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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from to

Rayonier

RAYONIER INC.

(Exact name of registrant as specified in its charter)

North Carolina	**1-6780**	**13-2607329**
(State or other Jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

Rayonier, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**333-237246**	**91-1313292**
(State or other Jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

1 RAYONIER WAY
WILDLIGHT, FL 32097
(Principal Executive Office)

Telephone Number: (904) 357-9100

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol	Exchange
Common Shares, no par value, of Rayonier Inc.	RYN	New York Stock Exchange

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

Rayonier Inc. Yes ☒ No ☐ **Rayonier, L.P.** Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Rayonier Inc. Yes ☒ No ☐ **Rayonier, L.P.** Yes ☒ No ☐

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

Rayonier Inc.

Large Accelerated Filer	☒	Accelerated Filer	☐	Non-accelerated Filer	☐	Smaller Reporting Company	☐	Emerging Growth Company	☐

Rayonier, L.P.

Large Accelerated Filer	☐	Accelerated Filer	☐	Non-accelerated Filer	☒	Smaller Reporting Company	☐	Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Rayonier Inc. ☐ **Rayonier, L.P.** ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Rayonier Inc. Yes ☐ No ☒ **Rayonier, L.P.** Yes ☐ No ☒

As of October 29, 2021, Rayonier Inc. had 143,152,315 Common Shares outstanding. As of October 29, 2021, Rayonier, L.P. had 3,851,897 Units outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarterly period ended September 30, 2021 of Rayonier Inc., a North Carolina corporation, and Rayonier, L.P., a Delaware limited partnership. Unless stated otherwise or the context otherwise requires, references to “Rayonier” or “the Company” mean Rayonier Inc. and references to the “Operating Partnership” mean Rayonier, L.P. References to “we,” “us,” and “our” mean collectively Rayonier Inc., the Operating Partnership and entities/subsidiaries owned or controlled by Rayonier Inc. and/or the Operating Partnership.

Rayonier Inc. has elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, commencing with its taxable year ended December 31, 2004. The Company is structured as an umbrella partnership REIT (“UPREIT”) under which substantially all of its business is conducted through the Operating Partnership. Rayonier Inc. is the sole general partner of the Operating Partnership. On May 8, 2020, Rayonier, L.P. acquired Pope Resources, a Delaware Limited Partnership (“Pope Resources”) and issued approximately 4.45 million operating partnership units (“OP Units” or “Redeemable Operating Partnership Units”) of Rayonier, L.P. as partial merger consideration. These OP Units are generally considered to be economic equivalents to Rayonier common shares and receive distributions equal to the dividends paid on Rayonier common shares. See Note 2 - Merger with Pope Resources for additional information pertaining to the merger.

As of September 30, 2021, the Company owned a 97.3% interest in the Operating Partnership, with the remaining 2.7% interest owned by limited partners of the Operating Partnership. As the sole general partner of the Operating Partnership, Rayonier Inc. has exclusive control of the day-to-day management of the Operating Partnership.

Rayonier Inc. and the Operating Partnership are operated as one business. The management of the Operating Partnership consists of the same members as the management of Rayonier Inc. As general partner with control of the Operating Partnership, Rayonier Inc. consolidates Rayonier, L.P. for financial reporting purposes, and has no material assets or liabilities other than its investment in the Operating Partnership.

We believe combining the quarterly reports of Rayonier Inc. and Rayonier, L.P. into this single report results in the following benefits:

- Strengthens investors’ understanding of Rayonier Inc. and the Operating Partnership by enabling them to view the business as a single operating unit in the same manner as management views and operates the business;
- Creates efficiencies for investors by reducing duplicative disclosures and providing a single comprehensive document; and
- Generates time and cost savings associated with the preparation of the reports when compared to preparing separate reports for each entity.

There are a few important differences between Rayonier Inc. and the Operating Partnership in the context of how Rayonier Inc. operates as a consolidated company. The Company itself does not conduct business, other than through acting as the general partner of the Operating Partnership and issuing equity or equity-related instruments from time to time. The Operating Partnership holds, directly or indirectly, substantially all of the Company’s assets. Likewise, all debt is incurred by the Operating Partnership or entities/subsidiaries owned or controlled by the Operating Partnership. The Operating Partnership conducts substantially all of the Company’s business and is structured as a partnership with no publicly traded equity.

To help investors understand the significant differences between the Company and the Operating Partnership, this report includes:

- Separate Consolidated Financial Statements for Rayonier Inc. and Rayonier, L.P.;
- A combined set of Notes to the Consolidated Financial Statements with separate discussions of per share and per unit information, noncontrolling interests and shareholders’ equity and partners’ capital, as applicable;
- A combined Management’s Discussion and Analysis of Financial Condition and Results of Operations which includes specific information related to each reporting entity;

- A separate Part 1, Item 4. Controls and Procedures related to each reporting entity;
- A separate Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds section related to each reporting entity; and
- Separate Exhibit 31 and 32 certifications for each reporting entity within Part II, Item 6.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
SALES (NOTE 4)	$364,726	$198,875	$847,604	$653,635
Costs and Expenses				
Cost of sales	(233,308)	(180,944)	(578,937)	(545,333)
Selling and general expenses	(13,174)	(14,498)	(41,899)	(37,036)
Other operating income (expense), net (Note 18)	5,070	(1,653)	9,474	(19,247)
	(241,412)	(197,095)	(611,362)	(601,616)
OPERATING INCOME	123,314	1,780	236,242	52,019
Interest expense	(11,265)	(10,421)	(34,292)	(28,457)
Interest and other miscellaneous income (expense), net	1,274	(137)	127	1,232
INCOME (LOSS) BEFORE INCOME TAXES	113,323	(8,778)	202,077	24,794
Income tax expense (Note 20)	(2,811)	(720)	(13,114)	(7,416)
NET INCOME (LOSS)	110,512	(9,498)	188,963	17,378
Less: Net (income) loss attributable to noncontrolling interests in the Operating Partnership	(2,210)	25	(4,303)	(195)
Less: Net (income) loss attributable to noncontrolling interests in consolidated affiliates	(32,471)	8,715	(40,775)	9,647
NET INCOME (LOSS) ATTRIBUTABLE TO RAYONIER INC.	75,831	(758)	143,885	26,830
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation adjustment, net of income tax effect of $0, $0, $0, and $0	(6,622)	12,476	(19,670)	(8,290)
Cash flow hedges, net of income tax effect of $833, $645, $2,207 and $530	1,711	7,861	52,693	(82,890)
Amortization of pension and postretirement plans, net of income tax expense of $0, $0, $0 and $0	294	217	881	652
Total other comprehensive (loss) income	(4,617)	20,554	33,904	(90,528)
COMPREHENSIVE INCOME (LOSS)	105,895	11,056	222,867	(73,150)
Less: Comprehensive income attributable to noncontrolling interests in the Operating Partnership	(2,118)	(508)	(5,490)	(1,184)
Less: Comprehensive (income) loss attributable to noncontrolling interests in consolidated affiliates	(31,099)	5,017	(36,168)	10,761
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO RAYONIER INC.	$72,678	$15,565	$181,209	($63,573)
EARNINGS PER COMMON SHARE (NOTE 8)				
Basic earnings (loss) per share attributable to Rayonier Inc.	$0.53	($0.01)	$1.03	$0.20
Diluted earnings (loss) per share attributable to Rayonier Inc.	$0.53	($0.01)	$1.03	$0.20

See Notes to Consolidated Financial Statements.

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

	September 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, excluding Timber Funds	$419,604	$80,454
Cash and cash equivalents, Timber Funds	12,202	4,053
Total cash and cash equivalents	431,806	84,507
Restricted cash, Timber Funds (Note 22)	49,209	—
Accounts receivable, less allowance for doubtful accounts of $81 and $25	42,352	49,082
Inventory (Note 17)	18,592	10,594
Prepaid expenses	19,362	16,168
Assets held for sale (Note 23)	56,397	3,449
Other current assets	2,212	6,765
Total current assets	619,930	170,565
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	2,788,991	3,262,126
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 16)	110,592	108,518
PROPERTY, PLANT AND EQUIPMENT		
Land	6,569	6,548
Buildings	31,028	31,024
Machinery and equipment	4,392	4,615
Construction in progress	710	452
Total property, plant and equipment, gross	42,699	42,639
Less — accumulated depreciation	(14,167)	(12,238)
Total property, plant and equipment, net	28,532	30,401
RESTRICTED CASH, EXCLUDING TIMBER FUNDS (NOTE 22)	625	2,975
RIGHT-OF-USE ASSETS	107,631	108,992
OTHER ASSETS	50,113	45,156
TOTAL ASSETS	$3,706,414	$3,728,733
LIABILITIES, NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$27,989	$24,790
Current maturities of long-term debt, net, excluding Timber Funds (Note 9)	199,887	—
Accrued taxes	18,503	7,347
Accrued payroll and benefits	11,210	12,327
Accrued interest	12,555	6,325
Deferred revenue	19,899	11,112
Distribution payable, Timber Funds	49,209	—
Other current liabilities	28,983	29,234
Total current liabilities	368,235	91,135
LONG-TERM DEBT, NET, EXCLUDING TIMBER FUNDS (NOTE 9)	1,167,967	1,300,336
LONG-TERM DEBT, NET, TIMBER FUNDS (NOTE 9)	—	60,179
PENSION AND OTHER POSTRETIREMENT BENEFITS (NOTE 19)	22,173	23,344
LONG-TERM LEASE LIABILITY	99,275	100,251
OTHER NON-CURRENT LIABILITIES	115,749	160,722
COMMITMENTS AND CONTINGENCIES (NOTES 12 and 13)		
NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP (NOTE 6)	140,555	130,121
SHAREHOLDERS' EQUITY		
Common Shares, 480,000,000 shares authorized,143,049,458 and 137,678,822 shares issued and outstanding	1,296,877	1,101,675
Retained earnings	450,076	446,267
Accumulated other comprehensive loss (Note 21)	(36,560)	(73,885)
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,710,393	1,474,057
Noncontrolling interests in consolidated affiliates (Note 6)	82,067	388,588
TOTAL SHAREHOLDERS' EQUITY	1,792,460	1,862,645
TOTAL LIABILITIES, NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP AND SHAREHOLDERS' EQUITY	$3,706,414	$3,728,733

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(Dollars in thousands, except share data)

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Affiliates	Shareholders' Equity
	Shares	Amount				
Balance, January 1, 2021	137,678,822	$1,101,675	$446,267	($73,885)	$388,588	$1,862,645
Net income	—	—	11,189	—	3,843	15,032
Net income attributable to noncontrolling interests in the Operating Partnership	—	—	(341)	—	—	(341)
Dividends ($0.27 per share) (a)	—	—	(37,532)	—	—	(37,532)
Issuance of shares under the "at-the-market" equity offering, net of commissions and offering costs of $197	1,107,814	36,708	—	—	—	36,708
Issuance of shares under incentive stock plans	39,140	1,166	—	—	—	1,166
Stock-based compensation	—	2,156	—	—	—	2,156
Repurchase of common shares	(5,020)	(155)	—	—	—	(155)
Measurement period adjustment of noncontrolling interests in consolidated affiliates	—	—	—	—	655	655
Adjustment of noncontrolling interests in the Operating Partnership	—	—	(11,867)	—	—	(11,867)
Conversion of units into common shares	150,134	4,715	—	—	—	4,715
Amortization of pension and postretirement plan liabilities	—	—	—	294	—	294
Foreign currency translation adjustment	—	—	—	(11,652)	(2,636)	(14,288)
Cash flow hedges	—	—	—	61,628	(627)	61,001
Allocation of other comprehensive income to noncontrolling interests in the Operating Partnership	—	—	—	(1,531)	—	(1,531)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(8,737)	(8,737)
Balance, March 31, 2021	138,970,890	$1,146,265	$407,716	($25,146)	$381,086	$1,909,921
Net income	—	—	58,959	—	4,461	63,420
Net income attributable to noncontrolling interests in the Operating Partnership	—	—	(1,753)	—	—	(1,753)
Dividends ($0.27 per share) (a)	—	—	(37,981)	—	—	(37,981)
Issuance of shares under the "at-the-market" equity offering, net of commissions and offering costs of $927	2,199,459	79,994	—	—	—	79,994
Issuance of shares under incentive stock plans	185,544	3,325	—	—	—	3,325
Stock-based compensation	—	2,852	—	—	—	2,852
Repurchase of common shares	(42,425)	(1,453)	—	—	—	(1,453)
Measurement period adjustment of noncontrolling interests in consolidated affiliates	—	—	—	—	9,034	9,034
Adjustment of noncontrolling interests in the Operating Partnership	—	—	(15,410)	—	—	(15,410)
Conversion of units into common shares	6,439	241	—	—	—	241
Amortization of pension and postretirement plan liabilities	—	—	—	294	—	294
Foreign currency translation adjustment	—	—	—	1,025	214	1,239
Cash flow hedges	—	—	—	(9,833)	(186)	(10,019)
Allocation of other comprehensive loss to noncontrolling interests in the Operating Partnership	—	—	—	253	—	253
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(6,474)	(6,474)
Balance, June 30, 2021	141,319,907	$1,231,224	$411,531	($33,407)	$388,135	$1,997,483

Balance, June 30, 2021	141,319,907	$1,231,224	$411,531	($33,407)	$388,135	$1,997,483
Net income	—	—	78,041	—	32,471	110,512
Net income attributable to noncontrolling interests in the Operating Partnership	—	—	(2,210)	—	—	(2,210)
Dividends ($0.27 per share) (a)	—	—	(39,032)	—	—	(39,032)
Issuance of shares under the “at-the-market” equity offering, net of commissions and offering costs of $691	1,390,968	51,132	—	—	—	51,132
Issuance of shares under incentive stock plans	5,740	183	—	—	—	183
Stock-based compensation	—	2,086	—	—	—	2,086
Repurchase of common shares	(175)	(6)	—	—	—	(6)
Disposition of noncontrolling interests in consolidated affiliates	—	—	—	—	(255,486)	(255,486)
Adjustment of noncontrolling interests in the Operating Partnership	—	—	1,746	—	—	1,746
Conversion of common units to common shares	333,018	12,258	—	—	—	12,258
Amortization of pension and postretirement plan liabilities	—	—	—	294	—	294
Foreign currency translation adjustment	—	—	—	(5,743)	(879)	(6,622)
Cash flow hedges	—	—	—	2,204	(493)	1,711
Allocation of other comprehensive loss to noncontrolling interests in the Operating Partnership	—	—	—	92	—	92
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(53,562)	(53,562)
Noncontrolling interests in consolidated affiliates redemption of shares	—	—	—	—	(28,119)	(28,119)
Balance, September 30, 2021	143,049,458	$1,296,877	$450,076	($36,560)	$82,067	$1,792,460

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Affiliates	Shareholders' Equity
	Shares	Amount				
Balance, January 1, 2020	129,331,069	$888,177	$583,006	($31,202)	$97,661	$1,537,642
Net income	—	—	25,854	—	567	26,421
Dividends ($0.27 per share)	—	—	(34,813)	—	—	(34,813)
Issuance of shares under incentive stock plans	2,407	66	—	—	—	66
Stock-based compensation	—	1,510	—	—	—	1,510
Repurchase of common shares	(152,237)	—	(3,152)	—	—	(3,152)
Amortization of pension and postretirement plan liabilities	—	—	—	217	—	217
Foreign currency translation adjustment	—	—	—	(33,894)	(10,129)	(44,023)
Cash flow hedges	—	—	—	(82,376)	(1,099)	(83,475)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(725)	(725)
Balance, March 31, 2020	129,181,239	$889,753	$570,895	($147,255)	$86,275	$1,399,668
Issuances of shares associated with the merger with Pope Resources	7,181,071	172,418	—	—	—	172,418
Net income (loss)	—	—	1,954	—	(1,499)	455
Net income attributable to noncontrolling interests in the Operating Partnership	—	—	(219)	—	—	(219)
Dividends ($0.27 per share) (a)	—	—	(36,957)	—	—	(36,957)
Issuance of shares under incentive stock plans	215,970	222	—	—	—	222
Stock-based compensation	—	2,668	—	—	—	2,668
Repurchase of common shares	(66,168)	(1,572)	—	—	—	(1,572)
Acquisition of noncontrolling interests in consolidated affiliates	—	—	—	—	372,381	372,381
Adjustment of noncontrolling interests in the Operating Partnership	—	—	(3,992)	—	—	(3,992)
Amortization of pension and postretirement plan liabilities	—	—	—	217	—	217
Foreign currency translation adjustment	—	—	—	17,872	5,386	23,258
Cash flow hedges	—	—	—	(8,306)	1,030	(7,276)
Allocation of other comprehensive income to noncontrolling interests in the Operating Partnership	—	—	—	(457)	—	(457)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(6,856)	(6,856)
Balance, June 30, 2020	136,512,112	$1,063,489	$531,681	($137,929)	$456,717	$1,913,958

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Balance, June 30, 2020	136,512,112	$1,063,489	$531,681	($137,929)	$456,717	$1,913,958
Net loss	—	—	(783)	—	(8,715)	(9,498)
Net loss attributable to noncontrolling interests in the Operating Partnership	—	—	25	—	—	25
Dividends ($0.27 per share) (a)	—	—	(37,257)	—	—	(37,257)
Costs associated with the “At-the-Market” (ATM) offering program	—	(456)	—	—	—	(456)
Issuance of shares under incentive stock plans	6,079	167	—	—	—	167
Stock-based compensation	—	1,965	—	—	—	1,965
Repurchase of common shares	(1,185)	(4)	—	—	—	(4)
Measurement period adjustment of noncontrolling interests in consolidated affiliates	—	—	—	—	(701)	(701)
Adjustment of noncontrolling interests in the Operating Partnership	—	—	(8,030)	—	—	(8,030)
Conversion of common units to common shares	1,000	27	—	—	—	27
Amortization of pension and postretirement plan liabilities	—	—	—	217	—	217
Foreign currency translation adjustment	—	—	—	9,160	3,316	12,476
Cash flow hedges	—	—	—	7,479	382	7,861
Allocation of other comprehensive income to noncontrolling interests in the Operating Partnership	—	—	—	(532)	—	(532)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(667)	(667)
Noncontrolling interests in consolidated affiliates redemption of shares	—	—	—	—	(28,403)	(28,403)
Balance, September 30, 2020	136,518,006	$1,065,188	$485,636	($121,605)	$421,929	$1,851,148

(a) For information regarding distributions to noncontrolling interests in the Operating Partnership, see the Rayonier Inc. Consolidated Statements of Cash Flows and Note 6 — Noncontrolling Interests.

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2021	2020
OPERATING ACTIVITIES		
Net income	$188,963	$17,378
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	121,234	119,479
Non-cash cost of land and improved development	22,818	20,701
Stock-based incentive compensation expense	7,094	6,143
Deferred income taxes	7,618	10,267
Amortization of losses from pension and postretirement plans	881	652
Timber write-offs due to casualty events	—	15,203
Gain on sale of large disposition of timberlands	(44,800)	(28,655)
Gain on sale of Timber Funds III & IV	(3,729)	—
Gain on Fund II timberland dispositions	(35,951)	—
Other	12,161	(6,986)
Changes in operating assets and liabilities:		
Receivables	3,192	(14,089)
Inventories	(1,081)	(2,310)
Accounts payable	3,350	6,553
All other operating activities	(4,306)	(6,352)
CASH PROVIDED BY OPERATING ACTIVITIES	277,444	137,984
INVESTING ACTIVITIES		
Capital expenditures	(47,497)	(44,679)
Real estate development investments	(9,165)	(5,448)
Purchase of timberlands	(51,921)	(24,379)
Net proceeds from large disposition of timberlands	54,698	115,666
Net proceeds from sale of Timber Funds III & IV	31,068	—
Net proceeds from Fund II timberland dispositions	85,199	—
Net cash consideration for merger with Pope Resources	—	(231,068)
Other	6,952	5,127
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	69,334	(184,781)
FINANCING ACTIVITIES		
Issuance of debt	446,378	320,000
Repayment of debt	(420,000)	(132,000)
Dividends paid on common stock	(114,261)	(109,136)
Distributions to noncontrolling interests in the Operating Partnership	(3,373)	(2,401)
Proceeds from the issuance of common shares under incentive stock plan	4,674	233
Proceeds from the issuance of common shares under the “at-the-market” (ATM) equity offering program, net of commissions and offering costs	166,549	(456)
Repurchase of common shares	(1,614)	(1,577)
Debt issuance costs	(4,829)	(2,483)
Repurchase of common shares made under repurchase program	—	(3,152)
Noncontrolling interests in consolidated affiliates redemption of shares	—	(5,113)
Distributions to noncontrolling interests in consolidated affiliates	(19,564)	(8,247)
Make-whole fee on NWFCS debt prepayment	(6,234)	—
CASH PROVIDED BY FINANCING ACTIVITIES	47,726	55,668
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(346)	(213)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Change in cash, cash equivalents and restricted cash	394,158	8,658
Balance, beginning of year	87,482	69,968
Balance, end of period	$481,640	$78,626

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period:		
Interest (a)	$24,680	$25,546
Income taxes	7,306	621
Non-cash investing activity:		
Capital assets purchased on account	4,726	3,250
Non-cash financing activity:		
Equity consideration for merger with Pope Resources	—	$172,640
Redeemable Operating Partnership Unit consideration for merger with Pope Resources	—	106,752

(a) Interest paid is presented net of patronage payments received of $6.8 million and $4.7 million for the nine months ended September 30, 2021 and September 30, 2020, respectively. For additional information on patronage payments, see Note 8 — Debt in the 2020 Form 10-K.

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
SALES (NOTE 4)	$364,726	$198,875	$847,604	$653,635
Costs and Expenses				
Cost of sales	(233,308)	(180,944)	(578,937)	(545,333)
Selling and general expenses	(13,174)	(14,498)	(41,899)	(37,036)
Other operating income (expense), net (Note 18)	5,070	(1,653)	9,474	(19,247)
	(241,412)	(197,095)	(611,362)	(601,616)
OPERATING INCOME	123,314	1,780	236,242	52,019
Interest expense	(11,265)	(10,421)	(34,292)	(28,457)
Interest and other miscellaneous income (expense), net	1,274	(137)	127	1,232
INCOME (LOSS) BEFORE INCOME TAXES	113,323	(8,778)	202,077	24,794
Income tax expense (Note 20)	(2,811)	(720)	(13,114)	(7,416)
NET INCOME (LOSS)	110,512	(9,498)	188,963	17,378
Less: Net (income) loss attributable to noncontrolling interests in consolidated affiliates	(32,471)	8,715	(40,775)	9,647
NET INCOME (LOSS) ATTRIBUTABLE TO RAYONIER, L.P. UNITHOLDERS	78,041	(783)	148,188	27,025
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation adjustment, net of income tax effect of $0, $0, $0 and $0	(6,622)	12,476	(19,670)	(8,290)
Cash flow hedges, net of income tax effect of $833, $645, $2,207 and $530	1,711	7,861	52,693	(82,890)
Amortization of pension and postretirement plans, net of income tax expense of $0, $0, $0 and $0	294	217	881	652
Total other comprehensive (loss) income	(4,617)	20,554	33,904	(90,528)
COMPREHENSIVE INCOME (LOSS)	105,895	11,056	222,867	(73,150)
Less: Comprehensive (income) loss attributable to noncontrolling interests in consolidated affiliates	(31,099)	5,017	(36,168)	10,761
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO RAYONIER, L.P. UNITHOLDERS	$74,796	$16,073	$186,699	($62,389)
EARNINGS PER UNIT (NOTE 8)				
Basic earnings (loss) per unit attributable to Rayonier, L.P.	$0.53	($0.01)	$1.03	$0.20
Diluted earnings (loss) per unit attributable to Rayonier, L.P.	$0.53	($0.01)	$1.03	$0.20

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands)

	September 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, excluding Timber Funds	$419,604	$80,454
Cash and cash equivalents, Timber Funds	12,202	4,053
Total cash and cash equivalents	431,806	84,507
Restricted cash, Timber Funds (Note 22)	49,209	—
Accounts receivable, less allowance for doubtful accounts of $81 and $25	42,352	49,082
Inventory (Note 17)	18,592	10,594
Prepaid expenses	19,362	16,168
Assets held for sale (Note 23)	56,397	3,449
Other current assets	2,212	6,765
Total current assets	619,930	170,565
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	2,788,991	3,262,126
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 16)	110,592	108,518
PROPERTY, PLANT AND EQUIPMENT		
Land	6,569	6,548
Buildings	31,028	31,024
Machinery and equipment	4,392	4,615
Construction in progress	710	452
Total property, plant and equipment, gross	42,699	42,639
Less — accumulated depreciation	(14,167)	(12,238)
Total property, plant and equipment, net	28,532	30,401
RESTRICTED CASH, EXCLUDING TIMBER FUNDS (NOTE 22)	625	2,975
RIGHT-OF-USE ASSETS	107,631	108,992
OTHER ASSETS	50,113	45,156
TOTAL ASSETS	$3,706,414	$3,728,733
LIABILITIES, REDEEMABLE OPERATING PARTNERSHIP UNITS AND CAPITAL		
CURRENT LIABILITIES		
Accounts payable	$27,989	$24,790
Current maturities of long-term debt, net, excluding Timber Funds (Note 9)	199,887	—
Accrued taxes	18,503	7,347
Accrued payroll and benefits	11,210	12,327
Accrued interest	12,555	6,325
Deferred revenue	19,899	11,112
Distribution payable, Timber Funds	49,209	—
Other current liabilities	28,983	29,234
Total current liabilities	368,235	91,135
LONG-TERM DEBT, NET, EXCLUDING TIMBER FUNDS (NOTE 9)	1,167,967	1,300,336
LONG-TERM DEBT, NET, TIMBER FUNDS (NOTE 9)	—	60,179
PENSION AND OTHER POSTRETIREMENT BENEFITS (NOTE 19)	22,173	23,344
LONG-TERM LEASE LIABILITY	99,275	100,251
OTHER NON-CURRENT LIABILITIES	115,749	160,722
COMMITMENTS AND CONTINGENCIES (NOTES 12 and 13)		
REDEEMABLE OPERATING PARTNERSHIP UNITS (NOTE 6) 3,939,309 and 4,428,900 Units outstanding, respectively	140,555	130,121
CAPITAL		
General partners' capital	17,432	15,454
Limited partners' capital	1,725,795	1,529,948
Accumulated other comprehensive loss (Note 21)	(32,834)	(71,345)
TOTAL CONTROLLING INTEREST CAPITAL	1,710,393	1,474,057
Noncontrolling interests in consolidated affiliates (Note 6)	82,067	388,588
TOTAL CAPITAL	1,792,460	1,862,645
TOTAL LIABILITIES, REDEEMABLE OPERATING PARTNERSHIP UNITS AND CAPITAL	$3,706,414	$3,728,733

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL
(Unaudited)
(Dollars in thousands, except share data)

	Units				
	General Partners' Capital	Limited Partners' Capital	Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Affiliates	Total Capital
Balance, January 1, 2021	$15,454	$1,529,948	($71,345)	$388,588	$1,862,645
Net income	112	11,077	—	3,843	15,032
Distributions on units ($0.27 per unit)	(387)	(38,300)	—	—	(38,687)
Issuance of units under the "at-the-market" equity offering, net of commissions and offering costs of $197	367	36,341	—	—	36,708
Issuance of units under incentive stock plans	12	1,154	—	—	1,166
Stock-based compensation	22	2,134	—	—	2,156
Repurchase of units	(2)	(153)	—	—	(155)
Adjustment of Redeemable Operating Partnership Units	(126)	(12,458)	—	—	(12,584)
Conversion of units into common shares	47	4,668	—	—	4,715
Measurement period adjustment of noncontrolling interests in consolidated affiliates	—	—	—	655	655
Amortization of pension and postretirement plan liabilities	—	—	294	—	294
Foreign currency translation adjustment	—	—	(11,652)	(2,636)	(14,288)
Cash flow hedges	—	—	61,628	(627)	61,001
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(8,737)	(8,737)
Balance, March 31, 2021	$15,499	$1,534,411	($21,075)	$381,086	$1,909,921
Net income	590	58,369	—	4,461	63,420
Distributions on units ($0.27 per unit)	(391)	(38,744)	—	—	(39,135)
Issuance of units under the "at-the-market" equity offering, net of commissions and offering costs of $927	800	79,194	—	—	79,994
Issuance of units under incentive stock plans	33	3,292	—	—	3,325
Stock-based compensation	29	2,823	—	—	2,852
Repurchase of units	(15)	(1,438)	—	—	(1,453)
Adjustment of Redeemable Operating Partnership Units	(158)	(15,598)	—	—	(15,756)
Conversion of units into common shares	2	239	—	—	241
Measurement period adjustment of noncontrolling interests in consolidated affiliates	—	—	—	9,034	9,034
Amortization of pension and postretirement plan liabilities	—	—	294	—	294
Foreign currency translation adjustment	—	—	1,025	214	1,239
Cash flow hedges	—	—	(9,833)	(186)	(10,019)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(6,474)	(6,474)
Balance, June 30, 2021	$16,389	$1,622,548	($29,589)	$388,135	$1,997,483

Balance, June 30, 2021	$16,389	$1,622,548	($29,589)	$388,135	$1,997,483
Net income	780	77,261	—	32,471	110,512
Distributions on units ($0.27 per unit)	(401)	(39,695)	—	—	(40,096)
Issuance of units under the “at-the-market” equity offering, net of commissions and offering costs of $691	511	50,621	—	—	51,132
Issuance of units under incentive stock plans	2	181	—	—	183
Stock-based compensation	21	2,065	—	—	2,086
Repurchase of units	—	(6)	—	—	(6)
Adjustment of Redeemable Operating Partnership Units	7	685	—	—	692
Conversion of units into common shares	123	12,135	—	—	12,258
Disposition of noncontrolling interests in consolidated affiliates	—	—	—	(255,486)	(255,486)
Amortization of pension and postretirement plan liabilities	—	—	294	—	294
Foreign currency translation adjustment	—	—	(5,743)	(879)	(6,622)
Cash flow hedges	—	—	2,204	(493)	1,711
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(53,562)	(53,562)
Noncontrolling interests in consolidated affiliates redemption of unit equivalents	—	—	—	(28,119)	(28,119)
Balance, September 30, 2021	$17,432	$1,725,795	($32,834)	$82,067	$1,792,460

	Units: General Partners' Capital	Units: Limited Partners' Capital	Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Affiliates	Total Capital
Balance, January 1, 2020	$14,712	$1,456,471	($31,202)	$97,661	$1,537,642
Net income	259	25,595	—	567	26,421
Distributions on units ($0.27 per unit)	(349)	(34,464)	—	—	(34,813)
Issuance of units under incentive stock plans	1	65	—	—	66
Stock-based compensation	15	1,495	—	—	1,510
Repurchase of units	(32)	(3,120)	—	—	(3,152)
Amortization of pension and postretirement plan liabilities	—	—	217	—	217
Foreign currency translation adjustment	—	—	(33,894)	(10,129)	(44,023)
Cash flow hedges	—	—	(82,376)	(1,099)	(83,475)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(725)	(725)
Balance, March 31, 2020	$14,606	$1,446,042	($147,255)	$86,275	$1,399,668
Issuance of units associated with the merger with Pope Resources	1,724	170,694	—	—	172,418
Net income (loss)	20	1,934	—	(1,499)	455
Distributions on units ($0.27 per unit)	(382)	(37,775)	—	—	(38,157)
Issuance of units under incentive stock plans	2	220	—	—	222
Stock-based compensation	27	2,641	—	—	2,668
Repurchase of units	(15)	(1,557)	—	—	(1,572)
Adjustment of Redeemable Operating Partnership Units	(35)	(3,433)	—	—	(3,468)
Acquisition of noncontrolling interests in consolidated affiliates	—	—	—	372,381	372,381
Amortization of pension and postretirement plan liabilities	—	—	217	—	217
Foreign currency translation adjustment	—	—	17,872	5,386	23,258
Cash flow hedges	—	—	(8,306)	1,030	(7,276)
Distribution to noncontrolling interests in consolidated affiliates	—	—	—	(6,856)	(6,856)
Balance, June 30, 2020	$15,947	$1,578,766	($137,472)	$456,717	$1,913,958
Net loss	(8)	(775)	—	(8,715)	(9,498)
Distributions on units ($0.27 per unit)	(385)	(38,072)	—	—	(38,457)
Costs associated with the "At-the-Market" (ATM) program	(5)	(451)	—	—	(456)
Issuance of units under incentive stock plans	2	165	—	—	167
Stock-based compensation	20	1,945	—	—	1,965
Repurchase of units	—	(4)	—	—	(4)
Adjustment of Redeemable Operating Partnership Units	(73)	(7,264)	—	—	(7,337)
Conversion of units into common shares	—	27	—	—	27
Measurement period adjustment of noncontrolling interests in consolidated affiliates	—	—	—	(701)	(701)
Amortization of pension and postretirement plan liabilities	—	—	217	—	217
Foreign currency translation adjustment	—	—	9,160	3,316	12,476
Cash flow hedges	—	—	7,479	382	7,861
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(667)	(667)
Noncontrolling interests in consolidated affiliates redemption of unit equivalents	—	—	—	(28,403)	(28,403)
Balance, September 30, 2020	$15,498	$1,534,337	($120,616)	$421,929	$1,851,148

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Nine Months Ended September 30,	
	2021	2020
OPERATING ACTIVITIES		
Net income	$188,963	$17,378
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	121,234	119,479
Non-cash cost of land and improved development	22,818	20,701
Stock-based incentive compensation expense	7,094	6,143
Deferred income taxes	7,618	10,267
Amortization of losses from pension and postretirement plans	881	652
Timber write-offs due to casualty events	—	15,203
Gain on sale of large disposition of timberlands	(44,800)	(28,655)
Gain on sale of Timber Funds III & IV	(3,729)	—
Gain on Fund II timberland dispositions	(35,951)	—
Other	12,161	(6,986)
Changes in operating assets and liabilities:		
Receivables	3,192	(14,089)
Inventories	(1,081)	(2,310)
Accounts payable	3,350	6,553
All other operating activities	(4,306)	(6,352)
CASH PROVIDED BY OPERATING ACTIVITIES	277,444	137,984
INVESTING ACTIVITIES		
Capital expenditures	(47,497)	(44,679)
Real estate development investments	(9,165)	(5,448)
Purchase of timberlands	(51,921)	(24,379)
Net proceeds from large disposition of timberlands	54,698	115,666
Net proceeds from sale of Timber Funds III & IV	31,068	—
Net proceeds from Fund II timberland dispositions	85,199	—
Cash consideration for merger with Pope Resources, net of cash acquired	—	(231,068)
Other	6,952	5,127
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	69,334	(184,781)
FINANCING ACTIVITIES		
Issuance of debt	446,378	320,000
Repayment of debt	(420,000)	(132,000)
Distributions on units	(117,634)	(111,537)
Proceeds from the issuance of units under incentive stock plan	4,674	233
Proceeds from the issuance of units under the “at-the-market” (ATM) equity offering program, net of commissions and offering costs	166,549	(456)
Repurchase of units	(1,614)	(1,577)
Debt issuance costs	(4,829)	(2,483)
Repurchase of units made under repurchase program	—	(3,152)
Noncontrolling interests in consolidated affiliates redemption of shares	—	(5,113)
Distributions to noncontrolling interests in consolidated affiliates	(19,564)	(8,247)
Make-whole fee on NWFCS debt prepayment	(6,234)	—
CASH PROVIDED BY FINANCING ACTIVITIES	47,726	55,668
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(346)	(213)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Change in cash, cash equivalents and restricted cash	394,158	8,658
Balance, beginning of year	87,482	69,968
Balance, end of period	$481,640	$78,626

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period:		
Interest (a)	$24,680	$25,546
Income taxes	7,306	621
Non-cash investing activity:		
Capital assets purchased on account	4,726	3,250
Non-cash financing activity:		
Equity consideration for merger with Pope Resources	—	$172,640
Redeemable Operating Partnership Unit consideration for merger with Pope Resources	—	106,752

(a) Interest paid is presented net of patronage payments received of $6.8 million and $4.7 million for the nine months ended September 30, 2021 and September 30, 2020, respectively. For additional information on patronage payments, see Note 8 — Debt in the 2020 Form 10-K.

See Notes to Consolidated Financial Statements.

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements and notes thereto of Rayonier Inc. and its subsidiaries and Rayonier, L.P. have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”).

The Rayonier Inc. and Rayonier, L.P. year-end balance sheet information was derived from audited financial statements not included herein. In the opinion of management, these financial statements and notes reflect any adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the financial statements and supplementary data included in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC (the “2020 Form 10-K”).

On May 8, 2020, Rayonier, L.P. acquired Pope Resources and became the general partner of Pope Resources. As of September 30, 2021, the Company owned a 97.3% interest in the Operating Partnership, with the remaining 2.7% interest owned by limited partners of the Operating Partnership. As the sole general partner of the Operating Partnership, Rayonier Inc. has exclusive control of the day-to-day management of the Operating Partnership. Please see Note 2 - Merger with Pope Resources and Note 24 - Charges for Integration and Restructuring for further information pertaining to the merger.

SUMMARY OF UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

For a full description of our other significant accounting policies, see Note 1 — *Summary of Significant Accounting Policies* in our 2020 Form 10-K.

DISPOSITION OF TIMBER FUNDS

Upon completion of the Pope Resources merger, we became the manager of three private equity timber funds, Fund II, Fund III, and Fund IV, consisting of 141,000 acres in the Pacific Northwest, and obtained ownership interests in the Funds of 20%, 5%, and 15%, respectively.

On July 21, 2021, we sold the rights to manage Fund III and Fund IV, as well as our ownership interests in both funds to BTG Pactual’s Timberland Investment Group (TIG) for an aggregate purchase price of $35.9 million.

On September 30, 2021, we sold approximately 13,000 acres of timberlands in Washington held by Fund II for $87.1 million. We classified the remaining portion of Fund II’s timber and timberland as assets held for sale in our Consolidated Balance Sheets as of September 30, 2021, as a process to liquidate Fund II had commenced. See Note 6 — Noncontrolling Interests, Note 23 — Assets Held for Sale and the subsequent events section of this note below for additional information.

NEW ACCOUNTING STANDARDS

In March 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which provides optional guidance to ease the potential burden in accounting due to reference rate reform. ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. During Q2 2020, we elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. We continue to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

In August 2020, the FASB issued ASU 2020-06, *Debt–Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging–Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. This ASU (1) simplifies the accounting for convertible debt instruments and convertible preferred stock by removing the existing guidance in ASC 470-20, *Debt: Debt with Conversion and Other Options*, that requires entities to account for beneficial conversion features and cash conversion features in equity, separately from the host convertible debt or preferred stock; (2) revises the scope exception from derivative accounting in ASC 815-40 for freestanding financial instruments and embedded features that are both indexed to the issuer's own stock and classified in stockholders' equity, by removing certain criteria required for equity classification; and (3) revises the guidance in ASC 260, Earnings Per Share, to require entities to calculate diluted earnings per share (EPS) for convertible instruments by using the if-converted method. In addition, entities must presume share settlement for purposes of calculating diluted EPS when an instrument may be settled in cash or shares. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021, with early adoption permitted. We are currently in the process of evaluating the effects of the provisions of ASU 2020-06 on our financial statements.

(Dollar amounts in thousands unless otherwise stated)

SUBSEQUENT EVENTS

On October 5, 2021, we sold approximately 5,000 acres of Fund II timberland assets in Oregon for an aggregate purchase price of approximately $37.2 million. This sale will not have a material effect on our consolidated financial statements.

On November 1, 2021, we sold the remaining 13,000 acres of Fund II timberland assets in Oregon for an aggregate purchase price of approximately $32.5 million. This sale will not have a material effect on our consolidated financial statements. This transaction completes the liquidation of Fund II assets, with capital expected to be distributed to investors during the fourth quarter.

2. MERGER WITH POPE RESOURCES

On May 8, 2020, Rayonier Inc. and Rayonier, L.P. acquired Pope Resources and became the general partner of Pope Resources. Pope Resources was a master limited partnership that primarily owned and managed timberlands in the U.S. Pacific Northwest. Pope Resources also managed and co-invested in three private equity timber funds and developed and sold real estate properties. For additional information about the merger, see *Note 2 - Merger with Pope Resources in the 2020 Form 10-K.*

The total purchase price was as follows:

Cash consideration	$247,318
Equity consideration	172,640
Redeemable Operating Partnership Unit consideration	106,752
Fair value of Pope Resources units held by us (a)	11,211
Total purchase price	**$537,921**

(a) Based on the closing price of Pope Resources units on the NASDAQ on May 7, 2020.

We recognized approximately $2.5 million, $13.5 million, and $0.4 million of merger-related costs that were expensed during the first, second and third quarters of 2020, respectively. See Note 24 — Charges for Integration and Restructuring for descriptions of the components of merger-related costs. The acquisition of Pope Resources was accounted for as a business combination under ASC 805, *Business Combinations*, ("ASC 805"). Pursuant to ASC 805, we recorded an allocation of the assets acquired and liabilities assumed in the merger with Pope Resources based on their fair values as of May 8, 2020. We completed our assessment of the fair value of the assets acquired and liabilities assumed within the one-year period from the date of acquisition. We recorded measurement period adjustments due to additional information received primarily related to higher and better use timberlands and real estate development investments, as well as timber and timberlands.

(Dollar amounts in thousands unless otherwise stated)

As a result of refinements to the purchase price allocation, higher and better use timberlands increased by approximately $8.2 million. This includes development properties in the town of Port Gamble, Washington, development projects in Gig Harbor, Kingston, and Bremerton, Washington and various other assets. Additionally, refinements to the purchase price allocation resulted in an overall increase of $1.1 million to timber and timberlands, with the valuation of core timberlands decreasing by $15.5 million and Timber Funds timber and timberlands increasing by $16.6 million from the preliminary purchase price allocation reported in *Note 2 - Merger with Pope Resources in the 2020 Form 10-K.*

As a result of refinements to timberlands preliminarily recorded values, we recognized the following decreases in depletion expense during the nine months ended September 30, 2021:

	Nine months ended September 30, 2021		
	Pacific Northwest Timber	Timber Funds	Total
Depletion	($182)	($1,202)	($1,384)
Total	($182)	($1,202)	($1,384)

The fair values of the assets acquired and liabilities assumed were determined using the income, cost or market approaches. The fair value measurements were generally based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in ASC 820, *Fair Value Measurement*, ("ASC 820") with the exception of certain long-term debt instruments assumed in the merger that can be valued using observable market inputs and are therefore Level 2 measurements. See Note 11 — Fair Value Measurements for further information on the fair value hierarchy.

(Dollar amounts in thousands unless otherwise stated)

The final allocation of purchase price to the identifiable assets acquired and liabilities assumed is as follows:

	Core Timberlands	Timber Funds	Total
Timberland and Real Estate Business			
Cash	$7,380	$8,870	$16,250
Accounts receivable	2,459	1,787	4,246
Other current assets	703	260	963
Timber and Timberlands	498,630	449,073	947,703
Higher and Better Use Timberlands and Real Estate Development Investments	34,748	—	34,748
Property, plant and equipment	11,616	—	11,616
Other assets (a)	3,737	2,194	5,931
Total identifiable assets acquired	$559,273	$462,184	$1,021,457
Accounts payable	274	293	567
Current maturities of long-term debt	—	25,084	25,084
Accrued interest	244	275	519
Other current liabilities	9,038	2,080	11,118
Long-term debt	53,502	35,759	89,261
Long-term environmental liabilities	10,748	—	10,748
Other non-current liabilities (b)	2,724	461	3,185
Total liabilities assumed	$76,530	$63,952	$140,482
Net identifiable assets	$482,743	$398,232	$880,975
Less: noncontrolling interests	(3,816)	(339,238)	(343,054)
Total net assets acquired	$478,927	$58,994	$537,921

(a) Other assets includes a $1.9 million intangible asset in connection with the Timberland Investment Management business.
(b) Other non-current liabilities includes a $3.2 million deferred income tax liability resulting from the fair value adjustment to Pope Resources' assets and liabilities.

Pursuant to ASC 805, unaudited supplemental pro forma results of operations for the three and nine months ended September 30, 2020, assuming the acquisition had occurred as of January 1, 2020, are presented below (in thousands, except per share and unit amounts):

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Sales	$198,975	$684,900
Net income attributable to Rayonier Inc.	($1,110)	$25,800
Basic earnings per share attributable to Rayonier Inc.	($0.01)	$0.19
Diluted earnings per share attributable to Rayonier Inc.	($0.01)	$0.19
Net income attributable to Rayonier, L.P.	($1,147)	$26,648
Basic earnings per unit attributable to Rayonier, L.P.	($0.01)	$0.19
Diluted earnings per unit attributable to Rayonier, L.P.	($0.01)	$0.19

The unaudited pro forma results include certain pro forma adjustments to net earnings that were directly attributable to the acquisition, assuming the acquisition had occurred on January 1, 2020, including the following:

- additional depletion expense that would have been recognized relating to the basis increase in the acquired Timber and Timberlands;
- adjustment to interest expense to reflect the removal of Pope Resources debt and the additional borrowings we incurred in conjunction with the acquisition; and
- a reduction in expenses for the three and nine months ended September 30, 2020 of $0.4 million and $31.6 million for acquisition-related transaction costs.

Pro forma data may not be indicative of the results that would have been obtained had these events occurred at the beginning of the periods presented, nor is it intended to be a projection of future results.

(Dollar amounts in thousands unless otherwise stated)

3. SEGMENT AND GEOGRAPHICAL INFORMATION

Sales between operating segments are made based on estimated fair market value, and intercompany sales, purchases and profits (losses) are eliminated in consolidation. We evaluate financial performance based on segment operating income (loss) and Adjusted Earnings before Interest, Taxes, Depreciation, Depletion and Amortization ("Adjusted EBITDA"). Asset information is not reported by segment, as we do not produce asset information by segment internally.

Operating income as presented in the Consolidated Statements of Income and Comprehensive Income is equal to segment income. Certain income (loss) items in the Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include interest income (expense), miscellaneous income (expense) and income tax expense, are not considered by management to be part of segment operations and are included under "unallocated interest expense and other."

The following tables summarize the segment information for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
SALES	2021	2020	2021	2020
Southern Timber	$44,818	$47,653	$145,789	$147,402
Pacific Northwest Timber	31,513	28,885	108,357	86,131
New Zealand Timber	75,558	62,804	213,696	142,112
Timber Funds (a)	94,469	9,907	128,054	17,431
Real Estate (b)	93,375	28,791	178,409	197,364
Trading	25,583	22,201	76,795	65,505
Intersegment Eliminations (c)	(590)	(1,366)	(3,496)	(2,310)
Total	$364,726	$198,875	$847,604	$653,635

(a) The three and nine months ended September 30, 2021 include $75.4 million and $102.1 million, respectively, of sales attributable to noncontrolling interests in Timber Funds. Included in sales attributable to noncontrolling interests in Timber Funds for the three and nine months ended September 30, 2021 is $69.7 million from Fund II Timberland Dispositions attributable to noncontrolling interests in Timber Funds. The three and nine months ended September 30, 2021 also include $17.4 million from Fund II Timberland Dispositions attributable to Rayonier. The three and nine months ended September 30, 2020 include $7.7 million and $13.5 million of sales attributable to noncontrolling interests in Timber Funds.

(b) The three and nine months ended September 30, 2021 include $20.0 million and $56.0 million, respectively, from Large Dispositions. The nine months ended September 30, 2020 includes $116.0 million from a Large Disposition. Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value.

(c) Primarily consists of the elimination of timberland investment management fees paid to us by the timber funds which are initially recognized as sales and cost of sales within the Timber Funds segment, as well as log marketing fees paid to our Trading segment from our Southern Timber and Pacific Northwest Timber segments for marketing log export sales.

(Dollar amounts in thousands unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
RATING INCOME (LOSS)	2021	2020	2021	2020
Southern Timber (a)	$12,778	$5,090	$47,105	$31,368
Pacific Northwest Timber	2,071	(1,825)	5,293	(9,453)
New Zealand Timber	13,302	10,720	47,959	21,142
Timber Funds (b)	41,285	(12,370)	44,778	(14,262)
Real Estate (c)	60,617	9,459	112,816	61,081
Trading	(33)	(557)	628	(474)
Corporate and Other (d)	(6,706)	(8,737)	(22,337)	(37,383)
Total Operating Income	123,314	1,780	236,242	52,019
Unallocated interest expense and other	(9,991)	(10,558)	(34,165)	(27,225)
Total Income before Income Taxes	$113,323	($8,778)	$202,077	$24,794

(a) The three and nine months ended September 30, 2020 includes $6.0 million of timber write-offs resulting from casualty events. Timber write-offs resulting from casualty events are recorded within the Consolidated Statements of Income and Comprehensive Income under the caption “Cost of sales”.

(b) The three and nine months ended September 30, 2021 include $30.5 million and $33.3 million, respectively, of operating income attributable to noncontrolling interests in Timber Funds. Included in operating income attributable to noncontrolling interests in Timber Funds for the three and nine months ended September 30, 2021 is a $28.8 million gain on Fund II Timberland Dispositions attributable to noncontrolling interests in Timber Funds. The three and nine months ended September 30, 2021 also include a $7.2 million gain on Fund II Timberland Dispositions attributable to Rayonier and a $3.7 million gain on investment in Timber Funds. The three and nine months ended September 30, 2020 include $10.3 million and $12.3 million, respectively, of operating loss attributable to noncontrolling interests in Timber Funds. Included in operating loss attributable to noncontrolling interests in Timber Funds for the three and nine months ended September 30, 2020 is $7.3 million related to timber write-offs resulting from casualty events attributable to noncontrolling interests in Timber Funds. The three and nine months ended September 30, 2020 also include $1.8 million of timber write-offs resulting from casualty events attributable to Rayonier. Timber write-offs resulting from casualty events are recorded within the Consolidated Statements of Income and Comprehensive Income under the caption “Cost of sales”.

(c) The three and nine months ended September 30, 2021 include $14.5 million and $44.8 million from Large Dispositions. The nine months ended September 30, 2020 includes $28.7 million from a Large Disposition.

(d) The three and nine months ended September 30, 2020 include $0.4 million and $16.4 million, respectively, of integration and restructuring costs related to the merger with Pope Resources. See Note 24 — Charges for Integration and Restructuring for additional details.

	Three Months Ended September 30,		Nine Months Ended September 30,	
DEPRECIATION, DEPLETION AND AMORTIZATION	2021	2020	2021	2020
Southern Timber	$11,604	$14,954	$39,539	$48,368
Pacific Northwest Timber	10,479	10,912	38,795	32,221
New Zealand Timber	6,555	7,345	20,757	17,062
Timber Funds (a)	43,158	4,170	54,780	8,239
Real Estate (b)	6,797	5,527	16,889	47,950
Corporate and Other	316	375	892	1,011
Total	$78,909	$43,283	$171,652	$154,851

(a) The three and nine months ended September 30, 2021 include $34.4 million and $44.4 million, respectively, of depreciation, depletion and amortization attributable to noncontrolling interests in Timber Funds. Included in depreciation, depletion, and amortization attributable to noncontrolling interests in Timber Funds for the three and nine months ended September 30, 2021 is $32.5 million related to Fund II Timberland Dispositions attributable to noncontrolling interests in Timber Funds. The three and nine months ended September 30, 2021 also include $8.1 million related to Fund II Timberland Dispositions attributable to Rayonier. The three and nine months ended September 30, 2020 include $3.7 million and $7.2 million, respectively, of depreciation, depletion and amortization attributable to noncontrolling interests in Timber Funds.

(b) The three and nine months ended September 30, 2021 includes $5.0 million and $9.8 million, respectively, from Large Dispositions. The nine months ended September 30, 2020 includes $35.4 million from a Large Disposition.

(Dollar amounts in thousands unless otherwise stated)

NON-CASH COST OF LAND AND IMPROVED DEVELOPMENT	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Timber Funds (a)	$8,635	—	$8,635	—
Real Estate (b)	15,845	7,259	22,913	72,340
Total	$24,480	$7,259	$31,548	$72,340

(a) The three and nine months ended September 30, 2021 includes $8.6 million of non-cash cost of land and improved development from Fund II Timberland Dispositions, of which $6.9 million was attributable to noncontrolling interests in Timber Funds and $1.7 million was attributable to Rayonier.

(b) The nine months ended September 30, 2021 includes $0.1 million from Large Dispositions. The nine months ended September 30, 2020 includes $51.6 million from a Large Disposition.

4. REVENUE

PERFORMANCE OBLIGATIONS

We recognize revenue when control of promised goods or services ("performance obligations") is transferred to customers, in an amount that reflects the consideration expected in exchange for those goods or services ("transaction price"). We generally satisfy performance obligations within a year of entering into a contract and therefore have applied the disclosure exemption found under ASC 606-10-50-14. Unsatisfied performance obligations as of September 30, 2021 are primarily due to advances on stumpage contracts, unearned license revenue and post-closing obligations on real estate sales. These performance obligations are expected to be satisfied within the next twelve months. We generally collect payment within a year of satisfying performance obligations and therefore have elected not to adjust revenues for a financing component.

CONTRACT BALANCES

The timing of revenue recognition, invoicing and cash collections results in accounts receivable and deferred revenue (contract liabilities) on the Consolidated Balance Sheets. Accounts receivable are recorded when we have an unconditional right to consideration for completed performance under the contract. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) we perform under the contract.

The following table summarizes revenue recognized during the three and nine months ended September 30, 2021 and 2020 that was included in the contract liability balance at the beginning of each year:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue recognized from contract liability balance at the beginning of the year (a)	$235	$690	$10,204	$10,296

(a) Revenue recognized was primarily from hunting licenses and the use of advances on pay-as-cut timber sales.

(Dollar amounts in thousands unless otherwise stated)

The following tables present our revenue from contracts with customers disaggregated by product type for the three and nine months ended September 30, 2021 and 2020:

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
September 30, 2021								
Pulpwood	$21,358	$2,116	$10,746	$127	—	$3,861	—	$38,208
Sawtimber	17,680	28,134	64,562	6,707	—	21,281	—	138,364
Hardwood	247	—	—	—	—	—	—	247
Total Timber Sales	39,285	30,250	75,308	6,834	—	25,142	—	176,819
License Revenue, Primarily from Hunting	4,588	298	161	11	—	—	—	5,058
Other Non-Timber/Carbon Revenue	945	965	89	25	—	—	—	2,024
Agency Fee Income	—	—	—	—	—	350	—	350
Fund II Timberland Dispositions	—	—	—	87,100	—	—	—	87,100
Total Non-Timber Sales	5,533	1,263	250	87,136	—	350	—	94,532
Improved Development	—	—	—	—	27,774	—	—	27,774
Unimproved Development	—	—	—	—	37,500	—	—	37,500
Rural	—	—	—	—	6,937	—	—	6,937
Timberland & Non-Strategic	—	—	—	—	44	—	—	44
Deferred Revenue/Other (a)	—	—	—	—	728	—	—	728
Large Dispositions	—	—	—	—	20,048	—	—	20,048
Total Real Estate Sales	—	—	—	—	93,031	—	—	93,031
Revenue from Contracts with Customers	44,818	31,513	75,558	93,970	93,031	25,492	—	364,382
Lease Revenue	—	—	—	—	344	—	—	344
Intersegment	—	—	—	499	—	91	(590)	—
Total Revenue	$44,818	$31,513	$75,558	$94,469	$93,375	$25,583	($590)	$364,726

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
September 30, 2020								
Pulpwood	$22,061	$1,963	$7,943	$227	—	$2,534	—	$34,728
Sawtimber	19,356	25,513	51,400	8,397	—	19,575	—	124,241
Hardwood	760	—	—	—	—	—	—	760
Total Timber Sales	42,177	27,476	59,343	8,624	—	22,109	—	159,729
License Revenue, Primarily from Hunting	4,461	252	60	(6)	—	—	—	4,767
Other Non-Timber/Carbon Revenue	1,015	1,157	3,401	15	—	—	—	5,588
Total Non-Timber Sales	5,476	1,409	3,461	9	—	—	—	10,355
Improved Development	—	—	—	—	1,344	—	—	1,344
Unimproved Development	—	—	—	—	—	—	—	—
Rural	—	—	—	—	23,245	—	—	23,245
Timberland & Non-Strategic	—	—	—	—	42	—	—	42
Conservation Easement	—	—	—	—	3,099	—	—	3,099
Deferred Revenue/Other (a)	—	—	—	—	737	—	—	737
Total Real Estate Sales	—	—	—	—	28,467	—	—	28,467
Revenue from Contracts with Customers	47,653	28,885	62,804	8,633	28,467	22,109	—	198,551
Lease Revenue	—	—	—	—	324	—	—	324
Intersegment	—	—	—	1,274	—	92	(1,366)	—
Total Revenue	$47,653	$28,885	$62,804	$9,907	$28,791	$22,201	($1,366)	$198,875

(a) Includes deferred revenue adjustments, revenue true-ups and marketing fees related to Improved Development sales.

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Nine Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
September 30, 2021								
Pulpwood	$66,941	$6,689	$32,555	$783	—	$9,372	—	$116,340
Sawtimber	58,335	97,647	180,339	36,433	—	66,146	—	438,900
Hardwood	1,920	—	—	—	—	—	—	1,920
Total Timber Sales	127,196	104,336	212,894	37,216	—	75,518	—	557,160
License Revenue, Primarily From Hunting	13,501	505	300	41	—	—	—	14,347
Other Non-Timber/Carbon Revenue	5,092	3,516	502	438	—	—	—	9,548
Agency Fee Income	—	—	—	—	—	1,040	—	1,040
Fund II Timberland Dispositions	—	—	—	87,100	—	—	—	87,100
Total Non-Timber Sales	18,593	4,021	802	87,579	—	1,040	—	112,035
Improved Development	—	—	—	—	47,366	—	—	47,366
Unimproved Development	—	—	—	—	37,500	—	—	37,500
Rural	—	—	—	—	36,999	—	—	36,999
Timberland & Non-Strategic	—	—	—	—	44	—	—	44
Conservation Easement	—	—	—	—	3,855	—	—	3,855
Deferred Revenue/Other (a)	—	—	—	—	(4,260)	—	—	(4,260)
Large Dispositions	—	—	—	—	56,048	—	—	56,048
Total Real Estate Sales	—	—	—	—	177,552	—	—	177,552
Revenue from Contracts with Customers	145,789	108,357	213,696	124,795	177,552	76,558	—	846,747
Lease Revenue	—	—	—	—	857	—	—	857
Intersegment	—	—	—	3,259	—	237	(3,496)	—
Total Revenue	$145,789	$108,357	$213,696	$128,054	$178,409	$76,795	($3,496)	$847,604

Nine Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
September 30, 2020								
Pulpwood	$74,239	$8,253	$18,545	$555	—	$7,527	—	$109,119
Sawtimber	55,224	75,255	117,157	14,701	—	57,493	—	319,830
Hardwood	1,752	—	—	—	—	—	—	1,752
Total Timber Sales	131,215	83,508	135,702	15,256	—	65,020	—	430,701
License Revenue, Primarily from Hunting	13,386	444	200	4	—	—	—	14,034
Other Non-Timber/Carbon Revenue	2,801	2,179	6,210	19	—	—	—	11,209
Agency Fee Income	—	—	—	—	—	327	—	327
Total Non-Timber Sales	16,187	2,623	6,410	23	—	327	—	25,570
Improved Development	—	—	—	—	7,771	—	—	7,771
Unimproved Development	—	—	—	—	8,426	—	—	8,426
Rural	—	—	—	—	52,876	—	—	52,876
Timberland & Non-Strategic	—	—	—	—	9,647	—	—	9,647
Conservation Easement	—	—	—	—	3,099	—	—	3,099
Deferred Revenue/Other (a)	—	—	—	—	(879)	—	—	(879)
Large Dispositions	—	—	—	—	116,027	—	—	116,027
Total Real Estate Sales	—	—	—	—	196,967	—	—	196,967
Revenue from Contracts with Customers	147,402	86,131	142,112	15,279	196,967	65,347	—	653,238
Lease Revenue	—	—	—	—	397	—	—	397
Intersegment	—	—	—	2,152	—	158	(2,310)	—
Total Revenue	$147,402	$86,131	$142,112	$17,431	$197,364	$65,505	($2,310)	$653,635

(a) Includes deferred revenue adjustments, revenue true-ups and marketing fees related to Improved Development sales.

(Dollar amounts in thousands unless otherwise stated)

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The following tables present our timber sales disaggregated by contract type for the three and nine months ended September 30, 2021 and 2020:

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Trading	Total
September 30, 2021						
Stumpage Pay-as-Cut	$12,335	—	—	$131	—	$12,466
Stumpage Lump Sum	392	1,846	—	—	—	2,238
Total Stumpage	12,727	1,846	—	131	—	14,704
Delivered Wood (Domestic)	19,515	28,404	20,614	6,703	817	76,053
Delivered Wood (Export)	7,043	—	54,694	—	24,325	86,062
Total Delivered	26,558	28,404	75,308	6,703	25,142	162,115
Total Timber Sales	$39,285	$30,250	$75,308	$6,834	$25,142	$176,819
September 30, 2020						
Stumpage Pay-as-Cut	$14,518	—	—	$754	—	$15,272
Stumpage Lump Sum	310	472	—	—	—	782
Total Stumpage	14,828	472	—	754	—	16,054
Delivered Wood (Domestic)	21,976	27,004	20,127	7,870	362	77,339
Delivered Wood (Export)	5,373	—	39,216	—	21,747	66,336
Total Delivered	27,349	27,004	59,343	7,870	22,109	143,675
Total Timber Sales	$42,177	$27,476	$59,343	$8,624	$22,109	$159,729

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(Dollar amounts in thousands unless otherwise stated)

Nine Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Trading	Total
September 30, 2021						
Stumpage Pay-as-Cut	$48,775	—	—	$328	—	$49,103
Stumpage Lump Sum	5,040	8,909	—	—	—	13,949
Total Stumpage	53,815	8,909	—	328	—	63,052
Delivered Wood (Domestic)	57,528	95,427	56,970	36,888	3,144	249,957
Delivered Wood (Export)	15,853	—	155,924	—	72,374	244,151
Total Delivered	73,381	95,427	212,894	36,888	75,518	494,108
Total Timber Sales	$127,196	$104,336	$212,894	$37,216	$75,518	$557,160
September 30, 2020						
Stumpage Pay-as-Cut	$56,141	—	—	$1,285	—	$57,426
Stumpage Lump Sum	1,561	5,929	—	—	—	7,490
Total Stumpage	57,702	5,929	—	1,285	—	64,916
Delivered Wood (Domestic)	64,473	77,579	45,944	13,971	1,296	203,263
Delivered Wood (Export)	9,040	—	89,758	—	63,724	162,522
Total Delivered	73,513	77,579	135,702	13,971	65,020	365,785
Total Timber Sales	$131,215	$83,508	$135,702	$15,256	$65,020	$430,701

5. LEASES

We lease commercial and residential properties primarily located in Port Gamble, Washington. Our leases are operating leases and primarily range between one and five years, and may be extended on a case by case basis. Income associated with commercial and residential property leases generally includes scheduled rent increases, but do not include variable payments based on indexes.

The following table details our lease income for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Income Components	**2021**	**2020**	**2021**	**2020**
Operating lease income	$344	$324	$857	$397
Total lease income	$344	$324	$857	$397

(Dollar amounts in thousands unless otherwise stated)

6. NONCONTROLLING INTERESTS

NONCONTROLLING INTERESTS IN CONSOLIDATED AFFILIATES

Matariki Forestry Group

We maintain a 77% controlling financial interest in Matariki Forestry Group (the “New Zealand subsidiary”), a joint venture that owns or leases approximately 418,000 legal acres of New Zealand timberland. Accordingly, we consolidate the New Zealand subsidiary’s balance sheet and results of operations. Income attributable to the New Zealand subsidiary’s 23% noncontrolling interests is reflected as an adjustment to income in our Consolidated Statements of Income and Comprehensive Income under the caption “Net income attributable to noncontrolling interests in consolidated affiliates.” Rayonier New Zealand Limited (“RNZ”), a wholly-owned subsidiary, serves as the manager of the New Zealand subsidiary.

The following table sets forth the income attributable to the New Zealand subsidiary’s noncontrolling interests:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income attributable to noncontrolling interests in the New Zealand subsidiary	$2,006	$2,066	$7,716	$3,326

ORM Timber Fund II, Inc. (Fund II), ORM Timber Fund III LLC (Fund III), and ORM Timber Fund IV LLC. (Fund IV) (Collectively, the “Funds”)

Upon completion of the Pope Resources merger, we became the manager of three private equity timber funds, Fund II, Fund III, and Fund IV, consisting of 141,000 acres in the Pacific Northwest, and obtained ownership interests in the Funds of 20%, 5%, and 15%, respectively. Prior to the merger with Pope Resources, the Funds were formed by ORM LLC for the purpose of generating a return on investment through the acquisition, management, value enhancement and sale of timberland properties. Based upon an analysis under the variable interest entity guidance, we determined that we had the power to direct the activities that most significantly impacted the Funds’ economic success. Therefore, we were considered the primary beneficiary and were required under ASC 810 — *Consolidation* to consolidate the Funds. Income attributed to third-party investors is reflected as an adjustment to income in our Consolidated Statements of Income and Comprehensive Income under the caption “Net income attributable to noncontrolling interests in consolidated affiliates.”

On July 21, 2021, we sold the rights to manage Fund III and Fund IV, as well as our ownership interests in both funds to BTG Pactual’s Timberland Investment Group (TIG) for an aggregate purchase price of $35.9 million and recognized in our Consolidated Statements of Income and Comprehensive Income a gain on the sale of $3.7 million under the caption of other operating income (expense), net. Due to the sale of our rights to manage Fund III and Fund IV, we determined that we no longer have the power to direct the activities that most significantly impact the success of Fund III and Fund IV. As a result, Timber Fund III and IV balance sheets and results of operations are only included in our consolidated financial statements through the date of the sale.

As of September 30, 2021, we continue to manage and maintain a 20% ownership interest in Fund II, which is scheduled to terminate in March 2023. We continue to have the power to direct the activities that most significantly impact Fund II’s economic success. Therefore, we are considered the primary beneficiary and consolidate Fund II under ASC 810 — *Consolidation*. The obligations of Fund II do not have any recourse to the Company or the Operating Partnership and the assets of Fund II are not available to satisfy the Company or the Operating Partnership’s liabilities.

On September 30, 2021, we sold approximately 13,000 acres of Fund II timberland assets in Washington for an aggregate purchase price of $87.1 million and recognized a gain of $36.0 million, of which $7.2 million was attributable to Rayonier. Due to Timber Fund II distribution requirements, we classified the portion of proceeds from Fund II Timberland Dispositions attributable to noncontrolling interests as a current asset under the caption “Restricted Cash, Timber Funds” on our Consolidated Balance Sheets. Additionally, we recognized a current liability under the caption “Distribution payable, Timber Funds” and a corresponding decrease in “Noncontrolling Interests in Consolidated Affiliates” on our Consolidated Balance Sheets. We classified the remaining portion of Fund II’s timber and timberland as "Assets Held for Sale in our Consolidated Balance Sheets as of September 30, 2021, as a process to liquidate Fund II had commenced. See Note 1 — Basis of Presentation, Note 22 — Restricted Cash and Note 23 — Assets Held for Sale for additional information.

(Dollar amounts in thousands unless otherwise stated)

Following the end of the third quarter, we completed the liquidation of Fund II assets through two additional timberland dispositions. See Note 1 - Basis of Presentation for additional information on the subsequent events.

The following table sets forth the income attributable to the Funds' noncontrolling interests:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss) attributable to noncontrolling interests in the Funds	$30,465	($10,627)	$32,929	($12,773)

Ferncliff Investors

We maintain an ownership interest in Ferncliff Investors, a real estate joint venture entity. In 2017, Ferncliff Management and Ferncliff Investors were formed for the purpose of raising capital from third parties to invest in an unconsolidated real estate joint venture entity, Bainbridge Landing LLC, which is developing a five-acre parcel on Bainbridge Island, Washington into a multi-family community containing apartments and townhomes. Ferncliff Management is the manager and 33.33% owner of Ferncliff Investors, with the remaining ownership interest in Ferncliff Investors held by third-party investors. Ferncliff Investors holds a 50% interest in Bainbridge Landing LLC, the joint venture entity that owns and is developing the property.

Based upon an analysis under the variable interest entity guidance, we have the power to direct the activities that most significantly impact the Ferncliff Investor's economic success. Therefore, we are considered the primary beneficiary and are required under ASC 810 — *Consolidation* to consolidate Ferncliff Investors. The obligations of Ferncliff Investors do not have any recourse to the Company or the Operating Partnership.

Bainbridge Landing LLC is considered a voting interests entity. Ferncliff Investors accounts for its interest in the joint venture entity under the equity method because neither it nor the other member can exercise control over Bainbridge Landing LLC.

The Ferncliff Investors joint venture agreement provides for liquidation rights and distribution priorities that are disproportionate to each member's ownership interest. Due to the complex nature of cash distributions to members, net income of the joint venture is allocated to members, including us, using the Hypothetical Liquidation at Book Value (HLBV) method. Under the HLBV method, Ferncliff Investors income or loss is allocated to the members based on the period change in each member's claim on the book value of net assets, excluding capital contributions and distributions made during the period.

The following table sets forth the income attributable to Ferncliff Investors' noncontrolling interests:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net (loss) income attributable to noncontrolling interests in Ferncliff Investors	—	($153)	$129	($199)

NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP

Noncontrolling interests in the Operating Partnership relate to the third-party ownership of Redeemable Operating Partnership Units. Net income attributable to the noncontrolling interests in the Operating Partnership is computed by applying the weighted average Redeemable Operating Partnership Units outstanding during the period as a percentage of the weighted average total units outstanding to the Operating Partnership's net income for the period. If a noncontrolling unitholder redeems a unit for a registered common share of Rayonier or cash, the noncontrolling interests in the Operating Partnership will be reduced and the Company's share in the Operating Partnership will be increased by the fair value of each security at the time of redemption.

(Dollar amounts in thousands unless otherwise stated)

The following table sets forth the Company's noncontrolling interests in the Operating Partnership:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Beginning noncontrolling interests in the Operating Partnership	$153,505	$110,220	$130,121	—
Issuances of Redeemable Operating Partnership Units	—	—	—	106,752
Adjustment of noncontrolling interests in the Operating Partnership	(1,746)	8,030	25,531	12,022
Conversions of Redeemable Operating Partnership Units to Common Shares	(12,258)	(27)	(17,214)	(27)
Net Income (Loss) attributable to noncontrolling interests in the Operating Partnership	2,210	(25)	4,303	195
Other Comprehensive (Loss) Income attributable to noncontrolling interests in the Operating Partnership	(92)	532	1,187	989
Distributions to noncontrolling interests in the Operating Partnership	(1,064)	(1,200)	(3,373)	(2,401)
Total noncontrolling interests in the Operating Partnership	$140,555	$117,530	$140,555	$117,530

(Dollar amounts in thousands unless otherwise stated)

7. VARIABLE INTEREST ENTITIES

ORM Timber Fund II, Inc. (Fund II), ORM Timber Fund III LLC (Fund III), and ORM Timber Fund IV LLC. (Fund IV) (Collectively, the "Funds")

As mentioned in Note 1 - Basis of Presentation and Note 6 — Noncontrolling Interests, we sold the rights to manage Fund III and Fund IV, as well as our ownership interests in both funds in July 2021. As a result, Timber Fund III and IV balance sheets and results of operations are only included in our consolidated financial statements through the date of the sale. As of September 30, 2021, we continue to maintain a 20% ownership interest in Fund II. Based on an analysis of the variable interest entity guidance, we have the power to direct the activities that most significantly impact Fund II's economic success. Therefore, we are considered the primary beneficiary and are required under ASC 810 — *Consolidation* to consolidate Fund II. For further information on the Funds, see Note 6 — Noncontrolling Interests.

The assets, liabilities and equity of Fund II as of September 30, 2021, were as follows:

Timber Funds	September 30, 2021
Assets:	
Cash and cash equivalents	$12,202
Restricted Cash, Timber Funds (Note 22)	49,209
Accounts receivable	513
Assets held for sale (Note 23) (a)	54,926
Other current assets	79
Total current assets	116,929
Other assets	23
Total assets	$116,952
Liabilities and Equity:	
Accounts payable	$547
Intercompany payable (b)	160
Accrued taxes	71
Deferred revenue	164
Distribution payable, Timber Funds (c)	49,209
Other current liabilities	36
Total current liabilities	50,187
Funds' equity	66,765
Total liabilities and equity	$116,952

(a) Included in assets held for sale are timber and timberland assets.
(b) Includes management fees and other expenses payable to the Operating Partnership. These amounts are eliminated in the Consolidated Balance Sheets.
(c) Represents the portion of proceeds from Fund II Timberland Dispositions required to be distributed to noncontrolling interests.

(Dollar amounts in thousands unless otherwise stated)

Ferncliff Investors

We maintain an ownership interest in Ferncliff Investors, a real estate joint venture entity. Based upon an analysis under the variable interest entity guidance, we have the power to direct the activities that most significantly impact the joint venture's economic success. Therefore, we are considered the primary beneficiary and are required under ASC 810 — *Consolidation* to consolidate Ferncliff Investors. For further information on Ferncliff Investors, see Note 6 — Noncontrolling Interests.

The assets, liabilities and equity of Ferncliff Investors as of September 30, 2021, were as follows:

Ferncliff Investors	September 30, 2021
Assets:	
Cash and cash equivalents	$391
Total current assets	391
Advances to real estate joint venture entity	1,000
Total assets	$1,391
Liabilities and Equity:	
Total liabilities	$1,897
Ferncliff Investors' equity	(506)
Total liabilities and equity	$1,391

(Dollar amounts in thousands unless otherwise stated)

8. EARNINGS (LOSS) PER SHARE AND PER UNIT

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Earnings (Loss) per common share - basic				
Numerator:				
Net Income (Loss)	$110,512	($9,498)	$188,963	$17,378
Less: Net (income) loss attributable to noncontrolling interests in the Operating Partnership	(2,210)	25	(4,303)	(195)
Less: Net (income) loss attributable to noncontrolling interests in consolidated affiliates	(32,471)	8,715	(40,775)	9,647
Net income (loss) attributable to Rayonier Inc.	$75,831	($758)	$143,885	$26,830
Denominator:				
Denominator for basic earnings (loss) per common share - weighted average shares	141,777,574	136,351,271	139,749,358	132,948,124
Basic earnings (loss) per common share attributable to Rayonier Inc.:	$0.53	($0.01)	$1.03	$0.20
Earnings (Loss) per common share - diluted				
Numerator:				
Net Income (loss)	$110,512	($9,498)	$188,963	$17,378
Less: Net (income) loss attributable to noncontrolling interests in consolidated affiliates	(32,471)	8,715	(40,775)	9,647
Less: Net loss attributable to noncontrolling interests in the Operating Partnership	— (a)	25 (a)	—	—
Net income (loss) attributable to Rayonier Inc., before net income attributable to noncontrolling interests in the Operating Partnership	$78,041	($758)	$148,188	$27,025
Denominator:				
Denominator for basic earnings (loss) per common share - weighted average shares	141,777,574	136,351,271	139,749,358	132,948,124
Add: Dilutive effect of:				
Stock options	9,803	—	8,833	492
Performance shares, restricted shares and restricted stock units	520,737	—	361,596	159,018
Noncontrolling interests in Redeemable Operating Partnership Units	4,131,454	— (a)	4,245,323	2,352,822
Denominator for diluted earnings per common share - adjusted weighted average shares	146,439,568	136,351,271	144,365,110	135,460,456
Diluted earnings (loss) per common share attributable to Rayonier Inc.:	$0.53	($0.01)	$1.03	$0.20

(a) For the three months ended September 30, 2020, net loss attributable to noncontrolling interests in the Operating Partnership was included in the numerator for diluted earnings (loss) per share as the Company generated a net loss attributable to Rayonier Inc. during the quarter. Also, as a result of the net loss attributable to Rayonier Inc. during the three months ended September 30, 2020, the incremental shares related to noncontrolling interests in Redeemable Operating Partnership Units were excluded from the denominator of diluted loss per share.

(Dollar amounts in thousands unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Anti-dilutive shares excluded from the computations of diluted earnings (loss) per common share:				
Stock options, performance shares, restricted shares, restricted stock units and noncontrolling interests in Redeemable Operating Partnership Units (a)	100,135	5,038,514	167,668	471,999
Total	100,135	5,038,514	167,668	471,999

(a) For the three months ended September 30, 2020, the incremental shares related to stock options, performance shares, restricted shares, restricted stock units and noncontrolling interests in Redeemable Operating Partnership Units were not included in the computation of diluted loss per share as their inclusion would have had an anti-dilutive effect.

(Dollar amounts in thousands unless otherwise stated)

The following table provides details of the calculations of basic and diluted earnings (loss) per unit of the Operating Partnership:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Earnings (loss) per unit - basic				
Numerator:				
Net Income (Loss)	$110,512	($9,498)	$188,963	$17,378
Less: Net (income) loss attributable to noncontrolling interests in consolidated affiliates	(32,471)	8,715	(40,775)	9,647
Net income (loss) available to unitholders	$78,041	($783)	$148,188	$27,025
Denominator:				
Denominator for basic earnings (loss) per unit - weighted average units	145,909,028	140,797,217	143,994,681	135,300,946
Basic earnings (loss) per unit attributable to Rayonier, L.P.:	$0.53	($0.01)	$1.03	$0.20
Earnings (Loss) per unit - diluted				
Numerator:				
Net Income (Loss)	$110,512	($9,498)	$188,963	$17,378
Less: Net (income) loss attributable to noncontrolling interests in consolidated affiliates	(32,471)	8,715	(40,775)	9,647
Net income (loss) available to unitholders	$78,041	($783)	$148,188	$27,025
Denominator:				
Denominator for basic earnings (loss) per unit - weighted average units	145,909,028	140,797,217	143,994,681	135,300,946
Add: Dilutive effect of unit equivalents:				
Stock options	9,803	—	8,833	492
Performance shares, restricted shares and restricted stock units	520,737	—	361,596	159,018
Denominator for diluted earnings (loss) per unit - adjusted weighted average units	146,439,568	140,797,217	144,365,110	135,460,456
Diluted earnings (loss) per unit attributable to Rayonier, L.P.:	$0.53	($0.01)	$1.03	$0.20

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Anti-dilutive unit equivalents excluded from the computations of diluted earnings (loss) per unit:				
Stock options, performance shares, restricted shares and restricted stock units (a)	100,135	592,568	167,668	471,999
Total	100,135	592,568	167,668	471,999

(a) For the three months ended September 30, 2020, the incremental unit equivalents related to stock options, performance shares, restricted shares and restricted stock units were not included in the computation of diluted loss per unit as their inclusion would have had an anti-dilutive effect.

(Dollar amounts in thousands unless otherwise stated)

9. DEBT

Our debt consisted of the following at September 30, 2021:

	September 30, 2021
Debt, excluding Timber Funds:	
Term Credit Agreement borrowings due 2028 at a variable interest rate of 1.7% at September 30, 2021 (a)	$350,000
Senior Notes due 2022 at a fixed interest rate of 3.75%	325,000
Senior Notes due 2031 at a fixed interest rate of 2.75%	450,000
Incremental Term Loan Agreement borrowings due 2026 at a variable interest rate of 1.7% at September 30, 2021 (b)	200,000
New Zealand subsidiary noncontrolling interests shareholder loan due 2025 at a fixed interest rate of 2.95%	23,739
New Zealand subsidiary noncontrolling interests shareholder loan due 2026 at a fixed interest rate of 3.64%	27,696
Total principal debt, excluding Timber Funds	1,376,435
Less: Unamortized discounts, excluding Timber Funds	(3,505)
Less: Current maturities of long-term debt, excluding Timber Funds	(199,887)
Less: Deferred financing costs, excluding Timber Funds	(5,076)
Total long-term debt, excluding Timber Funds	1,167,967
Total long-term debt, Timber Funds	—
Total long-term debt	$1,167,967

(a) As of September 30, 2021, the periodic interest rate on the term credit agreement (the "Term Credit Agreement") was LIBOR plus 1.600%. We estimate the effective fixed interest rate on the term loan facility to be approximately 3.1% after consideration of interest rate swaps and estimated patronage refunds.

(b) As of September 30, 2021, the periodic interest rate on the incremental term loan (the "Incremental Term Loan Agreement") was LIBOR plus 1.650%. We estimate the effective fixed interest rate on the incremental term loan facility to be approximately 2.4% after consideration of interest rate swaps and estimated patronage refunds.

Principal payments due during the next five years and thereafter are as follows:

	Excluding Timber Funds	Timber Funds	Total
2021	—	—	—
2022	325,000	—	325,000
2023	—	—	—
2024	—	—	—
2025	23,739	—	23,739
Thereafter	1,027,696	—	1,027,696
Total Debt	$1,376,435	—	$1,376,435

2021 DEBT ACTIVITY

U.S. Debt — Excluding Timber Funds

In May 2021, we issued and sold $450 million aggregate principal amount of 2.75% senior notes due 2031 (the “Senior Notes due 2031”). The Senior Notes due 2031 were sold at an issue price of 99.195% of their face value, before underwriters discount. Our net proceeds after deducting approximately $3.9 million of underwriting discounts and expenses, were approximately $442.5 million. The discount and debt issuance costs will be amortized to interest expense over the term of the notes using the effective interest method. A portion of the proceeds were used to repay $250 million outstanding under our 2020 Incremental Term Loan Agreement. The remainder will be used for general corporate purposes, which may also include repayment of our 3.75% Senior Notes due 2022 at or prior to maturity.

In May 2021, we repaid the $250 million outstanding under our 2020 Incremental Term Loan Agreement. We recognized a loss on early extinguishment of debt of $0.6 million, representing the write-off of unamortized deferred financing costs. The loss on early extinguishment of debt has been recognized in the Consolidated Statements of Income and Comprehensive Income under the caption “Interest and other miscellaneous income (expense), net.”

In June 2021, we entered into a Fourth Amendment and Incremental Term Loan Agreement, to amend certain terms of the Credit Agreement and to provide a senior unsecured delayed draw incremental term loan facility (the “2021 Incremental Term Loan Facility”) in an aggregate amount of $200 million.

The Fourth Amendment to the Credit Agreement provides for an extension of the maturity date of our $300 million Revolving Credit Facility from April 1, 2025 to June 1, 2026. In addition, the amendment provides for modifications to adjust the pricing grid under the credit agreement to decrease the applicable margin for our Revolving Credit Facility from LIBOR plus 1.500% to LIBOR plus 1.2500%. As a result of the revolver modification, approximately $0.3 million in lender fees have been deferred and will be amortized to interest expense over the term of the revolver.

The Fourth Amendment to the Credit Agreement also provides for modifications to adjust the pricing grid under the credit agreement to decrease the applicable margin for our $300 million 2016 Incremental Term Loan Facility from LIBOR plus 1.900% to LIBOR plus 1.6500%. As a result of the debt modification, approximately $0.3 million in third-party expenses have been recognized in the Consolidated Statements of Income and Comprehensive Income under the caption “Interest and other miscellaneous income (expense), net.”

The 2021 Incremental Term Loan Facility provides us the ability to make an advance of $200 million on or before June 1, 2022. As of September 30, 2021, no advance has been made under this facility. We expect to use a future advance of $125 million under the 2021 Incremental Term Loan Facility to refinance a portion of the 3.750% Senior Notes due 2022 on a long-term basis, and as such, have excluded $125 million of principal from current maturities of long-term debt, net, in our Consolidated Balance Sheets. Any advance above $125 million may be used to repay other debt or for other general corporate purposes. We have deferred $0.3 million of commitment fees, which will be amortized to interest expense over the term of the access period, through June 1, 2022. Additionally, we deferred $0.2 million in debt issuance costs, which will be amortized to interest expense over the term of the facility, once any future advance is made.

In June 2021, we prepaid $100 million on the $300 million Incremental Term Loan Agreement. In connection with the partial prepayment, we recognized a loss on early extinguishment of debt of $0.1 million, representing the write-off of one-third of the unamortized deferred financing costs. The loss on early extinguishment of debt has been recorded in the Consolidated Statements of Income and Comprehensive Income under the caption “Interest and other miscellaneous income (expense), net.”

In September 2021, we repaid the $45 million outstanding under our credit facility with Northwest Farm Credit Services (NWFCS). We recognized a gain on early extinguishment of debt of $7.2 million, representing the net write-off of unamortized deferred financing costs and fair market value adjustments, partially offset by a $6.2 million loss related to a make-whole fee due to debt prepayment. The net gain on early extinguishment of debt of approximately $0.9 million has been recognized in the Consolidated Statements of Income and Comprehensive Income under the caption “Interest and other miscellaneous income (expense), net.”

During the nine months ended September 30, 2021, we made no borrowings or repayments on our Revolving Credit Facility**.** At September 30, 2021, we had available borrowings of $299.1 million under the Revolving Credit Facility, net of $0.9 million to secure our outstanding letters of credit.

U.S. Debt — Timber Funds

In July 2021, we sold the rights to manage Fund III and Fund IV, as well as our ownership interests in both funds for an aggregate purchase price of approximately $35.9 million and recognized a gain of $3.7 million, which was recorded in Other operating income (expense), net. Following the sale, the Fund III Mortgages Payable are no longer recognized in our Consolidated Balance Sheets as of September 30, 2021. See Note 6 — Noncontrolling Interests for more information regarding the Timber Funds.

In September 2021, we repaid the $25 million outstanding under our Fund II Mortgages Payable. We recognized a loss on early extinguishment of debt of $6 thousand, representing the write-off of unamortized deferred financing costs. The loss on early extinguishment of debt has been recognized in the Consolidated Statements of Income and Comprehensive Income under the caption “Interest and other miscellaneous income (expense), net.”

New Zealand Debt

In June 2021, the New Zealand subsidiary renewed its NZ$20 million working capital facility for an additional 12-month term. During the nine months ended September 30, 2021, the New Zealand subsidiary made no borrowings or repayments on its working capital facility. At September 30, 2021, the New Zealand subsidiary had NZ$20.0 million of available borrowings under its working capital facility.

In July 2021, the New Zealand subsidiary made a capital distribution to its partners on a pro rata basis in order to redeem certain equity interests, which was reinvested by the partners in shareholder loans to the New Zealand subsidiary. Our capital distribution and portion of the shareholder loan are eliminated in consolidation. The capital distribution to the minority shareholder and its reinvestment in the shareholder loan resulted in the recording of a loan payable by the New Zealand subsidiary in the amount of $28.1 million due in 2026 at a fixed interest rate of 3.64%. As of September 30, 2021, the outstanding balance on the shareholder loan due 2026 is $27.7 million. Except for changes in the New Zealand foreign exchange rate, there have been no adjustments to the carrying value of the shareholder loan since its inception. See Note 6 — Noncontrolling Interests for more information regarding the New Zealand subsidiary.

As of September 30, 2021, the outstanding balance on the shareholder loan due 2025 is $23.7 million. Except for changes in the New Zealand foreign exchange rate, there have been no adjustments to the carrying value of the shareholder loan since its inception. See Note 6 — Noncontrolling Interests for more information regarding the New Zealand subsidiary.

(Dollar amounts in thousands unless otherwise stated)

DEBT COVENANTS — EXCLUDING TIMBER FUNDS

In connection with our $350 million Term Credit Agreement, $200 million Incremental Term Loan Agreement, $200 million 2021 Incremental Term Loan Facility and $300 million Revolving Credit Facility, customary covenants must be met, the most significant of which include interest coverage and leverage ratios.

The covenants listed below, which are the most significant financial covenants in effect as of September 30, 2021, are calculated on a trailing 12-month basis:

	Covenant Requirement	Actual Ratio	Favorable
Covenant EBITDA to consolidated interest expense should not be less than	2.5 to 1	11.6 to 1	9.1
Covenant debt to covenant net worth plus covenant debt shall not exceed	65 %	44 %	21 %

In addition to these financial covenants listed above, the Senior Notes due 2022, the Senior Notes due 2031, Term Credit Agreement, Incremental Term Loan Agreement, 2021 Incremental Term Loan Facility, and Revolving Credit Facility include customary covenants that limit the incurrence of debt and the disposition of assets, among others. At September 30, 2021, we were in compliance with all applicable covenants.

10. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to market risk related to potential fluctuations in foreign currency exchange rates and interest rates. We use derivative financial instruments to mitigate the financial impact of exposure to these risks.

Accounting for derivative financial instruments is governed by ASC Topic 815, *Derivatives and Hedging*, (“ASC 815”). In accordance with ASC 815, we record our derivative instruments at fair value as either assets or liabilities in the Consolidated Balance Sheets. Changes in the instruments’ fair value are accounted for based on their intended use. Gains and losses on derivatives that are designated and qualify for cash flow hedge accounting are recorded as a component of accumulated other comprehensive income (“AOCI”) and reclassified into earnings when the hedged transaction materializes. Gains and losses on derivatives that are designated and qualify for net investment hedge accounting are recorded as a component of AOCI and will not be reclassified into earnings until the investment is partially or completely liquidated. The changes in the fair value of derivatives not designated as hedging instruments and those which are no longer effective as hedging instruments, are recognized immediately in earnings.

FOREIGN CURRENCY EXCHANGE AND OPTION CONTRACTS

The New Zealand subsidiary’s export sales are predominately denominated in U.S. dollars, and therefore its cash flows are affected by fluctuations in the exchange rate between the New Zealand dollar and the U.S. dollar. This exposure is partially managed by a natural currency hedge, as ocean freight payments and shareholder distributions are also paid in U.S. dollars. We manage any excess foreign exchange exposure through the use of derivative financial instruments. The New Zealand subsidiary typically hedges 50% to 90% of its estimated foreign currency exposure with respect to the following twelve months forecasted sales and purchases, less distributions, and up to 75% of the forward 12 to 18 months. Additionally, the New Zealand subsidiary will occasionally hedge up to 50% of its estimated foreign currency exposure with respect to the following 18 to 48 months forecasted sales and purchases, less distributions, when the New Zealand dollar is at a cyclical low versus the U.S. dollar. Foreign currency exposure from the New Zealand subsidiary’s trading operations is typically hedged based on the following three months forecasted sales and purchases. As of September 30, 2021, foreign currency exchange contracts had maturity dates through March 2023 and all previously existing foreign currency option contracts have expired.

Foreign currency exchange and option contracts hedging foreign currency risk on export sales and ocean freight payments qualify for cash flow hedge accounting. We may de-designate these cash flow hedge relationships in advance or at the occurrence of the forecasted transaction. The portion of gains or losses on the derivative instrument previously accumulated in other comprehensive income for de-designated hedges remains in accumulated other comprehensive income until the forecasted transaction affects earnings. Changes in the value of derivative instruments after de-designation are recorded in earnings.

(Dollar amounts in thousands unless otherwise stated)

INTEREST RATE PRODUCTS

We are exposed to cash flow interest rate risk on our variable-rate debt and on anticipated debt issuances. We use variable-to-fixed interest rate swaps and forward-starting interest rate swap agreements to hedge this exposure. For these derivative instruments, we report the gains/losses from the fluctuations in the fair market value of the hedges in AOCI and reclassify them to earnings as interest expense in the same period in which the hedged interest payments affect earnings.

To the extent we de-designate or terminate a cash flow hedging relationship and the associated hedged item continues to exist, any unrealized gain or loss of the cash flow hedge at the time of de-designation remains in AOCI and is amortized using the straight-line method through interest expense over the remaining life of the hedged item. To the extent the associated hedged item is no longer effective, the gain or loss is reclassified out of AOCI to earnings immediately.

INTEREST RATE SWAPS

During the second quarter of 2021, we terminated and cash settled $250 million in notional value of our interest rate swaps, maturing in 2030, in connection with the repayment of $250 million outstanding under the 2020 Incremental Term Loan. Upon termination of the swap, we received $6.8 million from our counterparty. As of September 30, 2021, there was $16.3 million gain recorded in accumulated other comprehensive loss in connection with the terminated interest rate swap, which will be reclassified to earnings through interest expense over the remaining life of the hedged items, as the originally hedged cash flows remain probable.

During the second quarter of 2021, we terminated and cash settled $100 million in notional value of our interest rate swaps, maturing in 2026, in connection with the prepayment of $100 million on the 2026 Incremental Term Loan. Upon termination of the swap, we paid $2.2 million to our counterparty that was recognized immediately into earnings as interest expense, as the forecasted cash flows will no longer occur. See Note 9 — Debt for additional information.

The following table contains information on the outstanding interest rate swaps as of September 30, 2021:

Outstanding Interest Rate Swaps (a)						
Date Entered Into	Term	Notional Amount	Related Debt Facility	Fixed Rate of Swap	Bank Margin on Debt	Total Effective Interest Rate (b)
August 2015	9 years	$170,000	Term Credit Agreement	2.20 %	1.60 %	3.80 %
August 2015	9 years	180,000	Term Credit Agreement	2.35 %	1.60 %	3.95 %
April 2016	10 years	100,000	Incremental Term Loan	1.60 %	1.65 %	3.25 %
April 2016	10 years	100,000	Incremental Term Loan	1.60 %	1.65 %	3.25 %

(a) All interest rate swaps have been designated as interest rate cash flow hedges and qualify for hedge accounting.
(b) Rate is before estimated patronage payments.

TREASURY LOCKS

During the first quarter of 2020, we entered into three treasury lock agreements, which were designated and qualified as cash flow hedges. Prior to expiration, we de-designated and settled the treasury locks by converting them into interest rate swap lock agreements (discussed below).

As of September 30, 2021, there was $17.8 million loss recorded in accumulated other comprehensive loss in connection with the settled treasury locks, which will be reclassified to earnings as interest expense over the life of the hedged item. For additional information regarding the expired treasury lock agreements, see *Note 16 - Derivative Instruments and Hedging Activities in our 2020 Form 10-K.*

INTEREST RATE SWAP LOCKS

Upon de-designation, we converted the above treasury lock agreements to interest rate swap lock agreements, which were designated and qualified as cash flow hedges. During the second quarter of 2020, we de-designated and partially cash settled $11.1 million of the interest rate swap locks and converted them into an interest rate swap agreement.

(Dollar amounts in thousands unless otherwise stated)

As of September 30, 2021, there was $1.2 million loss recorded in accumulated other comprehensive loss in connection with settled interest rate swap locks, which will be reclassified to earnings as interest expense over the life of the hedged item. For additional information regarding the expired interest rate swap lock agreements, see *Note 16 - Derivative Instruments and Hedging Activities in our 2020 Form 10-K.*

FORWARD-STARTING INTEREST RATE SWAPS

During the second quarter of 2021, we de-designated and settled $325 million in notional value of our forward-starting interest rate swap, maturing in 2032, by converting it into a new forward-starting interest rate swap agreement. As of September 30, 2021, there was $9.9 million gain recorded in accumulated other comprehensive loss in connection with the converted forward-starting interest rate swap, which will be reclassified to earnings through interest expense over the remaining life of the hedged item.

The following table contains information on the outstanding forward-starting interest rate swaps as of September 30, 2021:

Outstanding Forward-Starting Interest Rate Swaps (a)						
Date Entered Into	Term	Notional Amount	Fixed Rate of Swap	Related Debt Facility	Forward Date	Maximum Period Ending for Forecasted Issuance Date
March 2020	4 years	$100,000	0.88 %	Term Credit Agreement	August 2024	N/A
May 2020	4 years	50,000	0.74 %	Term Credit Agreement	August 2024	N/A
May 2021 (b)	7 years	200,000	0.77 %	Future Issuance	Feb. 2022	N/A

(a) All forward-starting interest rate swaps have been designated as interest rate cash flow hedges and qualify for hedge accounting.
(b) The forward-starting interest rate swap entered into in May 2021 contained an embedded mark-to-market gain, which we recovered through a reduced charge in the fixed rate over what would have been charged for an at-market swap.

CARBON OPTIONS

The New Zealand subsidiary enters into carbon options from time to time to sell carbon assets. Changes in fair value of the carbon option contracts are recorded in “Interest and other miscellaneous income (expense), net” as the contracts do not qualify for hedge accounting treatment. As of September 30, 2021, all previously existing carbon option contracts have expired.

(Dollar amounts in thousands unless otherwise stated)

The following tables demonstrate the impact, gross of tax, of our derivatives on the Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2021 and 2020:

		Three Months Ended September 30,	
	Income Statement Location	2021	2020
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other comprehensive (loss) income	($2,618)	$1,946
Foreign currency option contracts	Other comprehensive (loss) income	(356)	358
Interest rate products	Other comprehensive (loss) income	1,288	2,417
	Interest expense	2,564	3,783

		Nine Months Ended September 30,	
	Income Statement Location	2021	2020
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other comprehensive (loss) income	($6,366)	$1,806
Foreign currency option contracts	Other comprehensive (loss) income	(1,514)	85
Interest rate products	Other comprehensive (loss) income	46,433	(91,203)
	Interest expense	11,935	6,951
Derivatives not designated as hedging instruments:			
Carbon option contracts	Interest and other miscellaneous income (expense), net	—	563

During the next 12 months, the amount of the September 30, 2021 AOCI balance, net of tax, expected to be reclassified into earnings is a loss of approximately $11.7 million. The following table contains details of the expected reclassified amounts into earnings:

	Amount expected to be reclassified into earnings in next 12 months
Derivatives designated as cash flow hedges:	
Foreign currency exchange contracts	$139
Interest rate products	(11,842)
Total estimated loss on derivatives contracts	($11,703)

(Dollar amounts in thousands unless otherwise stated)

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

	Notional Amount	
	September 30, 2021	December 31, 2020
Derivatives designated as cash flow hedges:		
Foreign currency exchange contracts	$144,000	$49,000
Foreign currency option contracts	—	28,000
Interest rate swaps	550,000	900,000
Forward-starting interest rate swaps	350,000	475,000

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

	Location on Balance Sheet	Fair Value Assets / (Liabilities) (a)	
		September 30, 2021	December 31, 2020
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other current assets	$1,892	$4,968
	Other assets	7	1,050
	Other current liabilities	(1,699)	—
	Other non-current liabilities	(549)	—
Foreign currency option contracts	Other current assets	—	1,526
	Other current liabilities	—	(11)
Interest rate swaps	Other non-current liabilities	(24,178)	(51,580)
Forward-starting interest rate swaps	Other assets	11,206	513
	Other non-current liabilities	—	(13,042)
Total derivative contracts:			
Other current assets		$1,892	$6,494
Other assets		11,213	1,563
Total derivative assets		$13,105	$8,057
Other current liabilities		(1,699)	(11)
Other non-current liabilities		(24,727)	(64,622)
Total derivative liabilities		($26,426)	($64,633)

(a) See Note 11 — Fair Value Measurements for further information on the fair value of our derivatives including their classification within the fair value hierarchy.

OFFSETTING DERIVATIVES

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

(Dollar amounts in thousands unless otherwise stated)

11. FAIR VALUE MEASUREMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The following table presents the carrying amount and estimated fair values of our financial instruments as of September 30, 2021 and December 31, 2020, using market information and what we believe to be appropriate valuation methodologies under GAAP:

	September 30, 2021			December 31, 2020		
		Fair Value			Fair Value	
Asset (Liability) (a)	Carrying Amount	Level 1	Level 2	Carrying Amount	Level 1	Level 2
Cash and cash equivalents, excluding Timber Funds	$419,604	$419,604	—	$80,454	$80,454	—
Cash and cash equivalents, Timber Funds	12,202	12,202	—	4,053	4,053	—
Restricted cash, Timber Funds (b)	49,209	49,209	—	—	—	—
Restricted cash, excluding Timber Funds (c)	625	625	—	2,975	2,975	—
Current maturities of long-term debt, excluding Timber Funds (d)	(199,887)	—	(201,440)	—	—	—
Long-term debt, excluding Timber Funds (d)	(1,167,967)	—	(1,173,657)	(1,300,336)	—	(1,313,631)
Long-term debt, Timber Funds (d)	—	—	—	(60,179)	—	(60,474)
Interest rate swaps (e)	(24,178)	—	(24,178)	(51,580)	—	(51,580)
Forward-starting interest rate swaps (e)	11,206	—	11,206	(12,529)	—	(12,529)
Foreign currency exchange contracts (e)	(349)	—	(349)	6,018	—	6,018
Foreign currency option contracts (e)	—	—	—	1,515	—	1,515
Noncontrolling Interests in the Operating Partnership (f)	140,555	140,555	—	130,121	130,121	—

(a) We did not have Level 3 assets or liabilities at September 30, 2021 and December 31, 2020.

(b) Restricted cash, Timber Funds represents the portion of proceeds from Fund II Timberland Dispositions required to be distributed to noncontrolling interests. See Note 22 — Restricted Cash for additional information.

(c) Restricted cash, excluding Timber Funds represents cash held in escrow. See Note 22 — Restricted Cash for additional information.

(d) The carrying amount of long-term debt is presented net of deferred financing costs, unamortized discounts and fair value adjustments on non-revolving debt. See Note 9 — Debt for additional information.

(e) See Note 10 — Derivative Financial Instruments and Hedging Activities for information regarding the Consolidated Balance Sheets classification of our derivative financial instruments.

(f) Noncontrolling Interests in the Operating Partnership is neither an asset or liability and is classified as temporary equity in the Company's Consolidated Balance Sheets. This relates to the ownership of Rayonier, L.P. units by various individuals and entities other than the Company.

We use the following methods and assumptions in estimating the fair value of our financial instruments:

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

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

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

(Dollar amounts in thousands unless otherwise stated)

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

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

Noncontrolling Interests in the Operating Partnership — The fair value of noncontrolling interests in the Operating Partnership is determined based on the period-end closing price of Rayonier Inc. common shares.

12. COMMITMENTS

At September 30, 2021, the future minimum payments under non-cancellable commitments were as follows:

	Environmental Remediation (a)	Development Projects (b)	Commitments (c)	Total
Remaining 2021	$255	$11,113	$3,328	$14,696
2022	1,534	13,695	14,254	29,483
2023	3,188	267	12,449	15,904
2024	3,188	267	9,366	12,821
2025	519	267	5,534	6,320
Thereafter	2,266	3,916	8,242	14,424
	$10,950	$29,525	$53,173	$93,648

(a) Environmental remediation represents our estimate of potential liability associated with environmental contamination and Natural Resource Damages (NRD) in Port Gamble, Washington. See Note 14 - Environmental and Natural Resource Damage Liabilities for additional information.
(b) Primarily consisting of payments expected to be made on our Wildlight and Richmond Hill development projects.
(c) Commitments include payments expected to be made on financial instruments (foreign exchange contracts, interest rate swaps and forward-starting interest rate swaps) and other purchase obligations.

13. CONTINGENCIES

We have been named as a defendant in various lawsuits and claims arising in the normal course of business. While we have procured reasonable and customary insurance covering risks normally occurring in connection with our businesses, we have in certain cases retained some risk through the operation of large deductible insurance plans, primarily in the areas of executive risk, property, automobile and general liability. These pending lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on our financial position, results of operations, or cash flow.

14. ENVIRONMENTAL AND NATURAL RESOURCE DAMAGE LIABILITIES

Various federal and state environmental laws in the states in which we operate place cleanup or restoration liability on the current and former owners of affected real estate. These laws are often a source of “strict liability,” meaning that an owner or operator need not necessarily have caused, or even been aware of, the release of contaminated materials. Similarly, there are certain environmental laws that allow state, federal, and tribal trustees (collectively, the “Trustees”) to bring suit against property owners to recover damage for injuries to natural resources. Like the liability that attaches to current property owners in the cleanup context, liability for natural resource damages (“NRD”) can attach to a property simply because an injury to natural resources resulted from releases of contaminated materials on or from the owner’s property, regardless of culpability for the release. For additional information, see *Note 13 - Environmental and Natural Resource Damage Liabilities in the 2020 Form 10-K.*

(Dollar amounts in thousands unless otherwise stated)

Changes in environmental and NRD liabilities from December 31, 2020 to September 30, 2021 are shown below:

	Port Gamble, WA
Non-current portion at December 31, 2020	$10,615
Plus: Current portion	1,026
Total Balance at December 31, 2020	11,641
Expenditures charged to liabilities	(762)
Increase to liabilities	71
Total Balance at September 30, 2021	10,950
Less: Current portion	(1,095)
Non-current portion at September 30, 2021	$9,855

These estimates were based on assumptions that we believe to be reasonable; however, actual results may differ from these estimates. See Note 2 - Merger with Pope Resources for information regarding the final allocation of fair value to environmental and NRD liabilities assumed in the merger with Pope Resources. It is expected that the upland mill site cleanup and NRD restoration will occur over the next two to three years, while the monitoring of Port Gamble Bay, mill site and landfills will continue for an additional 10 to 15 years. NRD costs are subject to change as the scope of the restoration projects become more clearly defined. It is reasonably possible that these components of the liability may increase as the project progresses. Management continues to monitor the Port Gamble cleanup process and will make adjustments as needed. Should any future circumstances result in a change to the estimated cost of the project, we will record an appropriate adjustment to the liability in the period it becomes known and when we can reasonably estimate the amount. For further information on the timing and amount of future payments related to our environmental remediation liabilities, see Note 12 - Commitments.

15. GUARANTEES

We provide financial guarantees as required by creditors, insurance programs, and various governmental agencies.

As of September 30, 2021, the following financial guarantees were outstanding:

Financial Commitments (a)	Maximum Potential Payment
Standby letters of credit	$885
Surety bonds (b)	12,429
Total financial commitments	$13,314

(a) We have not recorded any liabilities for these financial commitments in our Consolidated Balance Sheets. The guarantees are not subject to measurement, as the guarantees are dependent on our own performance.
(b) Surety bonds are issued primarily to secure performance obligations related to various operational activities, to provide collateral for our Wildlight development project in Nassau County, Florida and in connection with pending and completed sales from the Harbor Hill project in Gig Harbor, Washington. These surety bonds expire at various dates during 2021, 2022, 2023 and 2024 and are expected to be renewed as required.

(Dollar amounts in thousands unless otherwise stated)

16. HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS

We continuously assess potential alternative uses of our timberlands, as some properties may become more valuable for development, residential, recreation or other purposes. We periodically transfer, via a sale or contribution from the real estate investment trust ("REIT") entities to taxable REIT subsidiaries ("TRS"), higher and better use ("HBU") timberlands to enable land-use entitlement, development or marketing activities. We also acquire HBU properties in connection with timberland acquisitions. These properties are managed as timberlands until sold or developed. While the majority of HBU sales involve rural and recreational land, we also selectively pursue various land-use entitlements on certain properties for residential, commercial and industrial development in order to enhance the long-term value of such properties. For selected development properties, we also invest in targeted infrastructure improvements, such as roadways and utilities, to accelerate the marketability and improve the value of such properties.

Changes in higher and better use timberlands and real estate development investments from December 31, 2020 to September 30, 2021 are shown below:

	Higher and Better Use Timberlands and Real Estate Development Investments		
	Land and Timber	Development Investments	Total
Non-current portion at December 31, 2020	$79,901	$28,617	$108,518
Plus: Current portion (a)	212	6,544	6,756
Total Balance at December 31, 2020	80,113	35,161	115,274
Non-cash cost of land and improved development	(11,566)	(6,956)	(18,522)
Amortization of parcel real estate development investments	—	(4,518)	(4,518)
Timber depletion from harvesting activities and basis of timber sold in real estate sales	(948)	—	(948)
Capitalized real estate development investments (b)	—	16,871	16,871
Capital expenditures (silviculture)	76	—	76
Intersegment transfers	8,179	—	8,179
Purchase price allocation adjustment (c)	8,238	—	8,238
Total Balance at September 30, 2021	84,092	40,558	124,650
Less: Current portion (a)	(601)	(13,457)	(14,058)
Non-current portion at September 30, 2021	$83,491	$27,101	$110,592

(a) The current portion of Higher and Better Use Timberlands and Real Estate Development Investments is recorded in Inventory. See Note 17 — Inventory for additional information.
(b) Capitalized real estate development investments include $0.4 million of capitalized interest and $7.7 million of parcel real estate development investments. Parcel real estate development investments represent investments made for specific lots and/or commercial parcels that are currently under contract or expected to be ready for market within a year.
(c) Reflects measurement period adjustments on HBU properties acquired in the merger with Pope Resources. The final allocation of fair value to HBU properties acquired in the merger is approximately $34.7 million. This includes development properties in the town of Port Gamble, Washington, development projects in Gig Harbor, Kingston, and Bremerton, Washington and various other assets. See Note 2 - Merger with Pope Resources for additional information.

17. INVENTORY

As of September 30, 2021 and December 31, 2020, our inventory consisted entirely of finished goods, as follows:

	September 30, 2021	December 31, 2020
Finished goods inventory		
Real estate inventory (a)	$14,058	$6,756
Log inventory	4,534	3,838
Total inventory	$18,592	$10,594

(a) Represents the cost of HBU real estate (including capitalized development investments) under contract to be sold. See Note 16 — Higher And Better Use Timberlands and Real Estate Development Investments for additional information.

(Dollar amounts in thousands unless otherwise stated)

18. OTHER OPERATING INCOME (EXPENSE), NET

Other operating income (expense), net consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Gain (loss) on foreign currency remeasurement, net of cash flow hedges	$1,379	($976)	$5,730	($2,263)
Gain on sale or disposal of property and equipment	—	19	93	26
Gain on investment in Timber Funds (a)	3,729	—	3,729	—
Log trading marketing fees	—	—	6	50
Costs related to the merger with Pope Resources (b)	—	(430)	—	(16,415)
Equity income (loss) related to Bainbridge Landing LLC joint venture (c)	36	(214)	241	(273)
Miscellaneous expense, net	(74)	(52)	(325)	(372)
Total	$5,070	($1,653)	$9,474	($19,247)

(a) See Note 6 - Noncontrolling Interests and Note 7 - Variable Interest Entities for additional information on Timber Funds.

(b) Includes legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources. See Note 2 - Merger with Pope Resources and Note 24 - Charges for Integration and Restructuring for additional information.

(c) See Note 6 - Noncontrolling Interests and Note 7 - Variable Interest Entities for additional information on Ferncliff Investors.

(Dollar amounts in thousands unless otherwise stated)

19. EMPLOYEE BENEFIT PLANS

We have one qualified non-contributory defined benefit pension plan covering a portion of our employees and an unfunded plan that provides benefits in excess of amounts allowable under current tax law in the qualified plan. Both plans are closed to new participants. Effective December 31, 2016, we froze benefits for all employees participating in the pension plan. In lieu of the pension plan, we provide those employees with an enhanced 401(k) plan match. Employee benefit plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause the estimates to change.

We are not required to make mandatory 2021 pension contributions due to our plan's improved funding status and have made no pension contribution payments during the three and nine months ended September 30, 2021.

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

Components of Net Periodic Benefit (Credit) Cost	Income Statement Location	Pension		Postretirement	
		Three Months Ended September 30,		Three Months Ended September 30,	
		2021	2020	2021	2020
Service cost	Selling and general expenses	—	—	$2	$2
Interest cost	Interest and other miscellaneous income (expense), net	557	677	11	13
Expected return on plan assets (a)	Interest and other miscellaneous income (expense), net	(936)	(876)	—	—
Amortization of losses	Interest and other miscellaneous income (expense), net	288	215	5	2
Net periodic benefit (credit) cost		($91)	$16	$18	$17

Components of Net Periodic Benefit (Credit) Cost	Income Statement Location	Pension		Postretirement	
		Nine Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Service cost	Selling and general expenses	—	—	$6	$5
Interest cost	Interest and other miscellaneous income (expense), net	1,671	2,029	34	38
Expected return on plan assets (a)	Interest and other miscellaneous income (expense), net	(2,809)	(2,628)	—	—
Amortization of losses	Interest and other miscellaneous income (expense), net	865	646	15	6
Net periodic benefit (credit) cost		($273)	$47	$55	$49

(a) The weighted-average expected long-term rate of return on plan assets used in computing 2021 net periodic benefit cost for pension benefits is 5.7%.

(Dollar amounts in thousands unless otherwise stated)

20. INCOME TAXES

Rayonier is a REIT under the Internal Revenue Code and therefore generally does not pay U.S. federal or state income tax. As of September 30, 2021, Rayonier owns a 97.3% interest in the Operating Partnership and conducts substantially all of its timberland operations through the Operating Partnership. The taxable income or loss generated by the Operating Partnership is passed through and reported to its unit holders (including the Company) on a Schedule K-1 for inclusion in each unitholder's income tax return.

Certain operations, including log trading and certain real estate activities, such as the entitlement, development and sale of HBU properties, are conducted through our TRS. The TRS subsidiaries are subject to United States federal and state corporate income tax. The New Zealand timber operations are conducted by the New Zealand subsidiary, which is subject to corporate-level tax at 28% in New Zealand and is treated as a partnership for U.S. income tax purposes.

PROVISION FOR INCOME TAXES

The Company's tax expense is principally related to corporate-level tax in New Zealand and non-resident withholding tax on repatriation of earnings from New Zealand. The following table contains the income tax expense recognized on the Consolidated Statements of Income and Comprehensive Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income tax expense	($2,811)	($720)	($13,114)	($7,416)

ANNUAL EFFECTIVE TAX RATE

The Company's 2021 effective tax rate after discrete items is below the 21.0% U.S. statutory rate due to tax benefits associated with being a REIT. The following table contains the Company's annualized effective tax rate after discrete items:

	Nine Months Ended September 30,	
	2021	2020
Annualized effective tax rate after discrete items	6.4 %	29.9 %

(Dollar amounts in thousands unless otherwise stated)

21. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in AOCI by component for the nine months ended September 30, 2021 and the year ended December 31, 2020. All amounts are presented net of tax and exclude portions attributable to noncontrolling interests.

	Foreign currency translation (loss) gains	Net investment hedges of New Zealand subsidiary	Cash flow hedges	Employee benefit plans	Total Rayonier, L.P.	Allocation to Operating Partnership	Total Rayonier Inc.
Balance as of December 31, 2019	($226)	$1,321	($8,910)	($23,387)	($31,202)	—	($31,202)
Other comprehensive income (loss) before reclassifications	22,928	—	(71,644)	(1,794)	(50,510)	—	(50,510)
Amounts reclassified from accumulated other comprehensive loss	—	—	9,498	869 (b)	10,367	(2,540)	7,827
Net other comprehensive income (loss)	22,928	—	(62,146)	(925)	(40,143)	(2,540)	(42,683)
Balance as of December 31, 2020	$22,702	$1,321	($71,056)	($24,312)	($71,345)	($2,540)	($73,885)
Other comprehensive (loss) income before reclassifications	(16,369)	—	40,125 (a)	—	23,756	—	23,756
Amounts reclassified from accumulated other comprehensive loss	—	—	13,874	881 (b)	14,755	(1,186)	13,569
Net other comprehensive (loss) income	(16,369)	—	53,999	881	38,511	(1,186)	37,325
Balance as of September 30, 2021	$6,333	$1,321	($17,057)	($23,431)	($32,834)	($3,726)	($36,560)

(a) Includes $46.4 million of other comprehensive income related to interest rate swaps and forward-starting interest rate swaps. See Note 10 — Derivative Financial Instruments and Hedging Activities for additional information.

(b) This component of other comprehensive (loss) income is included in the computation of net periodic pension and post-retirement costs. See Note 19 — Employee Benefit Plans for additional information.

The following table presents details of the amounts reclassified in their entirety from AOCI to net income for the nine months ended September 30, 2021 and September 30, 2020:

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)		Affected line item in the income statement
	September 30, 2021	September 30, 2020	
Realized loss (gain) on foreign currency exchange contracts	$2,322	($2,568)	Other operating income (expense), net
Realized loss on foreign currency option contracts	1,177	(15)	Other operating income (expense), net
Noncontrolling interests	(805)	594	Comprehensive (loss) income attributable to noncontrolling interests
Realized loss on interest rate contracts	11,935	6,951	Interest expense
Income tax effect from net (loss) gain on foreign currency contracts	(755)	557	Income tax expense
Net loss from accumulated other comprehensive income	$13,874	$5,519	

(Dollar amounts in thousands unless otherwise stated)

22. RESTRICTED CASH

Restricted cash, Timber Funds includes the portion of proceeds from Fund II Timberland Dispositions required to be distributed to noncontrolling interests. Restricted cash, excluding Timber Funds, includes cash balances held in escrow as collateral for certain contractual obligations related to our Richmond Hill development project as well as cash held in escrow for real estate sales.

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Consolidated Balance Sheets that sum to the total of the same such amounts in the Consolidated Statements of Cash Flows for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	2020
Cash and cash equivalents	$431,806	$78,151
Restricted cash, Timber Funds	49,209	—
Restricted cash, excluding Timber Funds (Held in escrow)	625	475
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$481,640	$78,626

23. ASSETS HELD FOR SALE

Assets held for sale is composed of properties under contract and expected to be sold within 12 months that also meet the other relevant held-for-sale criteria in accordance with ASC 360-10-45-9. As of September 30, 2021 and December 31, 2020, the basis in properties meeting this classification was $56.4 million and $3.4 million, respectively. Since the basis in these properties was less than the fair value, including costs to sell, no impairment was recognized. Included in assets held for sale as of September 30, 2021 are $54.9 million of timber and timberland assets owned by ORM Timber Fund II, Inc., in which we maintain a 20% ownership interest.

(Dollar amounts in thousands unless otherwise stated)

24. CHARGES FOR INTEGRATION AND RESTRUCTURING

During 2020, we incurred and accrued for termination benefits (primarily severance) and accelerated share-based payment costs based upon actual and expected qualifying terminations of certain employees as a result of restructuring decisions made concurrent with and subsequent to the merger with Pope Resources. We also incurred non-recurring professional services costs for investment banking, legal, consulting, accounting and certain other fees directly attributable to the merger with Pope Resources.

A summary of the charges for integration and restructuring related to the merger with Pope Resources is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Termination benefits	—	$70	—	$651
Acceleration of share-based compensation related to qualifying terminations	—	92	—	324
Professional services	—	239	—	13,553
Other integration and restructuring costs	—	29	—	1,887
Total integration and restructuring charges related to the merger with Pope Resources	—	$430	—	$16,415

During the three and nine months ended September 30, 2020, we incurred $0.1 million and $0.7 million, respectively, in severance benefits related to restructuring associated with the Pope Resources merger. As of December 31, 2020, there was $0.1 million of accrued severance recorded within “Accrued Payroll and Benefits” in our Consolidated Balance Sheets. As of September 30, 2021, all severance associated with the merger with Pope Resources has been paid.

25. RELATED PARTY

In January 2020, we entered into an agreement to sell developed lots to Mattamy Jacksonville LLC, a wholly owned subsidiary of Mattamy Homes, for an aggregate base purchase price of $4.45 million (subject to multiple takedowns over a 2 year period), plus additional consideration as to each lot to the extent the ultimate sales price of each finished home exceeds agreed price thresholds (the “Mattamy Contract”). In May 2021, we entered into an amendment to the original agreement, which sells additional lots to Mattamy for an aggregate base purchase price of $1.0 million. The Mattamy contract also includes marketing fee revenue based on a percentage of the sales price of each finished home.

In September 2020, Keith Bass, a member of our Board of Directors, was named the Chief Executive Officer of Mattamy Homes US. Following this development, the Mattamy Contract and the ongoing obligations therein, were reviewed by the Nominating and Corporate Governance Committee in accordance with established policies and procedures regarding the authorization and approval of transactions with related parties.

The following table demonstrates the impact, gross of tax, of our related party transactions on the Consolidated Statements of Income and Comprehensive Income for the three and nine months ended:

		Three Months Ended September 30,		Nine Months Ended September 30,	
Related Party Transaction	Location on Statement of Income and Comprehensive Income	2021	2020	2021	2020
Mattamy Contract	Sales	$1,022	—	$2,510	—

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

When we refer to "Rayonier" or "the Company" we mean Rayonier Inc. and its consolidated subsidiaries. References to the "Operating Partnership" mean Rayonier, L.P. and its consolidated subsidiaries. References to "we," "us," or "our," mean collectively Rayonier Inc., the Operating Partnership and entities/subsidiaries owned or controlled by Rayonier Inc. and/or the Operating Partnership. References herein to "Notes to Financial Statements" refer to the Notes to Consolidated Financial Statements of Rayonier Inc. and Rayonier, L.P. included in Item 1 of this report.

This MD&A is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors which may affect future results. Our MD&A should be read in conjunction with our Consolidated Financial Statements included in Item 1 of this report, our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K") and information contained in our subsequent reports filed with the Securities and Exchange Commission (the "SEC").

FORWARD-LOOKING STATEMENTS

Certain statements in this document regarding anticipated financial outcomes, including our earnings guidance, if any, business and market conditions, outlook, expected dividend rate, our business strategies, including the potential effects of the ongoing global novel coronavirus ("COVID-19") pandemic, the recent acquisition of Pope Resources, expected harvest schedules, timberland acquisitions and dispositions, the anticipated benefits of our business strategies, and other similar statements relating to our future events, developments, or financial or operational performance or results, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as "may," "will," "should," "expect," "estimate," "believe," "intend," "project," "anticipate" and other similar language. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. While management believes that these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. The risk factors contained in Item 1A — *Risk Factors* in our 2020 Form 10-K and similar discussions included in other reports that we subsequently file with the SEC, among others, could cause actual results or events to differ materially from our historical experience and those expressed in forward-looking statements made in this document.

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

NON-GAAP MEASURES

To supplement our financial statements presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we use certain non-GAAP measures, including "Cash Available for Distribution," and "Adjusted EBITDA," which are defined and further explained in *Performance and Liquidity Indicators* below. Reconciliation of such measures to the nearest GAAP measures can also be found in *Performance and Liquidity Indicators* below. Our definitions of these non-GAAP measures may differ from similarly titled measures used by others. These non-GAAP measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with GAAP.

OUR COMPANY

We are a leading timberland real estate investment trust ("REIT") with assets located in some of the most productive softwood timber growing regions in the United States and New Zealand. We invest in timberlands and actively manage them to provide current income and attractive long-term returns to our shareholders. We conduct our business through an umbrella partnership real estate investment trust ("UPREIT") structure in which our assets are owned by our Operating Partnership and its subsidiaries. Rayonier manages the Operating Partnership as its sole general partner. Our revenues, operating income and cash flows are primarily derived from the following core business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Timber Funds, Real Estate, and Trading. As of September 30, 2021, we owned or leased under long-term agreements approximately 2.6 million acres of timberlands located in the U.S. South (1.74 million acres), U.S. Pacific Northwest (490,000 acres) and New Zealand (418,000 gross acres or 297,000 net plantable acres). We also act as the managing member in a private equity timber fund business with one fund comprising approximately 18,000 acres. On a "look-through basis," our ownership in the timber fund business equates to approximately 4,000 acres.

Following the end of the third quarter, we completed the liquidation of Fund II assets through two additional timberland dispositions. See Note 1 - Basis of Presentation for additional information on the subsequent events.

SEGMENT INFORMATION

The Southern Timber, Pacific Northwest Timber, New Zealand Timber, and Timber Funds segments include all activities related to the harvesting of timber and other non-timber income activities, such as the licensing of properties for hunting, the leasing of properties for mineral extraction and cell towers, and carbon credit sales. Our New Zealand operations are conducted by Matariki Forestry Group, a joint venture (the "New Zealand subsidiary"), in which we maintain a 77% ownership interest. The Timber Funds segment operations are managed by ORM LLC, a subsidiary acquired in the merger with Pope Resources. On July 21, 2021, we sold the rights to manage Fund III and Fund IV, as well as our ownership interests in both funds. As of September 30, 2021, we own approximately 20% of Fund II, but had commenced a process to liquidate Fund II assets. When referring to our proportionate ownership share of the Timber Funds segment, we will refer to the sums as "look-through" totals. See Note 6 - Noncontrolling Interests for additional information regarding our noncontrolling interests in the New Zealand Timber and Timber Funds segments.

The Real Estate segment includes all U.S. and New Zealand land or leasehold sales disaggregated into six sales categories: Improved Development, Unimproved Development, Rural, Timberland & Non-Strategic, Conservation Easement and Large Dispositions. It also includes residential and commercial lease activity, primarily in the town of Port Gamble, Washington.

The Trading segment primarily reflects log trading activities in New Zealand and Australia conducted by our New Zealand subsidiary. Our Trading segment activities include an export services joint venture with a third-party forest manager in which Matariki Forests Trading Ltd maintains a 50% ownership interest. The Trading segment complements the New Zealand Timber segment by providing added market intelligence, increasing the scale of export operations and achieving cost savings that directly benefit the New Zealand Timber segment. This additional market intelligence also benefits our Southern and Pacific Northwest export log marketing.

ENVIRONMENTAL MATTERS

For a full description of our environmental matters, see Item 1 - "Business" in our Annual Report on Form 10-K for the year ended December 31, 2020 and our sustainability report located at our Responsible Stewardship webpage.

INDUSTRY AND MARKET CONDITIONS

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

As the current COVID-19 pandemic continues to evolve, the expected duration and the extent of economic disruption it may ultimately cause remain uncertain. Local, state and national governments continue to evaluate policies and restrictions in order to mitigate the spread of COVID-19. Government-mandated shutdowns or shelter-in-place orders in markets in which we operate could negatively impact our results. Further, prolonged periods of lower overall business activity as a result of COVID-19 could cause significant damage to the underlying economy, which would likely impact U.S. timber markets.

We are also subject to the risk of price fluctuations in certain of our cost components, primarily logging and transportation (cut and haul), ocean freight and demurrage costs. Other major components of our cost of sales are the cost basis of timber sold (depletion) and the cost basis of real estate sold. Depletion includes the amortization of capitalized site preparation, planting and fertilization, real estate taxes, timberland lease payments and certain payroll costs. The cost basis of real estate sold includes the cost basis in land and costs directly associated with the development and construction of identified real estate projects, such as infrastructure, roadways, utilities, amenities and/or other improvements. Other costs include amortization of capitalized costs related to road and bridge construction and software, depreciation of fixed assets and equipment, road maintenance, severance and excise taxes, fire prevention and real estate commissions and closing costs.

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

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates. For a full description of our critical accounting policies, see Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2020 Form 10-K.

DISCUSSION OF TIMBER INVENTORY AND SUSTAINABLE YIELD

See Item 1 — *Business — Discussion of Timber Inventory and Sustainable Yield* in our 2020 Form 10-K.

OUR TIMBERLANDS

Our timber operations are comprised of our core timberland holdings, which are disaggregated into three geographically distinct reporting segments: Southern Timber, Pacific Northwest Timber and New Zealand Timber in addition to our timber fund holdings, which represents our ownership in Timber Fund II. The following tables provide a breakdown of our timberland holdings as of September 30, 2021 and December 31, 2020:

Core Timberland Holdings						
acres in 000s)	As of September 30, 2021			As of December 31, 2020		
	Owned	Leased	Total	Owned	Leased	Total
Southern						
Alabama	223	14	237	223	14	237
Arkansas	—	6	6	—	6	6
Florida	349	56	405	327	61	388
Georgia	603	64	667	602	71	673
Louisiana	140	—	140	140	—	140
Oklahoma	92	—	92	92	—	92
South Carolina	16	—	16	16	—	16
Texas	176	—	176	181	—	181
	1,599	140	1,739	1,581	152	1,733
Pacific Northwest						
Oregon	61	—	61	61	—	61
Washington	425	4	429	442	4	446
	486	4	490	503	4	507
New Zealand (a)	187	231	418	185	232	417
Total	2,272	375	2,647	2,269	388	2,657

(a) Represents legal acres owned and leased by the New Zealand subsidiary, in which we own a 77% interest. As of September 30, 2021, legal acres in New Zealand consisted of 297,000 plantable acres and 121,000 non-productive acres.

Timber Fund Holdings (a)				
acres in 000s)	As of September 30, 2021		As of December 31, 2020	
	Total	Look-through	Total	Look-through
Timber Funds				
Oregon (b)	18	4	51	7
Washington	—	—	71	9
California	—	—	19	1
Total	18	4	141	17

(a) On July 21, 2021, we sold the rights to manage Fund III and Fund IV, as well as our ownership interests in both funds, for an aggregate purchase price of $35.9 million, and on September 30, 2021, we sold approximately 13,000 acres of Fund II timberland assets in Washington for an aggregate purchase price of $87.1 million. See Note 1 - Basis of Presentation and Note 6 - Noncontrolling Interests for additional information.

(b) On October 5, 2021, we sold approximately 5,000 acres of Fund II timberland assets in Oregon for an aggregate purchase price of approximately $37.2 million. On November 1, 2021, we sold the remaining 13,000 acres of Fund II timberland assets in Oregon for an aggregate purchase price of $32.5 million. This transaction completes the liquidation of Fund II assets, with capital expected to be distributed to investors in the fourth quarter. See Note 1 - Basis of Presentation for additional information on these subsequent events.

(acres in 000s)	Total Timberland under Management As of September 30, 2021 Total	As of December 31, 2020 Total
Southern	1,739	1,733
Pacific Northwest	490	507
New Zealand	418	417
Timber Funds (a)(b)	18	141
Total	2,665	2,798

(a) On July 21, 2021, we sold the rights to manage Fund III and Fund IV, as well as our ownership interests in both funds, for an aggregate purchase price of $35.9 million, and on September 30, 2021, we sold approximately 13,000 acres of Fund II timberland assets in Washington for an aggregate purchase price of $87.1 million. See Note 1 - Basis of Presentation and Note 6 - Noncontrolling Interests for additional information.

(b) On October 5, 2021, we sold approximately 5,000 acres of Fund II timberland assets in Oregon for an aggregate purchase price of approximately $37.2 million. On November 1, 2021, we sold the remaining 13,000 acres of Fund II timberland assets in Oregon for an aggregate purchase price of $32.5 million. This transaction completes the liquidation of Fund II assets, with capital expected to be distributed to investors in the fourth quarter. See Note 1 - Basis of Presentation for additional information on these subsequent events.

The following tables detail activity for owned and leased acres in our core timberland holdings by state from December 31, 2020 to September 30, 2021:

(acres in 000s)	Acres Owned				
	December 31, 2020	Acquisitions	Sales	Other	September 30, 2021
Southern					
Alabama	223	—	—	—	223
Florida	327	23	(1)	—	349
Georgia	602	9	(8)	—	603
Louisiana	140	—	—	—	140
Oklahoma	92	—	—	—	92
South Carolina	16	—	—	—	16
Texas	181	—	(5)	—	176
	1,581	32	(14)	—	1,599
Pacific Northwest					
Oregon	61	—	—	—	61
Washington	442	—	(17)	—	425
	503	—	(17)	—	486
New Zealand (a)	185	2	—	—	187
Total	2,269	34	(31)	—	2,272

(a) Represents legal acres owned by the New Zealand subsidiary, in which we have a 77% interest.

(acres in 000s)	December 31, 2020	New Leases	Acres Leased Sold/Expired Leases (a)	Other (b)	September 30, 2021
Southern					
Alabama	14	—	—	—	14
Arkansas	6	—	—	—	6
Florida	61	—	(3)	(2)	56
Georgia	71	—	(1)	(6)	64
	152	—	(4)	(8)	140
Pacific Northwest					
Washington (c)	4	—	—	—	4
New Zealand (d)	232	—	(1)	—	231
Total	388	—	(5)	(8)	375

(a) Includes acres previously under lease that have been harvested and activity for the relinquishment of leased acres.
(b) Includes acres previously under lease that we have acquired as fee ownership.
(c) Primarily timber reservations acquired in the merger with Pope Resources.
(d) Represents legal acres leased by the New Zealand subsidiary, in which we have a 77% interest.

The following table details activity in our timber fund holdings by state from December 31, 2020 to September 30, 2021:

(acres in 000s)	Acres Owned				
	December 31, 2020	Acquisitions	Sales	Other	September 30, 2021
Fund II (a)(b)					
Oregon	18	—	—	—	18
Washington	13	—	(13)	—	—
Total Fund II	31	—	(13)	—	18
Look-through share of Fund II	6	—	(2)	—	4
Fund III (a)					
Oregon	13	—	(13)	—	—
Washington	25	—	(25)	—	—
California	19	—	(19)	—	—
Total Fund III	57	—	(57)	—	—
Look-through share of Fund III	3	—	(3)	—	—
Fund IV (a)					
Oregon	20	—	(20)	—	—
Washington	33	—	(33)	—	—
Total Fund IV	53	—	(53)	—	—
Look-through share of Fund IV	8	—	(8)	—	—
Total Timber Funds	141	—	(123)	—	18
Look-through share of Funds	17	—	(13)	—	4

(a) On July 21, 2021, we sold the rights to manage Fund III and Fund IV, as well as our ownership interests in both funds, for an aggregate purchase price of $35.9 million, and on September 30, 2021, we sold approximately 13,000 acres of Fund II timberland assets in Washington for an aggregate purchase price of $87.1 million. See Note 1 - Basis of Presentation and Note 6 - Noncontrolling Interests for additional information.

(b) On October 5, 2021, we sold approximately 5,000 acres of Fund II timberland assets in Oregon for an aggregate purchase price of approximately $37.2 million. On November 1, 2021, we sold the remaining 13,000 acres of Fund II timberland assets in Oregon for an aggregate purchase price of $32.5 million. This transaction completes the liquidation Fund II assets, with capital expected to be distributed to investors in the fourth quarter. See Note 1 - Basis of Presentation for additional information on these subsequent events.

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Financial Information (in millions)	**2021**	**2020**	**2021**	**2020**
Sales				
Southern Timber	$44.8	$47.7	$145.8	$147.4
Pacific Northwest Timber	31.5	28.9	108.4	86.1
New Zealand Timber	75.6	62.8	213.7	142.1
Timber Funds (a)	94.5	9.9	128.1	17.4
Real Estate				
Improved Development	27.8	1.3	47.4	7.8
Unimproved Development	37.5	—	37.5	8.4
Rural	6.9	23.2	37.0	52.9
Timberland & Non-Strategic	—	—	—	9.6
Conservation Easement	—	3.1	3.9	3.1
Deferred Revenue/Other (b)	1.1	1.1	(3.4)	(0.5)
Large Dispositions	20.0	—	56.0	116.0
Total Real Estate	93.4	28.8	178.4	197.4
Trading	25.6	22.2	76.8	65.5
Intersegment Eliminations	(0.7)	(1.4)	(3.6)	(2.3)
Total Sales	$364.7	$198.9	$847.6	$653.6
Operating Income (Loss)				
Southern Timber	$12.8	$5.1	$47.1	$31.4
Pacific Northwest Timber	2.1	(1.8)	5.3	(9.5)
New Zealand Timber	13.3	10.7	48.0	21.1
Timber Funds (a)	41.3	(12.4)	44.8	(14.3)
Real Estate (b)(c)	60.6	9.5	112.8	61.1
Trading	—	(0.6)	0.6	(0.5)
Corporate and Other	(6.7)	(8.7)	(22.3)	(37.3)
Operating Income	123.3	1.8	236.2	52.0
Interest expense, interest income and other	(10.0)	(10.6)	(34.1)	(27.2)
Income tax expense	(2.8)	(0.7)	(13.1)	(7.4)
Net Income (Loss)	110.5	(9.5)	189.0	17.4
Less: Net (income) loss attributable to noncontrolling interests in consolidated affiliates (d)	(32.5)	8.7	(40.8)	9.6
Net Income (Loss) Attributable to Rayonier, L.P.	$78.0	($0.8)	$148.2	$27.0
Less: Net income attributable to noncontrolling interests in the Operating Partnership	(2.2)	—	(4.3)	(0.2)
Net Income (Loss) Attributable to Rayonier Inc.	$75.8	($0.8)	$143.9	$26.8
Adjusted EBITDA (e)				
Southern Timber	$24.4	$26.1	$86.6	$85.8
Pacific Northwest Timber	12.5	9.1	44.1	22.8
New Zealand Timber	19.9	18.1	68.7	38.2
Timber Funds	0.5	0.2	2.8	0.8
Real Estate	63.8	22.2	97.9	65.7
Trading	—	(0.6)	0.6	(0.5)
Corporate and Other	(6.4)	(7.9)	(21.4)	(19.9)
Total Adjusted EBITDA	$114.6	$67.2	$279.4	$192.9

(a) The three and nine months ended September 30, 2021 includes sales and operating income of $87.1 million and $36.0 million, respectively, from Fund II Timberland Dispositions.
(b) Includes deferred revenue adjustments, revenue true-ups and marketing fees related to Improved Development sales in addition to residential and commercial lease revenue.
(c) The three and nine months ended September 30, 2021 includes $14.5 million and $44.8 million, respectively, from Large Dispositions. The nine months ended September 30, 2020 includes $28.7 million from a Large Disposition.
(d) The three and nine months ended September 30, 2021 includes a $28.8 million gain from Fund II Timberland Dispositions.
(e) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators.

Southern Timber Overview	Three Months Ended September 30, 2021	2020	Nine Months Ended September 30, 2021	2020
Sales Volume (in thousands of tons)				
Pine Pulpwood	793	881	2,524	3,017
Pine Sawtimber	378	551	1,532	1,728
Total Pine Volume	1,171	1,432	4,056	4,746
Hardwood	14	51	109	116
Total Volume	1,185	1,483	4,165	4,862
Percentage Delivered Sales	47 %	46 %	40 %	39 %
Percentage Stumpage Sales	53 %	54 %	60 %	61 %
Net Stumpage Pricing (dollars per ton)				
Pine Pulpwood	$19.14	$15.50	$18.25	$15.86
Pine Sawtimber	28.06	25.02	27.62	25.79
Weighted Average Pine	$22.02	$19.16	$21.79	$19.48
Hardwood	10.94	11.03	14.64	11.40
Weighted Average Total	$21.88	$18.88	$21.60	$19.28
Summary Financial Data (in millions of dollars)				
Timber Sales	$39.3	$42.2	$127.2	$131.2
Less: Cut, Haul & Freight	(13.4)	(14.2)	(37.2)	(37.5)
Net Stumpage Sales	$25.9	$28.0	$90.0	$93.7
Non-Timber Sales	5.5	5.5	18.6	16.2
Total Sales	$44.8	$47.7	$145.8	$147.4
Operating Income	$12.8	$5.1	$47.1	$31.4
(+) Timber write-offs resulting from casualty events (a)	—	6.0	—	6.0
(+) Depreciation, depletion and amortization	11.6	15.0	39.5	48.4
Adjusted EBITDA (b)	$24.4	$26.1	$86.6	$85.8
Other Data				
Period-End Acres (in thousands)	1,739	1,749	1,739	1,749

(a) Timber write-offs resulting from casualty events include the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events that cannot be salvaged.

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

Pacific Northwest Timber Overview	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Sales Volume (in thousands of tons)				
Pulpwood	66	62	216	231
Sawtimber	279	284	1,066	976
Total Volume	346	346	1,282	1,207
Sales Volume (converted to MBF)				
Pulpwood	6,281	5,912	20,409	21,853
Sawtimber	37,239	38,892	138,155	129,144
Total Volume	43,520	44,804	158,564	150,997
Percentage Delivered Sales	89 %	95 %	86 %	89 %
Percentage Sawtimber Sales	81 %	82 %	83 %	81 %
Delivered Log Pricing (in dollars per ton)				
Pulpwood	$31.34	$32.12	$29.86	$36.01
Sawtimber	107.56	93.34	97.79	81.01
Weighted Average Log Price	$92.67	$82.44	$86.08	$72.06
Summary Financial Data (in millions of dollars)				
Timber Sales	$30.2	$27.5	$104.3	$83.5
Less: Cut and Haul	(12.0)	(12.4)	(42.4)	(41.0)
Net Stumpage Sales	$18.3	$15.1	$61.9	$42.5
Non-Timber Sales	1.3	1.4	4.0	2.6
Total Sales	$31.5	$28.9	$108.4	$86.1
Operating Income (Loss)	$2.1	($1.8)	$5.3	($9.5)
(+) Depreciation, depletion and amortization	10.5	10.9	38.8	32.2
Adjusted EBITDA (a)	$12.5	$9.1	$44.1	$22.8
Other Data				
Period-End Acres (in thousands)	490	507	490	507
Sawtimber (in dollars per MBF)	$803	$677	$758	$621
Estimated Percentage of Export Volume	20 %	9 %	16 %	10 %

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

New Zealand Timber Overview	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Sales Volume (in thousands of tons)				
Domestic Pulpwood (Delivered)	114	136	324	343
Domestic Sawtimber (Delivered)	185	220	517	497
Export Pulpwood (Delivered)	43	38	146	82
Export Sawtimber (Delivered)	326	381	973	863
Total Volume	668	776	1,960	1,786
Delivered Log Pricing (in dollars per ton)				
Domestic Pulpwood	$43.35	$34.71	$42.29	$33.65
Domestic Sawtimber	85.00	70.24	83.79	69.30
Export Sawtimber	149.68	94.42	140.89	95.86
Weighted Average Log Price	$112.65	$76.50	$108.63	$75.99
Summary Financial Data (in millions of dollars)				
Timber Sales	$75.3	$59.3	$212.9	$135.7
Less: Cut and Haul	(23.3)	(23.8)	(69.3)	(54.6)
Less: Port and Freight Costs	(26.6)	(13.3)	(61.7)	(29.8)
Net Stumpage Sales	$25.4	$22.2	$81.8	$51.3
Non-Timber Sales / Carbon Credits	0.2	3.5	0.8	6.4
Total Sales	$75.6	$62.8	$213.7	$142.1
Operating Income	$13.3	$10.7	$48.0	$21.1
(+) Depreciation, depletion and amortization	6.6	7.3	20.8	17.1
Adjusted EBITDA (a)	$19.9	$18.1	$68.7	$38.2
Other Data				
New Zealand Dollar to U.S. Dollar Exchange Rate (b)	0.7017	0.6614	0.7125	0.6459
Net Plantable Period-End Acres (in thousands)	297	296	297	296
Export Sawtimber (in dollars per JAS m^3)	$174.03	$109.78	$163.81	$111.46
Domestic Sawtimber (in $NZD per tonne)	$133.26	$116.83	$129.35	$118.02

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

(b) Represents the period-average rate.

Real Estate Overview	Three Months Ended September 30, 2021	2020	Nine Months Ended September 30, 2021	2020
Sales (in millions of dollars)				
Improved Development	$27.8	$1.3	$47.4	$7.8
Unimproved Development	37.5	—	37.5	8.4
Rural	6.9	23.2	37.0	52.9
Timberland & Non-Strategic	—	—	—	9.6
Conservation Easement	—	3.1	3.9	3.1
Deferred Revenue/Other (a)	1.1	1.1	(3.4)	(0.5)
Large Dispositions (b)	20.0	—	56.0	116.0
Total Sales	$93.4	$28.8	$178.4	$197.4
Acres Sold				
Improved Development	479.0	4.1	768.8	126.1
Unimproved Development	359	—	359	570
Rural	3,260	10,482	13,379	18,816
Timberland & Non-Strategic	34	75	34	11,983
Large Dispositions (b)	8,088	—	16,622	66,946
Total Acres Sold	12,219	10,562	31,162	98,441
Gross Price per Acre (dollars per acre)				
Improved Development	$57,988	$329,412	$61,608	$61,626
Unimproved Development	104,579	—	104,579	14,780
Rural	2,128	2,218	2,765	2,810
Timberland & Non-Strategic	1,297	553	1,297	805
Large Dispositions (b)	2,479	—	3,372	1,733
Weighted Average (Total) (c)	$17,490	$2,332	$8,384	$2,499
Weighted Average (Adjusted) (d)	$12,179	$2,206	$5,413	$2,262
Sales (Excluding Large Dispositions)	$73.4	$28.8	$122.4	$81.4
Operating Income	$60.6	$9.5	$112.8	$61.1
(+) Depreciation, depletion and amortization	1.8	5.5	7.1	12.6
(+) Non-cash cost of land and improved development	15.8	7.3	22.8	20.7
(–) Large Dispositions (b)	(14.5)	—	(44.8)	(28.7)
Adjusted EBITDA (e)	$63.8	$22.2	$97.9	$65.7

(a) Includes deferred revenue adjustments, revenue true-ups and marketing fees related to Improved Development sales in addition to residential and commercial lease revenue.

(b) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value. As of September 30, 2021, we have completed two dispositions of approximately 17,000 acres in total. In June 2021, we completed a disposition of approximately 9,000 acres in Washington for a sales price and gain of approximately $36.0 million and $30.3 million, respectively. In July 2021, we completed a second disposition of approximately 8,000 acres in Washington, for a sales price and gain of $20.0 million and $14.5 million, respectively. In March 2020, we completed a disposition of approximately 67,000 acres located in Mississippi for a sales price and gain of approximately $116.0 million and $28.7 million, respectively.

(c) Excludes Large Dispositions.

(d) Excludes Improved Development and Large Dispositions.

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

Timber Funds Overview	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Sales Volume (in thousands of tons)				
Pulpwood	4	9	27	19
Sawtimber	57	101	354	181
Total Volume	61	110	380	200
Summary Financial Data (in millions of dollars)				
Timber Sales	$6.8	$8.6	$37.2	$15.3
Less: Cut and Haul	(3.0)	(3.4)	(15.9)	(6.4)
Net Stumpage Sales	$3.9	$5.2	$21.3	$8.9
Fund II Timberland Dispositions (a)	87.1	—	87.1	—
Non-Timber Sales	—	—	0.5	—
Timberland Management Fees	0.5	1.3	3.3	2.2
Total Sales	$94.5	$9.9	$128.1	$17.4
Operating Income (Loss)	$41.3	($12.4)	$44.8	($14.3)
Operating (income) loss attributable to NCI in Timber Funds	(30.5)	10.3	(33.3)	12.3
(-) Gain on investment in Timber Funds (b)	(3.7)	—	(3.7)	—
(-) Fund II Timberland Dispositions (a)	(7.2)	—	(7.2)	—
(+) Timber write-offs resulting from casualty events attributable to Rayonier (c)	—	1.8	—	1.8
(+) Depreciation, depletion and amortization (“Look-through”)	0.7	0.5	2.2	1.0
Adjusted EBITDA (d)	$0.5	$0.2	$2.8	$0.8
Other Data				
Period-End Acres (in thousands)	18	141	18	141
“Look-through” Period-End Acres (in thousands)	4	17	4	17

(a) Fund II Timberland Dispositions represents the disposition of Timber Fund II timberland assets, which we manage and own a co-investment stake in. Proceeds from Fund II Timberland Dispositions will ultimately be distributed to owners of ORM Timber Fund II and not reinvested.

(b) Gain on investment in Timber Funds represents the gain recognized on the sale of rights to manage two timber funds (Funds III and IV) previously managed by our Olympic Resource Management (ORM) subsidiary, as well as our co-investment stake in both funds.

(c) Timber write-offs resulting from casualty events includes the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events that cannot be salvaged.

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

Trading Overview	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Sales Volume (in thousands of tons)				
U.S. South	1	—	1	—
U.S. Pacific Northwest	—	1	—	1
NZ Trading - Domestic	10	6	38	21
NZ Trading - Export	166	245	522	704
Total Volume	177	252	561	726
Summary Financial Data (in millions of dollars)				
Trading Sales	$25.1	$22.1	$75.5	$65.0
Non-Timber Sales	0.4	0.1	1.3	0.5
Total Sales	$25.6	$22.2	$76.8	$65.5
Operating Income (Loss)	—	($0.6)	$0.6	($0.5)
Adjusted EBITDA (a)	—	($0.6)	$0.6	($0.5)

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

Capital Expenditures By Segment (in millions of dollars)	Three Months Ended September 30, 2021	2020	Nine Months Ended September 30, 2021	2020
Timber Capital Expenditures				
Southern Timber				
Reforestation, silviculture and other capital expenditures	$3.6	$3.7	$11.1	$13.4
Property taxes	1.7	1.7	5.0	5.1
Lease payments	0.1	0.2	1.1	1.5
Allocated overhead	1.0	1.0	3.2	3.3
Subtotal Southern Timber	$6.5	$6.6	$20.4	$23.3
Pacific Northwest Timber				
Reforestation, silviculture and other capital expenditures	2.0	1.1	6.4	4.3
Property taxes	0.3	0.2	0.8	0.6
Allocated overhead	1.1	1.1	3.5	3.0
Subtotal Pacific Northwest Timber	$3.4	$2.5	$10.7	$7.9
New Zealand Timber				
Reforestation, silviculture and other capital expenditures	2.9	3.2	7.9	6.7
Property taxes	0.2	0.2	0.6	0.5
Lease payments	1.2	1.0	2.3	2.2
Allocated overhead	0.8	0.7	2.2	2.0
Subtotal New Zealand Timber	$5.0	$5.1	$13.1	$11.4
Total Timber Segments Capital Expenditures	$14.9	$14.2	$44.2	$42.6
Timber Funds (“Look-through”) (a)	0.1	0.1	0.4	0.2
Real Estate	—	—	0.1	0.2
Total Capital Expenditures	$15.0	$14.3	$44.7	$43.1
Timberland Acquisitions				
Southern Timber	—	—	$41.0	$24.2
Pacific Northwest Timber	—	—	—	—
New Zealand Timber	—	0.1	10.9	0.1
Timberland Acquisitions	—	$0.1	$51.9	$24.4
Real Estate Development Investments (b)	$2.9	$1.9	$9.2	$5.4

(a) The three and nine months ended September 30, 2021 exclude $0.3 million and $2.8 million, respectively, of capital expenditures attributable to noncontrolling interests in Timber Funds, and the three and nine months ended September 30, 2020 exclude $0.9 million and $1.6 million, respectively, of capital expenditures attributable to noncontrolling interests in Timber Funds.

(b) Represents investments in master infrastructure or entitlements in our real estate development projects. Real Estate Development Investments are amortized as the underlying properties are sold and included in Non-Cash Cost of Land and Improved Development.

The following tables summarize sales, operating income (loss) and Adjusted EBITDA variances for September 30, 2021 versus September 30, 2020 (millions of dollars):

Sales	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Intersegment Eliminations	Total
Three Months Ended September 30, 2020	$47.7	$28.9	$62.8	$9.9	$28.8	$22.2	($1.4)	$198.9
Volume	(5.6)	—	(8.4)	(0.1)	(14.5)	(6.6)	—	(35.2)
Price	3.6	3.2	6.7	0.1	59.7	9.6	—	82.9
Non-timber sales	0.1	(0.1)	(3.4)	—	—	0.3	—	(3.1)
Foreign exchange (a)	—	—	1.4	—	—	—	—	1.4
Other	(1.0) (b)	(0.5) (b)	16.5 (c)	84.6 (d)	19.4 (e)	0.1	0.7 (f)	119.8
Three Months Ended September 30, 2021	$44.8	$31.5	$75.6	$94.5	$93.4	$25.6	($0.7)	$364.7

(a) Net of currency hedging impact.
(b) Includes variance due to stumpage versus delivered sales.
(c) Includes variance due to domestic versus export sales.
(d) Timber Funds includes an increase in sales attributable to noncontrolling interest of $67.7 million, $17.5 million of Fund II Timberland Dispositions attributable to Rayonier, lower sales related to timberland investment management fees paid to us by the timber funds, and a variance due to stumpage versus delivered sales.
(e) Includes $20.0 million of sales from a Large Disposition in the three months ended September 30, 2021 in addition to marketing fees related to Improved Development sales and residential and commercial lease revenue, partially offset by lower Conservation Easement sales and deferred revenue adjustments.
(f) Includes a $0.8 million decrease in Intersegment eliminations related to timberland management fees paid to us by the timber funds and reported as sales within the Timber Funds segment.

Sales	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Intersegment Eliminations	Total
Nine Months Ended September 30, 2020	$147.4	$86.1	$142.1	$17.4	$197.4	$65.5	($2.3)	$653.6
Volume	(13.4)	2.6	13.7	1.3	(41.2)	(14.7)	—	(51.7)
Price	9.6	16.8	27.8	0.6	81.7	25.2	—	161.7
Non-timber sales	2.4	1.4	(6.3)	—	—	0.8	—	(1.7)
Foreign exchange (a)	—	—	5.4	—	—	—	—	5.4
Other	(0.2) (b)	1.5 (b)	31.0 (c)	108.8 (d)	(59.5) (e)	—	(1.3) (f)	80.3
Nine Months Ended September 30, 2021	$145.8	$108.4	$213.7	$128.1	$178.4	$76.8	($3.6)	$847.6

(a) Net of currency hedging impact.
(b) Includes variance due to stumpage versus delivered sales.
(c) Includes variance due to domestic versus export sales.
(d) Timber Funds includes an increase in sales attributable to noncontrolling interests of $88.6 million, $17.5 million related to disposition of Timber Fund II, sales related to timberland investment management fees paid to us by the timber funds, and a variance due to stumpage versus delivered sales.
(e) Includes $116.0 million of sales from a Large Disposition in the nine months ended September 30, 2020, as well as Conservation Easement sales, residential and commercial lease revenue, marketing fees related to Improved Development sales and deferred revenue adjustments, partially offset by $56.0 million of sales from Large Dispositions in the nine months ended September 30, 2021.
(f) Includes a $1.1 million increase in Intersegment eliminations related to timberland management fees paid to us by the timber funds and reported as sales within the Timber Funds segment.

Operating Income (Loss)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
Three Months Ended September 30, 2020	$5.1	($1.8)	$10.7	($12.4)	$9.5	($0.6)	($8.7)	$1.8
Volume	(2.6)	—	(1.9)	—	(8.8)	—	—	(13.3)
Price	3.6	3.2	6.7	0.1	59.7	—	—	73.3
Cost	0.3	0.5	(0.3)	1.1	(1.1)	0.6	1.5	2.6
Non-timber income	—	(0.2)	(3.3)	—	—	—	—	(3.5)
Foreign exchange (a)	—	—	1.2	—	—	—	—	1.2
Depreciation, depletion & amortization	0.4	0.4	0.2	(0.3)	0.4	—	0.1	1.2
Non-cash cost of land and improved development	—	—	—	—	(14.0)	—	—	(14.0)
Other (b)	6.0	—	—	52.8	14.9	—	0.4	74.1
Three Months Ended September 30, 2021	$12.8	$2.1	$13.3	$41.3	$60.6	—	($6.7)	$123.3

(a) Net of currency hedging impact.
(b) Southern Timber includes $6.0 million in timber write-offs resulting from casualty events in the three months ended September 30, 2020. Timber Funds includes an increase in operating income attributable to noncontrolling interests of $40.8 million, $7.2 million related to the disposition of Timber Fund II, $3.7 million related to the gain on investment in Timber Funds, $1.8 million of timber write-offs from casualty events attributable to Rayonier in the prior year quarter and timberland investment management fees paid to us by the timber fund. Real Estate includes $14.5 million of operating income from Large Dispositions in addition to residential and commercial lease income, revenue true-ups, marketing fees related to Improved Development sales, and deferred revenue adjustments. Corporate and Other includes $0.4 million in costs related to the merger with Pope Resources in the three months ended September 30, 2020.

Operating Income (Loss)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
Nine Months Ended September 30, 2020	$31.4	($9.5)	$21.1	($14.3)	$61.1	($0.5)	($37.3)	$52.0
Volume	(6.4)	0.2	3.1	(0.1)	(24.5)	—	—	(27.7)
Price	9.6	16.8	27.8	0.6	81.7	—	—	136.5
Cost	1.9	1.0	(0.8)	(0.9)	(6.7)	1.4	(1.5)	(5.6)
Non-timber income	2.6	1.4	(6.1)	—	—	(0.3)	—	(2.4)
Foreign exchange (a)	—	—	3.1	—	—	—	—	3.1
Depreciation, depletion & amortization	2.0	(4.6)	(0.2)	—	(1.1)	—	0.1	(3.8)
Non-cash cost of land and improved development	—	—	—	—	(14.2)	—	—	(14.2)
Other (b)	6.0	—	—	59.5	16.5	—	16.4	98.3
Nine Months Ended September 30, 2021	$47.1	$5.3	$48.0	$44.8	$112.8	$0.6	($22.3)	$236.2

(a) Net of currency hedging impact.
(b) Southern Timber includes $6.0 million in timber write-offs resulting from casualty events in the nine months ended September 30, 2020. Timber Funds includes an increase in operating income attributable to noncontrolling interests of $45.6 million, $7.2 million related to the disposition of Timber Fund II, $3.7 million related to the gain on investment in Timber Funds, $1.8 million of timber write-offs from casualty events attributable to Rayonier in the prior year period, and timberland investment management fees paid to us by the timber fund. Real Estate includes $44.8 million of operating income from Large Dispositions in the nine months ended September 30, 2021 in addition to Conservation Easement sales, residential and commercial lease income, marketing fees related to Improved Development sales and equity income from joint venture entities, partially offset by $28.7 million of operating income from a Large Disposition in the nine months ended September 30, 2020 and deferred revenue adjustments. Corporate and Other includes $16.4 million in costs related to the merger with Pope Resources in the nine months ended September 30, 2020.

sted EBITDA (a)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
ree Months Ended ptember 30, 2020	$26.1	$9.1	$18.1	$0.2	$22.2	($0.6)	($7.9)	$67.2
ume	(5.6)	(0.1)	(2.9)	(0.1)	(14.5)	—	—	(23.2)
ce	3.6	3.2	6.7	0.1	59.7	—	—	73.3
st	0.3	0.5	(0.3)	1.1	(1.1)	0.6	1.5	2.6
n-timber income	—	(0.2)	(3.3)	—	—	—	—	(3.5)
eign exchange (b)	—	—	1.6	—	—	—	—	1.6
ner (c)	—	—	—	(0.8)	(2.5)	—	—	(3.4)
ree Months Ended ptember 30, 2021	$24.4	$12.5	$19.9	$0.5	$63.8	—	($6.4)	$114.6

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators below.
(b) Net of currency hedging impact.
(c) Timber Funds includes timberland investment management fees paid to us by the timber fund. Real Estate includes deferred revenue adjustments and marketing fees related to Improved Development sales, as well as residential and commercial lease revenue.

Adjusted EBITDA (a)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
Nine Months Ended September 30, 2020	$85.8	$22.8	$38.2	$0.8	$65.7	($0.5)	($19.9)	$192.9
Volume	(13.3)	2.1	4.8	1.2	(41.2)	—	—	(46.4)
Price	9.6	16.8	27.8	0.6	81.7	—	—	136.5
Cost	1.9	1.0	(0.8)	(0.9)	(6.7)	1.4	(1.5)	(5.6)
Non-timber income	2.6	1.4	(6.1)	—	—	(0.3)	—	(2.4)
Foreign exchange (b)	—	—	4.8	—	—	—	—	4.8
Other (c)	—	—	—	1.1	(1.6)	—	—	(0.5)
Nine Months Ended September 30, 2021	$86.6	$44.1	$68.7	$2.8	$97.9	$0.6	($21.4)	$279.4

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators below.
(b) Net of currency hedging impact.
(c) Timber Funds includes timberland investment management fees paid to us by the timber fund. Real Estate includes deferred revenue adjustments and marketing fees related to Improved Development sales, as well as residential and commercial lease revenue.

SOUTHERN TIMBER

Third quarter sales of $44.8 million decreased $2.8 million, or 6%, versus the prior year period. Harvest volumes decreased 20% to 1.19 million tons versus 1.48 million tons in the prior year period, as wet weather conditions and constrained trucking availability impacted production across the region. Average pine sawtimber stumpage prices increased 12% to $28.06 per ton versus $25.02 per ton in the prior year period. The increase in average pine sawtimber stumpage prices was driven by strong domestic lumber demand, as well as upward pressure on chip-n-saw pricing due to increased competition from pulp mills. Average pine pulpwood stumpage prices climbed 23% to $19.14 per ton versus $15.50 per ton in the prior year period. The significant increase in pulpwood pricing relative to the prior year period reflects strong domestic demand, constrained supply due to wet weather conditions and an increase in pulpwood exports to China. Overall, weighted-average stumpage prices (including hardwood) increased 16% to $21.88 per ton versus $18.88 per ton in the prior year period. Operating income of $12.8 million increased $7.7 million versus the prior year period due to the prior year period write-off of timber basis as a result of Hurricane Laura ($6.0 million), higher net stumpage prices ($3.6 million), lower depletion rates ($0.4 million) and lower costs ($0.3 million), partially offset by lower volumes ($2.6 million). Third quarter Adjusted EBITDA of $24.4 million was 7%, or $1.7 million, below the prior year period.

Year-to-date sales of $145.8 million decreased $1.6 million, or 1%, versus the prior year period. Harvest volumes decreased 14% to 4.17 million tons versus 4.86 million in the prior year period, primarily due to operational disruptions attributable to wet ground conditions and winter snowstorms. Average pine sawtimber stumpage prices increased 7% to $27.62 per ton versus $25.79 per ton in the prior year period, primarily due to strong domestic lumber demand, upward pressure on chip-n-saw pricing due to increased competition from pulp mills and a strengthening export market along the east coast. Average pine pulpwood stumpage prices increased 15% to $18.25 per ton versus $15.86 per ton in the prior year period, driven by strong domestic demand, constrained supply due to wet weather conditions and an increase in pulpwood exports to China. Overall, weighted-average stumpage prices (including hardwood) increased 12% to $21.60 per ton versus $19.28 per ton in the prior year period. Operating income of $47.1 million increased $15.7 million versus the prior year period due to higher net stumpage prices ($9.6 million), the prior year period write-off of timber basis as a result of Hurricane Laura ($6.0 million), higher non-timber income ($2.6 million), lower lease, overhead and other expenses ($1.9 million) and lower depletion rates ($2.0 million), partially offset by lower volumes ($6.4 million). Year-to-date Adjusted EBITDA of $86.6 million was $0.9 million above the prior year period.

PACIFIC NORTHWEST TIMBER

Third quarter sales of $31.5 million increased $2.6 million, or 9%, versus the prior year period, while harvest volumes of 346,000 tons remained flat versus the prior year period. Average delivered sawtimber prices increased 15% to $107.56 per ton versus $93.34 per ton in the prior year period, driven by favorable domestic lumber markets coupled with increased export demand. Average delivered pulpwood prices decreased 2% to $31.34 per ton versus $32.12 per ton in the prior year period, as increased lumber production resulted in an increased supply of competing sawmill residuals. Operating income of $2.1 million improved $3.9 million versus the prior year period due to higher net stumpage prices ($3.2 million), lower costs ($0.5 million) and lower depletion rates ($0.4 million), partially offset by lower non-timber income ($0.2 million). Third quarter Adjusted EBITDA of $12.5 million was 38%, or $3.5 million, above the prior year period.

Year-to-date sales of $108.4 million increased $22.2 million, or 26%, versus the prior year period. Harvest volumes increased 6% to 1,282,000 tons versus 1,207,000 tons in the prior year period, primarily due to incremental volume from the Pope Resources acquisition. Average delivered sawtimber prices increased 21% to $97.79 per ton versus $81.01 per ton in the prior year period, as favorable domestic lumber markets coupled with increased export demand drove higher log prices. Average delivered pulpwood prices decreased 17% to $29.86 per ton versus $36.01 per ton in the prior year period, as increased lumber production resulted in an increased supply of competing sawmill residuals. Operating income of $5.3 million improved $14.7 million versus the prior year period due to higher net stumpage prices ($16.8 million), higher non-timber income ($1.4 million) lower costs ($1.0 million) and higher volumes ($0.2 million), partially offset by higher depletion rates ($4.6 million). Year-to-date Adjusted EBITDA of $44.1 million was $21.3 million above the prior year period.

NEW ZEALAND TIMBER

Third quarter sales of $75.6 million increased $12.8 million, or 20%, versus the prior year period, as higher log prices were partially offset by lower volumes. Harvest volumes decreased 14% to 668,000 tons versus 776,000 tons in the prior year period, primarily due to the government-mandated shutdown of all non-essential activity in New Zealand (including the harvesting and transport of logs) from August 18th through August 31st due to an outbreak of COVID-19. Average delivered prices for export sawtimber increased 59% to $149.68 per ton versus $94.42 per ton in the prior year period, while average delivered prices for domestic sawtimber increased 21% to $85.00 per ton versus $70.24 per ton in the prior year period. The increase in export sawtimber prices versus the prior year period reflects the restriction on competing log imports into China from Australia in the current year quarter, as well as the ability of log exporters to pass higher costs along to customers in the current environment. While net stumpage realizations on export volume were above prior year period levels, favorable export pricing was largely offset by significantly higher shipping costs, as supply chain issues drove increased freight and demurrage costs. The increase in domestic sawtimber prices (in U.S. dollar terms) was driven in part by the rise in the NZ$/US$ exchange rate (US$0.70 per NZ$1.00 versus US$0.66 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices improved 14% versus the prior year period, following the upward trend in the export market. Operating income of $13.3 million increased $2.6 million versus the prior year period as a result of higher net stumpage prices ($6.7 million), favorable foreign exchange impacts ($1.2 million) and lower depletion rates ($0.2 million), partially offset by lower carbon credit sales ($3.3 million), lower volumes ($1.9 million) and higher costs ($0.3 million). Third quarter Adjusted EBITDA of $19.9 million was 10%, or $1.8 million, above the prior year period.

Year-to-date sales of $213.7 million increased $71.6 million, or 50%, versus the prior year period. Harvest volumes increased 10% to 1.96 million tons versus 1.79 million tons in the prior year period, driven by strong export and domestic demand versus the prior year period that was negatively impacted by COVID-19 related headwinds. Average delivered prices for export sawtimber increased 47% to $140.89 per ton versus $95.86 per ton in the prior year period, while average delivered prices for domestic sawtimber increased 21% to $83.79 per ton versus $69.30 per ton in the prior year period. The increase in export sawtimber prices was driven primarily by the restriction on competing log imports into China from Australia in the current year, as well as the ability of log exporters to pass higher costs along to customers. The increase in export sawtimber prices versus the prior year period was also driven in part by significant COVID-19 disruptions in the prior year period. The increase in domestic sawtimber prices (in U.S. dollars terms) was driven primarily by the rise in the NZ$/US$ exchange rate (US$0.71 per NZ$1.00 versus US$0.65 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices improved 10% versus the prior year period, following the upward trend in the export market. Operating Income of $48.0 million increased $26.8 million versus the prior year period as a result of higher net stumpage prices ($27.8 million), higher volumes ($3.1 million) and favorable foreign exchange impacts ($3.1 million), partially offset by lower carbon credit sales ($6.1 million), higher costs ($0.8 million) and higher depletion rates ($0.2 million). Year-to-date Adjusted EBITDA of $68.7 million was $30.5 million above the prior year period.

TIMBER FUNDS

Third quarter sales of $94.5 million increased $84.7 million, versus the prior year period, while operating income of $41.3 million increased $53.7 million versus the prior year period. Third quarter sales and operating income included $87.1 million and $36.0 million, respectively, from the Fund II Timberland Dispositions. Third quarter operating income also included a $3.7 million gain on investment in Timber Funds, which reflects the gain recognized on the sale of our investment in Timber Funds III and IV. The prior year quarter included timber write-offs of $9.2 million resulting from two fires in Oregon. Harvest volumes decreased 44% to 61,000 tons versus 110,000 tons in the prior year period, as Timber Funds III and IV were sold during the quarter and therefore contributed volume only through the July 21st closing date. Third quarter Adjusted EBITDA of $0.5 million was $0.3 million above the prior year period.

Year-to-date sales of $128.1 million increased $110.6 million, versus the prior year period, while operating income of $44.8 million increased $59.0 million versus the prior year period. Year-to-date sales and operating income included $87.1 million and $36.0 million, respectively, from the Fund II Timberland Dispositions. Year-to-date operating income also included a $3.7 million gain on investment in Timber Funds, which reflects the gain recognized on the sale of our investment in Timber Funds III and IV. The prior year period included timber write-offs of $9.2 million resulting from two fires in Oregon. Harvest volumes increased 91% to 380,000 tons versus 200,000 tons in the prior year period. The prior year period reflected results for only a portion of the year following the closing of the Pope Resources acquisition on May 8, 2020, while the current year reflects activity through July 21 for Timber Funds III and IV. Year-to-date Adjusted EBITDA of $2.8 million was $2.0 million above the prior year period.

REAL ESTATE

Third quarter sales of $93.4 million increased $64.6 million versus the prior year period, while operating income of $60.6 million increased $51.2 million versus the prior year period. Third quarter sales and operating income included $20.0 million and $14.5 million, respectively, from Large Dispositions. Sales and operating income increased versus the prior year period due to a significant increase in weighted-average prices ($7,554 per acre versus $2,332 per acre in the prior year period) coupled with higher acres sold (12,219 acres sold versus 10,562 acres sold in the prior year period).

Improved Development sales of $27.8 million included $25.0 million from the Belfast Commerce Park development project south of Savannah, Georgia and $2.8 million from the Wildlight development project north of Jacksonville, Florida. Sales in the Belfast Commerce Park consisted of a 471-acre parcel for $25.0 million ($53,000 per acre). Sales in Wildlight consisted of 42 residential lots for $2.8 million (an average of $66,000 per lot or $354,000 per acre). This compares to prior year period Improved Development sales of $1.3 million.

Unimproved Development sales of $37.5 million consisted of a 359-acre sale in Kingston, Washington for $105,000 per acre. This property was one of the Higher and Better Use assets acquired in our 2020 acquisition of Pope Resources. There were no Unimproved Development sales in the prior year period.

Rural sales of $6.9 million consisted of 3,260 acres at an average price of $2,128 per acre. This compares to prior year period sales of $23.2 million, which consisted of 10,482 acres at an average price of $2,218 per acre.

Timberland & Non-Strategic sales in the current quarter and the prior year quarter were negligible.

Large Dispositions in the quarter totaled $20.0 million and consisted of 8,088 acres in Washington at an average price of $2,479 per acre. There were no Large Dispositions in the prior year period.

There were no Conservation Easement sales in the third quarter. This compares to prior year period sales of $3.1 million. Because these transactions involve the conveyance of certain land use rights rather than an outright sale of the land, they are not reflected in our average per-acre metrics for the segment.

Third quarter Adjusted EBITDA of $63.8 million was $41.5 million above the prior year period.

Year-to-date sales of $178.4 million decreased $19.0 million versus the prior year period, while operating income of $112.8 million increased $51.7 million versus the prior year period. Year-to-date sales and operating income include $56.0 million and $44.8 million, respectively, from Large Dispositions, compared with year-to-date sales and operating income of $116.0 million and $28.7 million from a Large Disposition in the prior year period. Sales decreased in the first nine months primarily due to lower volumes (31,162 acres sold versus 98,441 acres sold in the prior year period), partially offset by higher weighted-average prices ($5,711 per acre versus $1,978 per acre in the prior year period). Year-to-date Adjusted EBITDA of $97.9 million increased $32.2 million versus the prior year period.

TRADING

Third quarter sales of $25.6 million increased $3.4 million versus the prior year period primarily due to higher prices, partially offset by lower volumes. Sales volumes decreased 30% to 177,000 tons versus 252,000 tons in the prior year period. The Trading segment generated breakeven results versus an operating loss of $0.6 million in the prior year period.

Year-to-date sales of $76.8 million increased $11.3 million versus the prior year period primarily due to higher prices, partially offset by lower volumes. Sales volumes decreased 23% to 561,000 tons versus 726,000 tons in the prior year period. Year-to-date operating income of $0.6 million increased $1.1 million versus the prior year period.

OTHER ITEMS

CORPORATE AND OTHER EXPENSE / ELIMINATIONS

Third quarter corporate and other operating expenses of $6.7 million decreased $2.0 million versus the prior year period, primarily due to lower employee benefits costs ($0.6 million), lower legal costs ($0.5 million) and lower other overhead costs ($0.5 million), coupled with $0.4 million of costs related to the Pope Resources merger in the prior year period.

Year-to-date corporate and other operating expenses of $22.3 million decreased $15.0 million versus the prior year period, which included $16.4 million of costs related to the Pope Resources merger. This positive variance was partially offset by higher overhead expenses.

INTEREST EXPENSE

Third quarter and year-to-date interest expense of $11.3 million and $34.3 million, respectively, increased $0.8 million and $5.8 million versus the prior year period due to higher average outstanding debt and a $2.2 million loss from the second quarter termination of a cash flow hedge related to the voluntary repayment of $100 million of term loans.

INTEREST AND OTHER MISCELLANEOUS INCOME (EXPENSE), NET

Third quarter interest and other miscellaneous income (expense), net of $1.3 million versus ($0.1) million in the prior year period was primarily due to a $0.9 million gain on debt extinguishment related to the voluntary repayment of our $45 million credit facility with Northwest Farm Credit Services (NWFCS), which was assumed in connection with the Pope Resources acquisition. Year-to-date interest and other miscellaneous income, net of $0.1 million versus $1.2 million in the prior year period, includes favorable mark to market adjustments on marketable equity securities and carbon options in the prior year, partially offset by costs related to debt extinguishments and modifications.

INCOME TAX EXPENSE

Third quarter and year-to-date income tax expense of $2.8 million and $13.1 million, respectively, increased $2.1 million and $5.7 million versus the prior year period. The New Zealand subsidiary is the primary driver of income tax expense.

OUTLOOK

In our Southern Timber segment, we now expect full-year harvest volumes of 5.7 to 5.8 million tons, as production has been constrained by regional weather conditions and trucking availability. We expect that improved pricing will largely offset the decline in volumes.

In our Pacific Northwest Timber segment, we continue to expect full-year harvest volumes of 1.7 to 1.8 million tons. We expect that weighted average log pricing in the region will be lower in the fourth quarter as compared to the third quarter, but will be fairly consistent with the pricing achieved during the first half of the year.

In our New Zealand Timber segment, we now expect full-year harvest volumes of 2.5 to 2.6 million tons, as we do not expect to fully recover production lost during the third quarter due to the COVID-19 shutdown. We further expect lower export pricing during the fourth quarter as log inventories in China remain elevated.

In our Real Estate segment, the successful completion of a $37.5 million Unimproved Development sale during the third quarter is the primary driver for a favorable revision to our full-year expectations, as we were able to execute on this sale sooner than previously anticipated. Following an extraordinarily strong third quarter, we expect real estate closings for the balance of the year to be relatively light.

LIQUIDITY AND CAPITAL RESOURCES

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

AT-THE-MARKET ("ATM") EQUITY OFFERING PROGRAM

On September 10, 2020, we entered into a distribution agreement with a group of sales agents through which we may sell common shares, from time to time, having an aggregate sales price of up to $300 million. As of September 30, 2021, $97.0 million remains available for issuance under the program.

The following table outlines common stock issuances pursuant to our ATM program (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Shares of common stock issued under the ATM program	1,390,968	—	4,698,241	—
Average price per share sold under the ATM program	$37.26	—	$36.11	—
Gross proceeds from common stock issued under the ATM program	$51.8	—	$169.6	—

SUMMARY OF LIQUIDITY AND FINANCING COMMITMENTS

(millions of dollars)	September 30, 2021	December 31, 2020
Cash and cash equivalents (excluding Timber Funds)	$419.6	$80.5
Total debt (excluding Timber Funds) (a)	1,376.4	1,294.9
Noncontrolling interests in the Operating Partnership	140.6	130.1
Shareholders' equity	1,792.5	1,862.6
Total capitalization (total debt plus permanent and temporary equity)	3,309.5	3,287.6
Debt to capital ratio	42 %	39 %
Net debt to enterprise value (b)(c)	15 %	23 %

(a) Total debt as of September 30, 2021 and December 31, 2020 reflects principal on long-term debt, net of fair value adjustments and gross of deferred financing costs and unamortized discounts.

(b) Net debt is calculated as total debt less cash and cash equivalents.

(c) Enterprise value based on market capitalization (including Rayonier, L.P. "OP" units) plus net debt based on Rayonier's share price of $35.68 and $29.38 as of September 30, 2021 and December 31, 2020, respectively.

SUMMARY OF GUARANTOR FINANCIAL INFORMATION

In March 2012, Rayonier Inc. issued $325 million of 3.75% Senior Notes due 2022 (the “Senior Notes due 2022”). On May 7, 2020, Rayonier Inc. contributed its 100% ownership interest in Rayonier Operating Company LLC (the “Contribution”) to Rayonier, L.P. As a result of the Contribution, Rayonier, L.P. expressly assumed all the obligations of Rayonier Inc. with respect to the outstanding Senior Notes due 20222 and Rayonier Inc. agreed to irrevocably, fully and unconditionally guarantee jointly and severally, the obligations of Rayonier, L.P. under the Indenture, including the Senior Notes due 2022. Rayonier L.P. is the current issuer of the Senior Notes due 2022.

In May 2021, Rayonier, L.P. issued $450 million of 2.75% Senior Notes due 2031 (the “Senior Notes due 2031”). Rayonier TRS Holdings Inc., together with Rayonier Inc. and Rayonier Operating Company LLC agreed to irrevocably, fully and unconditionally guarantee jointly and severally, the obligations of Rayonier, L.P. in regards to the Senior Notes due 2031. As a general partner of Rayonier, L.P., Rayonier Inc. consolidates Rayonier, L.P. and has no material assets or liabilities other than its interest in Rayonier, L.P. These notes are unsecured and unsubordinated and will rank equally with all other unsecured and unsubordinated indebtedness from time to time outstanding.

Rayonier, L.P. is a limited partnership, in which Rayonier Inc. is the general partner. The operating subsidiaries of Rayonier, L.P. conduct all of our operations. Rayonier, L.P.’s most significant assets are its interest in operating subsidiaries, which have been eliminated in the table below to eliminate intercompany transactions between the issuer and guarantors and to exclude investments in non-guarantors. As a result, our ability to make required payments on the notes depends on the performance of our operating subsidiaries and their ability to distribute funds to us. There are no material restrictions on dividends from the operating subsidiaries.

The summarized balance sheet information for the consolidated obligor group of debt issued by Rayonier, L.P. for the nine months ended September 30, 2021 and year ended December 31, 2020 are provided in the table below:

(in millions)	September 30, 2021	December 31, 2020
Current assets	$397.7	$69.7
Non-current assets	56.5	48.3
Current liabilities	226.7	21.0
Non-current liabilities	1,764.6	1,942.4
Due to non-guarantors	566.6	596.7

The summarized results of operations information for the consolidated obligor group of debt issued by Rayonier, L.P. for the nine months ended September 30, 2021 and year ended December 31, 2020 are provided in the table below:

(in millions)	September 30, 2021	December 31, 2020
Cost and expenses	($19.5)	($43.4)
Operating loss	(19.4)	(43.4)
Net loss	(53.0)	(81.3)
Revenue from non-guarantors	847.5	859.2

CASH FLOWS

The following table summarizes our cash flows from operating, investing and financing activities for the nine months ended September 30, 2021 and 2020:

(millions of dollars)	2021	2020
Cash provided by (used for):		
Operating activities	$277.4	$138.0
Investing activities	69.3	(184.8)
Financing activities	47.7	55.7

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities increased $139.5 million primarily due to higher operating results.

CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES

Cash provided by investing activities of $69.3 million compares to cash used for investing activities of $184.8 million in the prior year period. This variance is primarily due to net cash consideration transferred in our merger with Pope Resources in the prior year period ($231.1 million), net proceeds from Fund II Timberland Dispositions ($85.2 million) and net proceeds from the sale of Timber Funds III and IV ($31.1 million) in the current year period and other investing activities ($1.8 million), partially offset by lower proceeds from Large Dispositions ($61.0 million), higher timberland acquisitions ($27.5 million), higher real estate development investments ($3.7 million) and higher capital expenditures ($2.9 million).

CASH PROVIDED BY FINANCING ACTIVITIES

Cash provided by financing activities decreased $8.0 million from the prior year period primarily due to lower net borrowings ($161.6 million), higher distributions to consolidated affiliates ($11.3 million), make-whole fees on the prepayment of NWFCS debt ($6.2 million), higher dividends paid on common stock ($5.1 million), higher debt issuance costs ($2.4 million) and higher distributions to noncontrolling interests in the Operating Partnership ($1.0 million), partially offset by net proceeds from the issuance of common shares under the ATM equity offering program ($167.0 million), noncontrolling interests in consolidated affiliates redemption of shares in the prior year period ($5.1 million), higher proceeds from the issuance of common shares under the Company's incentive stock plan ($4.4 million) and lower share repurchases ($3.1 million).

EXPECTED 2021 EXPENDITURES

Capital expenditures in 2021 are expected to be between $72 million and $75 million, excluding capital expenditures attributable to the Timber Funds and any strategic timberland acquisitions we may make. Capital expenditures are expected to primarily consist of seedling planting, fertilization and other silvicultural activities, property taxes, lease payments, allocated overhead and other capitalized costs. Aside from capital expenditures, we may also acquire timberland as we actively evaluate acquisition opportunities.

We anticipate real estate development investments in 2021 to be between $13 million and $15 million, net of reimbursements from community development bonds. Expected real estate development investments are primarily related to Wildlight, our mixed-use community development project located north of Jacksonville, Florida; Richmond Hill, our mixed-use development project located south of Savannah, Georgia; development properties in the town of Port Gamble, Washington; and development projects in Gig Harbor, Kingston and Bremerton, Washington.

Our 2021 dividend payments on Rayonier Inc. common shares and distributions to Rayonier, L.P. unitholders are expected to be approximately $153.0 million and $4.4 million, respectively, assuming no change in the quarterly dividend rate of $0.27 per share or partnership unit, or material changes in the number of shares or partnership units outstanding.

Future share repurchases, if any, will depend on the Company's liquidity and cash flow, as well as general market conditions and other considerations including capital allocation priorities.

We have no mandatory pension contribution requirements in the current year.

Cash tax payments in 2021 are expected to be approximately $8.0 million, primarily related to the New Zealand subsidiary.

PERFORMANCE AND LIQUIDITY INDICATORS

The discussion below is presented to enhance the reader’s understanding of our operating performance, liquidity, and ability to generate cash and satisfy rating agency and creditor requirements. This information includes two measures of financial results: Adjusted Earnings before Interest, Taxes, Depreciation, Depletion and Amortization (“Adjusted EBITDA”) and Cash Available for Distribution (“CAD”). These measures are not defined by Generally Accepted Accounting Principles (“GAAP”), and the discussion of Adjusted EBITDA and CAD is not intended to conflict with or change any of the GAAP disclosures described above.

Management uses CAD as a liquidity measure. CAD is a non-GAAP measure of cash generated during a period that is available for common stock dividends, distributions to Operating Partnership unitholders, distributions to noncontrolling interests, repurchase of the Company’s common shares, debt reduction, timberland acquisitions and real estate development investments. CAD is defined as cash provided by operating activities adjusted for capital spending (excluding timberland acquisitions and real estate development investments), CAD attributable to noncontrolling interests in Timber Funds, working capital and other balance sheet changes. CAD is not necessarily indicative of the CAD that may be generated in future periods.

Management uses Adjusted EBITDA as a performance measure. Adjusted EBITDA is a non-GAAP measure that management uses to make strategic decisions about the business and that investors can use to evaluate the operational performance of the assets under management. It removes the impact of specific items that management believes do not directly reflect the core business operations on an ongoing basis attributable to Rayonier. We define Adjusted EBITDA as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, non-operating income and expense, operating income (loss) attributable to noncontrolling interests in Timber Funds, costs related to the merger with Pope Resources, timber write-offs resulting from casualty events, the gain on investment in Timber Funds, Fund II Timberland Dispositions and Large Dispositions.

We reconcile Adjusted EBITDA to Net Income for the consolidated Company and to Operating Income (Loss) for the segments, as those are the most comparable GAAP measures for each. The following table provides a reconciliation of Net Income to Adjusted EBITDA for the respective periods (in millions of dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net Income to Adjusted EBITDA Reconciliation				
Net Income (Loss)	$110.5	($9.5)	$189.0	$17.4
Operating (income) loss attributable to NCI in Timber Funds	(30.5)	10.3	(33.3)	12.3
Interest, net attributable to NCI in Timber Funds	0.1	0.2	0.3	0.3
Income tax expense attributable to NCI in Timber Funds	—	0.1	—	0.2
Net Income (Excluding NCI in Timber Funds)	80.1	1.1	156.0	30.2
Interest, net and miscellaneous income attributable to Rayonier	11.1	10.2	33.8	27.9
Income tax expense attributable to Rayonier	2.8	0.6	13.1	7.3
Depreciation, depletion and amortization attributable to Rayonier	31.5	39.6	109.3	112.2
Non-cash cost of land and improved development	15.8	7.3	22.8	20.7
Timber write-offs resulting from casualty events attributable to Rayonier (a)	—	7.9	—	7.9
Non-operating (income) expense	(1.2)	0.2	—	(1.0)
Costs related to the merger with Pope Resources (b)	—	0.4	—	16.4
Gain on investment in Timber Funds (c)	(3.7)	—	(3.7)	—
Fund II Timberland Dispositions attributable to Rayonier (d)	(7.2)	—	(7.2)	—
Large Dispositions (e)	(14.5)	—	(44.8)	(28.7)
Adjusted EBITDA	$114.6	$67.2	$279.4	$192.9

(a) Timber write-offs resulting from casualty events include the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events that cannot be salvaged.

(b) Costs related to the merger with Pope Resources include legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources.

(c) Gain on investment in Timber Funds represents the gain recognized on the sale of rights to manage two timber funds (Funds III and IV) previously managed by the Company's Olympic Resource Management (ORM) subsidiary, as well as its co-investment stake in both funds.

(d) Fund II Timberland Dispositions represents the disposition of Timber Fund II timberland assets, which we manage and own a co-investment stake in. Proceeds from Fund II Timberland Dispositions will ultimately be distributed to owners of ORM Timber Fund II and not reinvested.

(e) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value. As of September 30, 2021, we have completed two dispositions of approximately 17,000 acres in total. In June 2021, we completed a disposition of approximately 9,000 acres in Washington for a sales price and gain of approximately $36.0 million and $30.3 million, respectively. In July 2021, we completed a second disposition of approximately 8,000 acres in Washington, for a sales price and gain of $20.0 million and $14.5 million, respectively. In March 2020, we completed a disposition of approximately 67,000 acres located in Mississippi for a sales price and gain of approximately $116.0 million and $28.7 million, respectively.

The following tables provide a reconciliation of Operating Income (Loss) by segment to Adjusted EBITDA by segment for the respective periods (in millions of dollars):

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
September 30, 2021								
Operating income (loss)	$12.8	$2.1	$13.3	$41.3	$60.6	—	($6.7)	$123.3
Gain on investment in Timber Funds (a)	—	—	—	(3.7)	—	—	—	(3.7)
Fund II Timberland Dispositions attributable to Rayonier (b)	—	—	—	(7.2)	—	—	—	(7.2)
Operating income attributable to NCI in Timber Funds	—	—	—	(30.5)	—	—	—	(30.5)
Depreciation, depletion and amortization	11.6	10.5	6.6	0.7	1.8	—	0.3	31.5
Non-cash cost of land and improved development	—	—	—	—	15.8	—	—	15.8
Large Dispositions (c)	—	—	—	—	(14.5)	—	—	(14.5)
Adjusted EBITDA	$24.4	$12.5	$19.9	$0.5	$63.8	—	($6.4)	$114.6
September 30, 2020								
Operating income (loss)	$5.1	($1.8)	$10.7	($12.4)	$9.5	($0.6)	($8.7)	$1.8
Operating loss attributable to NCI in Timber Funds	—	—	—	10.3	—	—	—	10.3
Timber write-offs resulting from casualty events attributable to Rayonier (d)	6.0	—	—	1.8	—	—	—	7.9
Depreciation, depletion and amortization	15.0	10.9	7.3	0.5	5.5	—	0.4	39.6
Non-cash cost of land and improved development	—	—	—	—	7.3	—	—	7.3
Costs related to the merger with Pope Resources (e)	—	—	—	—	—	—	0.4	0.4
Adjusted EBITDA	$26.1	$9.1	$18.1	$0.2	$22.2	($0.6)	($7.9)	$67.2

(a) Gain on investment in Timber Funds represents the gain recognized on the sale of rights to manage two timber funds (Funds III and IV) previously managed by the Company's Olympic Resource Management (ORM) subsidiary, as well as its co-investment stake in both funds.

(b) Fund II Timberland Dispositions attributable to Rayonier reflects the proportionate share of operating income attributable to Rayonier related to the disposition of timberland assets in Timber Fund II.

(c) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value. In July 2021, we completed the disposition of approximately 8,000 acres in Washington for a sales price and gain of $20.0 million and $14.5 million, respectively.

(d) Timber write-offs resulting from casualty events include the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events that cannot be salvaged.

(e) Costs related to the merger with Pope Resources include legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources.

Nine Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
September 30, 2021								
Operating income (loss)	$47.1	$5.3	$48.0	$44.8	$112.8	$0.6	($22.3)	$236.2
Gain on investment in Timber Funds (a)	—	—	—	(3.7)	—	—	—	(3.7)
Fund II Timberland Dispositions attributable to Rayonier (b)	—	—	—	(7.2)	—	—	—	(7.2)
Operating income attributable to NCI in Timber Funds	—	—	—	(33.3)	—	—	—	(33.3)
Depreciation, depletion and amortization	39.5	38.8	20.8	2.2	7.1	—	0.9	109.3
Non-cash cost of land and improved development	—	—	—	—	22.8	—	—	22.8
Large Dispositions (c)	—	—	—	—	(44.8)	—	—	(44.8)
Adjusted EBITDA	$86.6	$44.1	$68.7	$2.8	$97.9	$0.6	($21.4)	$279.4
September 30, 2020								
Operating income (loss)	$31.4	($9.5)	$21.1	($14.3)	$61.1	($0.5)	($37.3)	$52.0
Operating loss attributable to NCI in Timber Funds	—	—	—	12.3	—	—	—	12.3
Timber write-offs resulting from casualty events attributable to Rayonier (d)	6.0	—	—	1.8	—	—	—	7.9
Depreciation, depletion and amortization	48.4	32.2	17.1	1.0	12.6	—	1.0	112.2
Non-cash cost of land and improved development	—	—	—	—	20.7	—	—	20.7
Costs related to merger with Pope Resources (e)	—	—	—	—	—	—	16.4	16.4
Large Dispositions (c)	—	—	—	—	(28.7)	—	—	(28.7)
Adjusted EBITDA	$85.8	$22.8	$38.2	$0.8	$65.7	($0.5)	($19.9)	$192.9

(a) Gain on investment in Timber Funds represents the gain recognized on the sale of rights to manage two timber funds (Funds III and IV) previously managed by the Company's Olympic Resource Management (ORM) subsidiary, as well as its co-investment stake in both funds.

(b) Fund II Timberland Dispositions attributable to Rayonier reflects the proportionate share of operating income attributable to Rayonier related to the disposition of timberland assets in Timber Fund II.

(c) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value. As of September 30, 2021, we have completed two dispositions of approximately 17,000 acres in total. In June 2021, we completed a disposition of approximately 9,000 acres in Washington for a sales price and gain of approximately $36.0 million and $30.3 million, respectively. In July 2021, we completed a second disposition of approximately 8,000 acres in Washington, for a sales price and gain of $20.0 million and $14.5 million, respectively. In March 2020, we completed a disposition of approximately 67,000 acres located in Mississippi for a sales price and gain of approximately $116.0 million and $28.7 million, respectively.

(d) Timber write-offs resulting from casualty events include the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events that cannot be salvaged.

(e) Costs related to the merger with Pope Resources include legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources.

The following table provides a reconciliation of Cash Provided by Operating Activities to Adjusted CAD (in millions of dollars):

	Nine Months Ended September 30,	
	2021	2020
Cash provided by operating activities	$277.4	$138.0
Capital expenditures (a)	(47.5)	(44.7)
Costs related to the merger with Pope Resources (b)	—	16.4
CAD attributable to NCI in Timber Funds	(12.5)	(0.1)
Working capital and other balance sheet changes	(13.5)	14.6
CAD	203.9	124.2
Mandatory debt repayments	(325.0)	—
CAD after mandatory debt repayments	(121.1)	124.2
Cash provided by (used for) investing activities	$69.3	($184.8)
Cash provided by financing activities	$47.7	$55.7

(a) Capital expenditures exclude timberland acquisitions of $51.9 million and $24.4 million during the nine months ended September 30, 2021 and September 30, 2020, respectively. The nine months ended September 30, 2020 also exclude the Pope Resources acquisition.

(b) Costs related to the merger with Pope Resources include legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources.

The following table provides supplemental cash flow data (in millions):

	Nine Months Ended September 30,	
	2021	2020
Purchase of timberlands (a)	($51.9)	($24.4)
Real Estate Development Investments	(9.2)	(5.4)
Distributions to noncontrolling interests in consolidated affiliates	(19.6)	(8.2)

(a) The nine months ended September 30, 2020 excludes timberlands acquired in the merger with Pope Resources.

LIQUIDITY FACILITIES

2021 DEBT ACTIVITY

See Note 9 — Debt for additional information.

OFF-BALANCE SHEET ARRANGEMENTS

We utilize off-balance sheet arrangements to provide credit support for certain suppliers and vendors in case of their default on critical obligations, and collateral for outstanding claims under our previous workers' compensation self-insurance programs. These arrangements consist of standby letters of credit and surety bonds. As part of our ongoing operations, we also periodically issue guarantees to third parties. Off-balance sheet arrangements are not considered a source of liquidity or capital resources and do not expose us to material risks or material unfavorable financial impacts. See Note 15 — Guarantees for details on the letters of credit and surety bonds as of September 30, 2021.

CONTRACTUAL FINANCIAL OBLIGATIONS

In addition to using cash flow from operations and proceeds from Large Dispositions, we finance our operations through the issuance of debt and by entering into leases. These financial obligations are recorded in accordance with accounting rules applicable to the underlying transaction, with the result that some are recorded as liabilities on the Consolidated Balance Sheets, while others are required to be disclosed in the Notes to Consolidated Financial Statements and Management's Discussion and Analysis.

The following table aggregates our contractual financial obligations as of September 30, 2021 and anticipated cash spending by period:

		Payments Due by Period			
Contractual Financial Obligations (in millions)	Total	Remaining 2021	2022-2023	2024-2025	Thereafter
Long-term debt, excluding Timber Funds (a)	$1,176.4	—	$125.0	$23.7	$1,027.7
Current maturities of long-term debt, excluding Timber Funds (b)	200.0	—	200.0	—	—
Interest payments on long-term debt, excluding Timber Funds (c)	200.4	15.3	54.2	47.7	83.2
Operating leases — timberland (d)	184.2	4.2	15.4	14.3	150.3
Operating leases — PP&E, offices (d)	6.3	0.4	2.5	1.8	1.6
Commitments — development projects (e)	29.5	11.1	14.0	0.5	3.9
Commitments — environmental remediation (f)	10.9	0.2	4.7	3.7	2.3
Commitments — other (g)	53.2	3.3	26.7	14.9	8.3
Total contractual cash obligations	$1,860.9	$34.5	$442.5	$106.6	$1,277.3

(a) The book value of long-term debt, excluding Timber Funds, net of deferred financing costs and unamortized discounts, is currently recorded at $1,168.0 million on our Consolidated Balance Sheets, but upon maturity the liability will be $1,176.4 million. See Note 9 — Debt for additional information.

(b) The book value of current maturities of long-term debt, excluding Timber Funds, net of deferred financing costs is currently recorded at $199.9 million on our Consolidated Balance Sheets, but upon maturity the liability will be $200.0 million. See Note 9 - Debt for additional information.

(c) Projected interest payments for variable rate debt were calculated based on outstanding principal amounts and interest rates as of September 30, 2021.

(d) Excludes anticipated renewal options.

(e) Commitments — developmental projects primarily consists of payments expected to be made on our Wildlight and Richmond Hill developmental projects.

(f) Commitments — environmental remediation represents our estimate of potential liability associated with environmental contamination at Port Gamble. See Note 14 - Environmental Liabilities.

(g) Commitments — other includes payments expected to be made on financial instruments (foreign exchange contracts, interest rate swaps and forward-starting interest rate swaps) and other purchase obligations.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

We are exposed to interest rate risk through our variable rate debt, primarily due to changes in LIBOR. However, we use interest rate swaps to manage our exposure to interest rate movements on our term credit agreements by swapping existing and anticipated future borrowings from floating rates to fixed rates. As of September 30, 2021, we had $550 million of U.S. variable rate debt outstanding on our term credit agreements.

The notional amount of outstanding interest rate swap contracts with respect to our term credit agreements at September 30, 2021 was $550 million. The Term Credit Agreement matures in April 2028, with the associated interest rate swaps maturing in August 2024. We have entered into forward starting interest rate swaps to cover $150 million of the Term Credit Agreement through the extended maturity date. The Incremental Term Loan Agreement and associated interest rate swaps mature in May 2026. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in no corresponding increase/decrease in interest payments and expense over a 12-month period.

The fair market value of our fixed interest rate debt is also subject to interest rate risk. The estimated fair value of our fixed rate debt at September 30, 2021 was $825.1 million compared to the $826.4 million principal amount. We use interest rates of debt with similar terms and maturities to estimate the fair value of our debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical one-percentage point increase/decrease in prevailing interest rates at September 30, 2021 would result in a corresponding decrease/increase in the fair value of our fixed rate debt of approximately $40 million and $43 million, respectively.

We estimate the periodic effective interest rate on our U.S. long-term fixed and variable rate debt to be approximately 3.0% after consideration of interest rate swaps and estimated patronage refunds, excluding unused commitment fees on the revolving credit facility.

The following table summarizes our outstanding debt, interest rate swaps and average interest rates, by year of expected maturity and their fair values at September 30, 2021:

(Dollars in thousands)	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value
Variable rate debt:								
Principal amounts	—	—	—	—	—	$550,000	$550,000	$550,000
Average interest rate (a)(b)	—	—	—	—	—	1.70 %	1.70 %	
Fixed rate debt:								
Principal amounts	—	$325,000	—	—	$23,739	$477,696	$826,435	$825,097
Average interest rate (b)	—	3.75 %	—	—	2.95 %	2.80 %	3.18 %	
Interest rate swaps:								
Notional amount	—	—	—	$350,000	—	$200,000	$550,000	($24,178)
Average pay rate (b)	—	—	—	2.28 %	—	1.60 %	2.03 %	
Average receive rate (b)	—	—	—	0.08 %	—	0.09 %	0.08 %	
Forward-starting interest rate swaps								
Notional amount	—	—	—	—	—	$350,000	$350,000	$11,206
Average pay rate (b)	—	—	—	—	—	0.80 %	0.80 %	
Average receive rate (b)	—	—	—	—	—	0.08 %	0.08 %	

(a) Excludes estimated patronage refunds.
(b) Interest rates as of September 30, 2021.

Foreign Currency Exchange Rate Risk

The New Zealand subsidiary's export sales are predominately denominated in U.S. dollars, and therefore its cash flows are affected by fluctuations in the exchange rate between the New Zealand dollar and the U.S. dollar. This exposure is partially managed by a natural currency hedge, as ocean freight payments and shareholder distributions are also paid in U.S. dollars. We manage any excess foreign exchange exposure through the use of derivative financial instruments.

Sales and Expense Exposure

At September 30, 2021, the New Zealand subsidiary had foreign currency exchange contracts with a notional amount of $144 million outstanding related to foreign export sales and ocean freight payments. The amount hedged represents a portion of forecasted U.S. dollar denominated export timber and log trading sales proceeds over the next 18 months.

The following table summarizes our outstanding foreign currency exchange rate risk contracts at September 30, 2021:

(Dollars in thousands)	0-1 months	1-2 months	2-3 months	3-6 months	6-12 months	12-18 months	Total	Fair Value
Foreign exchange contracts to sell U.S. dollar for New Zealand dollar								
Notional amount	$10,000	$10,000	$8,000	$30,000	$47,000	$39,000	$144,000	($349)
Average contract rate	1.5028	1.4769	1.4859	1.4605	1.4444	1.4493	1.4577	

Item 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Rayonier Inc.

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

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

Based on an evaluation of the Company’s disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of September 30, 2021.

In the quarter ended September 30, 2021, based upon the evaluation required by Rule 13a-15(d) under the Exchange Act, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

Rayonier, L.P.

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

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

Based on an evaluation of the Operating Partnership’s disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, management, including Rayonier’s Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of September 30, 2021.

In the quarter ended September 30, 2021, based upon the evaluation required by Rule 13a-15(d) under the Exchange Act, there were no changes in internal controls over financial reporting that would materially affect or are reasonably likely to materially affect internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The information set forth in Note 13 — Contingencies in the “Notes to Consolidated Financial Statements” under Item 1 of Part I of this report is incorporated herein by reference.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Rayonier Inc.

REGISTERED SALES OF EQUITY SECURITIES

From time to time, the Company may issue shares of common stock in exchange for units in the Operating Partnership. Such shares are issued based on an exchange ratio of one share for each unit in the Operating Partnership. During the quarter ended September 30, 2021, the Company issued 333,018 common shares in exchange for an equal number of units in the Operating Partnership pursuant to the agreement of the Operating Partnership.

ISSUER PURCHASES OF EQUITY SECURITIES

In February 2016, the Board of Directors approved the repurchase of up to $100 million of Rayonier's common shares (the "share repurchase program") to be made at management's discretion. The program has no time limit and may be suspended or discontinued at any time. There were no shares repurchased under this program in the third quarter of 2021. Based on the period-end closing stock price of $35.68 at September 30, 2021, there was $87.7 million, or approximately 2,458,757 shares, remaining under this program.

The following table provides information regarding our purchases of Rayonier common shares during the quarter ended September 30, 2021:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (c)
July 1 to July 31	36	$35.88	—	2,326,397
August 1 to August 31	139	36.87	—	2,385,221
September 1 to September 30	—	—	—	2,458,757
Total	175		—	

(a) Includes 175 shares of the Company's common shares purchased in July, August and September from current and former employees in non-open market transactions. The shares were sold by current and former employees of the Company in exchange for cash that was used to pay withholding taxes associated with the vesting of share-based awards under the Company's Incentive Stock Plan. The price per share surrendered is based on the closing price of the Company's common shares on the respective vesting dates of the awards.

(b) Purchases made in open-market transactions under the $100 million share repurchase program announced on February 10, 2016.

(c) Maximum number of shares authorized to be purchased under the share repurchase program at the end of July, August and September are based on month-end closing stock prices of $37.71, $36.78 and $35.68, respectively.

Rayonier, L.P.

UNREGISTERED SALES OF EQUITY SECURITIES

There were no unregistered sales of equity securities made by the Operating Partnership during the quarter ended September 30, 2021.

ISSUER PURCHASES OF EQUITY SECURITIES

Pursuant to the Operating Partnership's limited partnership agreement, limited partners have the right to redeem their units in the Operating Partnership for cash, or at our election, shares of Rayonier Common Stock on a one-for-one basis. During the quarter ended September 30, 2021, 333,018 units in the Operating Partnership held by limited partners were redeemed in exchange for shares of Rayonier Common Stock.

Item 6. EXHIBITS

22.1	t of Guarantor Subsidiaries	Incorporated by reference to Exhibit 22.1 to the Registrant’s June 30, 2021 Form 10-Q
31.1	yonier Inc. - Chief Executive Officer’s Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	yonier Inc. - Chief Financial Officer’s Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.3	yonier, L.P. - Chief Executive Officer’s Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.4	yonier, L.P. - Chief Financial Officer’s Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	yonier Inc. - Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	yonier, L.P. - Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	e following financial information from Rayonier Inc. and Rayonier, L.P.’s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021, formatted in Extensible Business Reporting Language (“XBRL”), includes: (i) the Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months Ended September 30, 2021 and 2020 of Rayonier Inc.; (ii) the Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020 of Rayonier Inc.; (iii) the Consolidated Statements of Changes in Shareholders’ Equity for the Nine Months Ended September 30, 2021 and 2020 of Rayonier Inc.; (iv) the Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020 of Rayonier Inc.; (v) the Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months Ended September 30, 2021 and 2020 of Rayonier, L.P.; (vi) the Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020 of Rayonier, L.P.; (vii) the Consolidated Statements of Changes in Capital for the Nine Months Ended September 30, 2021 and 2020 of Rayonier, L.P.; (viii) the Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020 of Rayonier, L.P.; and (ix) the Notes to Consolidated Financial Statements of Rayonier Inc. and Rayonier, L.P.	Filed herewith
104	e cover page from the Company’s Quarterly Report on Form 10-Q from the quarter ended September 30, 2021, formatted in Inline XBRL (included as Exhibit 101).	

SIGNATURES

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

RAYONIER INC.

By: /s/ APRIL TICE

April Tice
Vice President and Chief Accounting Officer
(Duly Authorized Officer, Principal Accounting Officer)

Date: November 5, 2021

RAYONIER, L.P.

By: RAYONIER INC., its sole general partner

By: /s/ APRIL TICE

April Tice
Vice President and Chief Accounting Officer
(Duly Authorized Officer, Principal Accounting Officer)

Date: November 5, 2021

EXHIBIT 31.1

CERTIFICATION

I, David L. Nunes, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ DAVID L. NUNES

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

EXHIBIT 31.2

CERTIFICATION

I, Mark McHugh, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ MARK MCHUGH

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

EXHIBIT 31.3

CERTIFICATION

I, David L. Nunes, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ DAVID L. NUNES

David L. Nunes
President and Chief Executive Officer of Rayonier Inc., General Partner

EXHIBIT 31.4

CERTIFICATION

I, Mark McHugh, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ MARK MCHUGH

Mark McHugh
Senior Vice President and Chief Financial Officer
of Rayonier Inc., General Partner

CERTIFICATION

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

1. The quarterly report on Form 10-Q of Rayonier Inc. (the "Company") for the period ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

November 5, 2021

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

A signed original of this written statement required by Section 906 has been provided to Rayonier, Inc. and will be retained by Rayonier, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION

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

1. The quarterly report on Form 10-Q of Rayonier, L.P. (the "Rayonier Operating Partnership") for the period ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

November 5, 2021

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

A signed original of this written statement required by Section 906 has been provided to Rayonier, L.P. and will be retained by Rayonier, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.