1,346	194	-
Total fixed charges	32,847	32,513	36,405	32,733	25,128
Total fixed charges	\$ 32,847	\$ 32,513	\$ 36,405	\$ 32,733	\$ 25,128
Ratio of earnings as adjusted to total fixed charges	5.36	1.49	7.55	5.34	5.25
Effective tax rate	28%	(42)%	32%	35%	37%

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Rayonier Inc.:

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements on Forms S-3 (File Nos. 33-51972 and 33-52855).

ARTHUR ANDERSEN LLP

Stamford, Connecticut
March 25, 1998

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints GERALD J. POLLACK, LISA M. PALUMBO and JOHN B. CANNING his or her true and lawful attorneys-in-fact, with full power in each to act without the other and with full power of substitution and resubstitution to sign in the name of such person and in each of his or her offices and capacities in Rayonier Inc. (the "Company") the Annual Report on Form 10-K for the fiscal year ended December 31, 1997 of the Company, and to file the same, and any amendments thereto, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: March 20, 1998

/s/ RONALD M. GROSS

Ronald M. Gross
Chairman of the Board, Chief
Executive Officer and Director

/s/ W.LEE NUTTER

W. Lee Nutter
President, Chief Operating
Officer and Director

/s/ RAND V. ARASKOG

Rand V. Araskog
Director

/s/ DONALD W. GRIFFIN

Donald W. Griffin
Director

/s/ PAUL G. KIRK, JR

Paul G. Kirk, Jr.
Director

/s/ KATHERINE D. ORTEGA

Katherine D. Ortega
Director

/s/ BURNELL R. ROBERTS

Burnell R. Roberts
Director

/s/ CARL S. SLOANE

Carl S. Sloane
Director

/s/ NICHOLAS L. TRIVISONNO

Nicholas L. Trivisonno
Director

/s/ GORDON I. ULMER

Gordon I. Ulmer
Director

5
1,000

12-MOS

	DEC-31-1997	
	JAN-01-1997	
	DEC-31-1997	10,661
		0
	120,185	
	4,481	
	114,148	
	310,514	
		1,266,431
	562,536	
	1,595,558	
206,538		421,325
	0	
		0
		102,175
		530,507
1,595,558		
		1,104,228
	1,104,228	
		902,734
	902,734	
	54,979	
	0	
	25,868	
	120,647	
	33,328	
	87,319	
	87,319	
	0	
		0
	87,319	
	3.03	
	2.97	