

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-6780

RAYONIER INC.

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

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

Telephone Number: (203) 348-7000

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

YES (X) NO ()

As of May 5, 1997, there were 28,959,528 Common Shares of the
Registrant outstanding.

RAYONIER INC.

TABLE OF CONTENTS

	PAGE	

PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Statements of Consolidated Income for the Three Months Ended March 31, 1997 and 1996	1
	Consolidated Balance Sheets as of March 31, 1997 and December 31, 1996	2
	Statements of Consolidated Cash Flows for the Three Months Ended March 31, 1997 and 1996	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	4-6
Item 3.	Selected Operating Data	7
PART II.	OTHER INFORMATION	
Item 6.	Exhibits and Reports on Form 8-K	8
	Signature	8
	Exhibit Index	9

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited financial statements reflect, in the opinion of Rayonier Inc. (Rayonier or the Company), all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results of operations, the financial position and the cash flows for the periods presented. Certain reclassifications have been made to the prior year's financial statements to conform to current year presentation. For a full description of accounting policies, please refer to Notes to Consolidated Financial Statements in the 1996 Annual Report on Form 10-K.

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

	Three Months Ended March 31,	
	1997	1996
SALES	\$ 260,138	\$ 293,980
Costs and expenses		
Cost of sales	209,781	225,674
Selling and general expenses	10,505	8,843
Other operating income, net	(621)	(429)
	219,665	234,088
OPERATING INCOME	40,473	59,892
Interest expense	(5,856)	(7,146)
Interest and miscellaneous income, net	397	1,488
Minority interest	(8,079)	(8,988)
	26,935	45,246
Provision for income taxes	(8,539)	(13,769)
	18,396	31,477
NET INCOME	\$ 18,396	\$ 31,477
	0.62	1.05
NET INCOME PER COMMON SHARE	\$ 0.62	\$ 1.05
Weighted average Common Shares outstanding	29,721,186	30,089,060

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

ASSETS

	March 31, 1997	December 31, 1996
	-----	-----
CURRENT ASSETS		
Cash and short-term investments	\$ 2,878	\$ 3,432
Accounts receivable, less allowance for doubtful accounts of \$4,739 and \$4,674	112,953	123,435
Inventories		
Finished goods	78,450	68,441
Work in process	22,749	20,128
Raw materials	36,495	39,650
Manufacturing and maintenance supplies	25,738	26,695
	-----	-----
Total inventories	163,432	154,914
Timber stumpage purchases	24,212	31,416
Other current assets	18,663	13,223
Deferred income taxes	21,900	23,168
	-----	-----
Total current assets	344,038	349,588
OTHER ASSETS		
	49,772	50,026
TIMBER STUMPAGE PURCHASES		
	22,108	23,341
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION		
	494,806	490,298
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment	1,219,239	1,190,786
Less - accumulated depreciation	524,447	506,308
	-----	-----
	694,792	684,478
	-----	-----
	\$1,605,516	\$1,597,731
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 68,287	\$ 87,609
Bank loans and current maturities	3,128	2,243
Accrued taxes	13,069	11,497
Accrued payroll and benefits	10,327	18,340
Accrued interest	8,110	5,154
Other current liabilities	49,261	55,976
Current reserves for dispositions and discontinued operations	41,120	40,003
	-----	-----
Total current liabilities	193,302	220,822
DEFERRED INCOME TAXES		
	96,550	89,484
LONG-TERM DEBT		
	461,367	430,667
NON-CURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS		
	179,870	183,975
OTHER NON-CURRENT LIABILITIES		
	30,701	30,529
MINORITY INTEREST		
	18,341	18,864
SHAREHOLDERS' EQUITY		
Common Shares, 60,000,000 shares authorized, 29,128,823 and 29,282,455 shares issued and outstanding	138,048	145,679
Retained earnings	487,337	477,711
	-----	-----
	625,385	623,390
	-----	-----
	\$1,605,516	\$1,597,731
	=====	=====

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

	Three Months Ended March 31,	
	1997	1996
OPERATING ACTIVITIES		
Net income	\$ 18,396	\$ 31,477
Non-cash items included in income		
Depreciation, depletion and amortization	24,800	24,136
Deferred income taxes	7,239	1,617
Increase in other non-current liabilities	172	1,234
Change in accounts receivable, inventories and accounts payable	(17,358)	(26,960)
Decrease in current timber stumpage purchases	7,204	6,744
Increase in other current assets	(5,440)	(7,191)
(Decrease) increase in accrued liabilities	(10,200)	4,485
Reduction in reserves for dispositions	--	(1,250)
	-----	-----
CASH FROM OPERATING ACTIVITIES	24,813	34,292
	=====	=====
INVESTING ACTIVITIES		
Capital expenditures, net of sales and retirements of \$612 and \$543	(39,622)	(30,160)
Expenditures for dispositions and discontinued operations, net of tax benefits of \$1,095 and \$321	(1,893)	(558)
Change in timber stumpage purchases and other assets	1,487	876
	-----	-----
CASH USED FOR INVESTING ACTIVITIES	(40,028)	(29,842)
	=====	=====
FINANCING ACTIVITIES		
Issuance of debt	31,734	700
Repayments of debt	(149)	(1,348)
Dividends paid	(8,770)	(8,600)
Repurchase of Common Shares	(8,167)	(2,678)
Issuance of Common Shares	536	398
(Decrease) increase in minority interest	(523)	1,752
	-----	-----
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	14,661	(9,776)
	=====	=====
CASH AND SHORT-TERM INVESTMENTS		
Decrease in cash and short-term investments during the period	(554)	(5,326)
Balance, beginning of period	3,432	10,932
	-----	-----
Balance, end of period	\$ 2,878	\$ 5,606
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid (received) during the period for:		
Interest	\$ 4,228	\$ 4,830
	=====	=====
Income taxes, net of refunds	\$ (52)	\$ (898)
	=====	=====

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

The sales and operating income of Rayonier's business segments for the three months ended March 31, 1997 and 1996 were as follows (thousands of dollars):

	Three Months Ended March 31,	
	1997	1996
SALES		
TIMBER AND WOOD PRODUCTS		
Log trading and merchandising	\$ 56,737	\$ 65,760
Timberlands management and stumpage	49,514	58,124
Wood products	29,663	20,638
Intrasegment eliminations	(6,287)	(11,472)
Total Timber and Wood Products	129,627	133,050
SPECIALTY PULP PRODUCTS		
Chemical cellulose	80,216	75,617
Fluff and specialty paper pulps	43,194	56,038
Total Specialty Pulp Products	123,410	131,655
Intersegment eliminations	(625)	(1,596)
Total before dispositions	252,412	263,109
Dispositions	7,726	30,871
Total sales	\$ 260,138	\$ 293,980
OPERATING INCOME		
Timber and Wood Products	\$ 33,647	\$ 37,183
Specialty Pulp Products	12,387	25,566
Corporate and other	(4,144)	(2,496)
Intersegment eliminations	112	65
Total before dispositions	42,002	60,318
Dispositions	(1,529)	(426)
Total operating income	\$ 40,473	\$ 59,892

RESULTS OF OPERATIONS

SALES AND OPERATING INCOME

Sales of \$260 million for the first quarter of 1997 were \$34 million or 12 percent lower than the first quarter of 1996 due to the closure of the Port Angeles, WA pulp mill on February 28, 1997 and lower pulp prices. Operating income of \$40 million was \$19 million or 32 percent less than last year's first quarter as a result of the lower pulp pricing and weaker Asian log markets.

Timber and Wood Products

Timber and Wood Products' sales in the first quarter were \$130 million compared to \$133 million for the same period of 1996. Operating income for the quarter of \$34 million decreased \$4 million from the prior year, reflecting lower stumpage pricing partially offset by stronger lumber prices and volumes.

Log trading and merchandising sales of \$57 million declined \$9 million or 14 percent from the 1996 first quarter. The decrease in sales was due to lower New Zealand export log volumes, resulting from continued weakness in Asian wood markets. In North America, both selling prices and volume declined from 1996 resulting in reduced margins.

Timberlands management and stumpage sales and operating income were below last year's first quarter as a result of lower stumpage prices in the U.S. Northwest. In the U.S. Southeast, weak demand from pulp and paper producers resulted in a decline in pine pulpwood prices, which was partially offset by increased harvest activity for chip'n saw and sawlog timber, driven by a strong lumber market.

Wood products showed continued improvement due to increased capacity and productivity along with higher lumber prices resulting from a strong housing market.

Specialty Pulp Products

Sales of Specialty Pulp Products (from the Company's ongoing Jesup and Fernandina mills) were \$123 million for the quarter compared to \$132 million for the prior year's first quarter, and operating income declined \$13 million to \$12 million. Results were below the prior year when fluff pulp and chemical cellulose prices were starting to decline from their cyclical peaks. Pulp sales volumes and product mix strengthened. Production costs continued to improve due to lower chemical and other costs, declining \$25 per ton from first quarter 1996.

Dispositions

Dispositions reflect results of the Company's Port Angeles mill (whose disposition was announced in October 1996) which were unfavorable to last year's first quarter due to lower pulp volumes and prices.

OTHER INCOME / EXPENSE

Interest expense was \$6 million for the first quarter of 1997, \$1 million favorable to 1996, reflecting lower interest rates and higher capitalized interest in connection with the Company's New Zealand MDF facility currently under construction.

Interest and miscellaneous income, net declined \$1 million from the prior year which included mark-to-market gains on forward exchange contracts. The Company uses these forward contracts to mitigate the impact of New Zealand/U.S. dollar exchange rate fluctuations on New Zealand operating expenses.

Minority interest in the earnings of Rayonier's subsidiary, Rayonier Timberlands, L.P. (RTLTP) was slightly below that of the prior year period, reflecting lower Northwest U.S. stumpage prices. The minority participation in the earnings of RTLTP will change from approximately 24 percent to approximately 1 percent effective January 1, 2001.

NET INCOME

Net income for the first quarter was \$18 million or \$0.62 per Common Share, compared to \$31 million or \$1.05 per Common Share in 1996.

OTHER ITEMS

In April the Company announced that a strategic assessment of its specialty pulp business had been completed. The Company indicated that the comprehensive study, performed with the assistance of a leading consulting firm, confirmed that existing strategies were sound and that it is taking appropriate steps to increase the pulp business' contribution to shareholder value. The report also reaffirmed that the closure of the Port Angeles pulp mill would significantly strengthen the competitiveness and long-term value of both the Jesup, GA and Fernandina Beach, FL mills. The Company indicated that actions are already underway to implement several significant cost-reduction opportunities that were identified. The study also indicated that Rayonier's excellence in technical research provides a competitive advantage and it helped clarify the relative priorities of several product development and quality enhancement programs designed to further strengthen the Company's market position. In addition, the study concluded that the balance and

flexibility of Rayonier's specialty pulp product mix - producing both chemical cellulose and fluff pulps - provide the greatest opportunity to maximize value.

Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share (EPS), which establishes standards for computing and presenting EPS, is effective for both interim and annual periods ending after December 15, 1997. SFAS No. 128 does not permit early application of its provisions. The statement replaces the presentation of primary EPS with a presentation of basic EPS, as defined. The Company's pro forma basic EPS determined in accordance with SFAS No. 128 was \$0.63 and \$1.06 for the three months ended March 31, 1997 and 1996, respectively. Pro forma diluted EPS would be unchanged from the reported income per Common share.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities of \$25 million in the first quarter of 1997 decreased \$9 million from 1996 as a result of lower earnings and an increase in working capital. EBITDA (defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes and depreciation, depletion and amortization) for the first quarter of 1997 was \$58 million compared to \$77 million for the same period of 1996. Cash from operating activities together with an increase in debt of \$32 million financed capital expenditures of \$40 million, dividends of \$9 million and the repurchase of Common Shares of \$8 million. In connection with the previously announced one-year increase in the Company's share repurchase program to \$50 million for 1997, the Company repurchased 214,000 shares during the first quarter at an average cost of \$38.16 for \$8 million. Over the same period of 1996, the Company purchased 76,100 shares at an average cost of \$35.19 per share for \$3 million. First quarter ending debt was \$464 million and the debt-to-capital-ratio was 42.6 percent compared to 41.0 percent at December 31, 1996.

The Company has unsecured credit facilities totaling \$300 million, which are used for direct borrowings and as support for \$135 million of outstanding commercial paper. As of March 31, 1997, the Company had \$165 million of available borrowings under its revolving credit facilities. In addition, through currently effective shelf registration statements filed with the Securities and Exchange Commission, the Company may offer up to \$141 million of new public debt securities. The Company believes that internally generated funds combined with available external financing will enable Rayonier to fund capital expenditures, share repurchases, working capital and other liquidity needs for the foreseeable future.

ITEM 3. SELECTED OPERATING DATA

	Three Months Ended March 31,	
	1997	1996
TIMBER AND WOOD PRODUCTS		
Log sales		
North America - million board feet	45	51
New Zealand - thousand cubic meters	237	370
Other - thousand cubic meters	133	34
Timber sales		
Northwest U.S. - million board feet	59	61
Southeast U.S. - thousand short green tons	610	570
New Zealand - thousand cubic meters	211	257
Lumber sold - million board feet	74	61
Intercompany sales		
Logs - million board feet	1	2
Northwest U.S. timber stumpage - million board feet	6	9
Southeast U.S. timber stumpage - thousand short green tons	25	48
New Zealand, thousand cubic meters	130	198
SPECIALTY PULP PRODUCTS		
Pulp sales (a)		
Chemical cellulose sales - thousand metric tons	89	79
Fluff and specialty paper pulp sales - thousand metric tons	81	79
Production as a percent of capacity	97.9%	99.3%
SELECTED SUPPLEMENTAL INFORMATION (thousands of dollars)		
New Zealand - Sales	\$17,151 =====	\$25,296 =====
New Zealand - Operating Income	\$ 211 =====	\$ 1,420 =====
(a) Excludes Port Angeles statistics reflected below:		
Chemical cellulose sales - thousand metric tons	9	32
Fluff and specialty paper pulp sales - thousand metric tons	4	3

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Exhibit Index.

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

SIGNATURE

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

RAYONIER INC. (Registrant)

BY KENNETH P. JANETTE

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

May 12, 1997

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	LOCATION -----
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
3.1	Amended and restated articles of incorporation	No amendments
3.2	By-laws	No amendments
4.1	Amended and Restated Revolving Credit Agreement dated as of April 11, 1997, for the \$200 million Revolving Credit Agreement dated as of April 14, 1995 as amended as of June 16, 1995 and as of April 12, 1996 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Filed herewith
4.2	Other instruments defining the rights of security holders, including indentures	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission.
10	Material contracts	None
11	Statement re computation of per share earnings	Not required to be filed
12	Statement re computation of ratios	Filed herewith
15	Letter re unaudited interim financial information	None
18	Letter re change in accounting principles	None
19	Report furnished to security holders	None
22	Published report regarding matters submitted to vote of security holders	None
23	Consents of experts and counsel	None
24	Power of attorney	None
27	Financial data schedule	Filed herewith
99	Additional exhibits	None

Exhibit 4.1

AMENDED AND RESTATED

REVOLVING CREDIT AGREEMENT

Dated as of April 11, 1997

Amendment and Restatement among Rayonier Inc., a North Carolina corporation (the "Borrower"), the banks, financial institutions and other institutional lenders parties hereto, Citibank, N.A., as administrative agent (together with any successor thereto appointed pursuant to Article VII of the Existing Credit Agreement referred to below, the "Administrative Agent") for the Lenders (as defined in the Existing Credit Agreement referred to below), who hereby agree as follows:

PRELIMINARY STATEMENTS:

(1) The Borrower is a party to a U.S. \$200,000,000 Revolving Credit Agreement dated as of April 14, 1995, as amended as of June 16, 1995 and as of April 12, 1996 (the "Existing Credit Agreement") with the banks, financial institutions and other institutional lenders party thereto and Citibank, N.A., as Administrative Agent for the Lenders and such other lenders under the Existing Credit Agreement. Capitalized terms not otherwise defined in this Amendment and Restatement have the same meanings as specified in the Existing Credit Agreement.

(2) The parties to this Amendment and Restatement desire to amend the Existing Credit Agreement as set forth herein and to restate the Existing Credit Agreement in its entirety to read as set forth in the Existing Credit Agreement with the following amendments.

(3) The Borrower has requested that the Lenders agree to extend credit to it from time to time in an aggregate principal amount of up to \$300,000,000 for working capital and other general corporate purposes of the Borrower and its Subsidiaries not otherwise prohibited under the terms of this Amendment and Restatement. The Lenders have indicated their willingness to agree to extend credit to the Borrower from time to time in such amount on the terms and conditions of this Amendment and Restatement.

242492,6/NYL3
Amendment and Restatement

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

(a) The definition of "Applicable Margin" in Section 1.01 is amended in full to read as follows:

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

Public Debt Rating S&P/Moody's -----	Applicable Margin for Eurodollar Rate Advances -----
Level 1 ----- A-/A3 or above	.1950%
Level 2 ----- BBB+/Baa1 or above, but less than Level 1	.2250%
Level 3 ----- BBB/Baa2 or above, but less than Level 2	.2400%
Level 4 ----- BBB-/Baa3 or above, but less than Level 3	.2750%
Level 5 ----- Less than Level 4	.4250%"

(b) The definition of "Applicable Percentage" in Section 1.01 is amended in full to read as follows:

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

Public Debt Rating S&P/Moody's -----	Applicable Percentage -----
Level 1 ----- A-/A3 or above	.0800%
Level 2 ----- BBB+/Baa1 or above, but less than Level 1	.1000%
Level 3 ----- BBB/Baa2 or above, but less than Level 2	.1100%
Level 4 ----- BBB-/Baa3 or above, but less than Level 3	.1250%
Level 5 ----- Less than Level 4	.2000%"

(c) Clause (b) of the definition of "Base Rate" is amended by deleting therein each fraction "1/4" and substituting therefor the fraction "1/16".

(d) The definition of "Borrower's Form 10-K for 1994" is deleted in full and the following definition is substituted therefor:

"'Borrower's Form 10-K for 1996' has the meaning specified in Section 4.01(f)."

(e) The definition of "Commitment" is amended by deleting therein the word "hereof" and substituting therefor the following:

"of the Amendment and Restatement dated as of April 11, 1997 to the Credit Agreement dated as of April 14, 1995, as amended, among the

Borrower, the banks, financial institutions and other institutional lenders parties thereto and Citibank, as Administrative Agent for such lenders".

(f) The definition of "Lenders" is amended in full to read as follows:

"'Lenders' means, collectively, (i) the banks listed on the signature pages of the Amendment and Restatement dated as of April 11, 1997 to the Credit Agreement dated as of April 14, 1995, as amended, among the Borrower, the banks, financial institutions and other institutional lenders parties thereto and Citibank, as Administrative Agent for such lenders, (ii) each institution that shall become a party hereto pursuant to Section 8.07(a), (b) and (c), and (iii) except when used in reference to an A Advance, an A Borrowing, an A Note, a Commitment, a C Advance, a C Borrowing, a C Note or a term related to any of the foregoing, each Designated Bidder."

(g) The definition of "Public Debt Rating" is amended by deleting in the first line thereof the word "lowest" and substituting therefor the word "highest".

(h) The definition of "Reference Banks" is amended in full to read as follows: "'Reference Banks' means Citibank, Toronto-Dominion and The Chase Manhattan Bank."

(i) The definition of "Termination Date" in Section 1.01 is amended in full to read as follows:

"'Termination Date' means the earlier of April 30, 2002 and the date of termination in whole of the Commitments pursuant to Section 2.06 or 6.01."

(j) Section 2.03(a) is amended by deleting therein each figure "30" and substituting therefor the figure "7".

(k) Section 2.11 is amended by deleting therein the following "upon at least one Business Day's" and substituting therefor the following:

"upon notice to the Administrative Agent no later than 11:00 A.M. on the proposed date of the prepayment in the case of Base Rate Advances and on the second Business Day prior to the proposed date of the prepayment in the case of Eurodollar Rate Advances, in each case such".

(l) Sections 4.01(e) and 4.01(f) are amended by deleting therein each of the years "1994" and substituting therefor the year "1996".

(m) Section 4.01(j)(B) is amended by deleting from the first line thereof the year "1994" and substituting therefor the year "1996".

(n) Section 4.01(q) is amended in full to read as follows:

"(q) Schedule B (Actuarial Information) to the most recent annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and, if requested, furnished to the Administrative Agent pursuant to Section 5.01(l)(ix) hereof, is complete and accurate in all material respects and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no material adverse change in such funding status."

(o) Section 5.01(l)(ix) is amended by deleting therein the words "promptly and in any event within 30 days" and substituting therefor the following:

"upon the request of the Administrative Agent".

(p) Section 5.02(c) is amended in full to read as follows:

"Sales, Etc. of Assets. Sell, lease, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets, or grant any option or other right to purchase, lease or otherwise acquire any assets, except (i) as permitted by Section 5.02(b), (ii) any such sale, lease, transfer or disposition that is made in the ordinary course of its business, (iii) any such sale, lease, transfer or disposition by a Subsidiary of the Borrower to the Borrower or to another wholly owned Subsidiary of the Borrower (whether by dissolution, liquidation or otherwise), (iv) any such sale, lease, transfer or disposition to the extent the net book value of any single asset sold, leased, transferred or disposed of from and after April 11, 1997 pursuant to this clause (iv) is less than \$2,000,000, and the aggregate of all such single assets sold, leased, transferred or disposed of from and after April 11, 1997, in any given calendar year pursuant to this clause (iv) is less than \$10,000,000 and (v) any such sale, lease, transfer or disposition to the extent the net book value of all assets sold, leased, transferred or disposed of from and after April 11, 1997 pursuant to this clause (v) does not exceed (x) in any calendar year an amount equal to the greater of an amount equal to 10% of the Borrower's Consolidated Assets or \$160,000,000 or (y) in the aggregate from and after April 11, 1997 the greater of an amount equal to 25% of the Borrower's Consolidated Assets or \$400,000,000, in each case measured as of the last day of the most recent Fiscal Quarter of the Borrower ended on or prior to such date of determination."

(q) Section 5.02(d)(ii) is amended by inserting immediately after the term "Schedule 5.02(d)" the following:

"(including as Debt permitted under this subsection any credit facilities or credit lines of any Subsidiary listed on such Schedule 5.02(d), whether or not such facilities or lines have been drawn upon by such Subsidiary)".

(r) Section 6.01(d) is amended by deleting therefrom each figure "\$1,000,000" and substituting therefor the figure "\$10,000,000".

(s) Schedules 4.01(f), 4.01(p), 5.02(a) and 5.02(d) are deleted in full and replaced with Schedules 4.01(f), 4.01(p), 5.02(a) and 5.02(d) attached hereto.

(t) Exhibit A-1 is deleted in full and replaced with Exhibit A-1 attached hereto.

(u) Each reference in Exhibits A-2 and A-3 to the "\$200,000,000 Credit Agreement dated as of April 14, 1995" shall be amended to mean a reference to the Existing Credit Agreement as amended by this Amendment and Restatement.

(v) The Borrower's Environmental Disclosure Report attached as Exhibit F to the Existing Credit Agreement is replaced with the environmental disclosure report delivered pursuant to Section 2(g) hereof.

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

(a) The A Notes to the order of the Lenders, respectively.

(b) Certified copies of (x) the resolutions of the Designated Persons appointed by the Board of Directors of the Borrower approving this Amendment and Restatement, the Existing Credit Agreement as amended by this Amendment and Restatement, the Notes and the matters contemplated hereby and thereby, and (y) the Borrower's charter and by-laws and all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement, the Existing Credit Agreement as amended by this Amendment and Restatement and the Notes.

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

(d) A favorable opinion of John B. Canning, Corporate Secretary and Associate General Counsel of the Borrower, that this Amendment and Restatement, the Existing Credit Agreement as amended by this Amendment and Restatement and the Notes are the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, in form and substance satisfactory to the Administrative Agent.

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

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

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

(f) Federal Reserve Forms U-1 provided for in Regulation U, the statements made in which shall be such as to permit the transactions contemplated hereby and by the Existing Credit Agreement as amended by this Amendment and Restatement in accordance with Regulation U.

(g) An environmental disclosure report in form and substance satisfactory to the Administrative Agent.

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

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

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

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

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

Amendment and Restatement, the Existing Credit Agreement as amended by this Amendment and Restatement and the Notes.

(d) This Amendment and Restatement and the Notes have been duly executed and delivered by the Borrower and are the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms.

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

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

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

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

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

(d) Without limiting any of the other provisions of the Existing Credit Agreement as amended by this Amendment and Restatement, any references in the Existing Credit Agreement to the phrases "on the date hereof", "on the date of this Agreement" or words of similar import shall mean and be a reference to the date of this Amendment and Restatement.

(e) By acceptance of an A Note delivered pursuant to Section 2(a), each Lender acknowledges and agrees that each A Note delivered under the Existing Credit Agreement is cancelled as of the date of effectiveness hereof.

SECTION 5. Costs, Expenses. The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution,

delivery and administration, modification and amendment of this Amendment and Restatement and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent) in accordance with the terms of Section 8.04 of the Existing Credit Agreement.

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

242492,6/NYL3
Amendment and Restatement

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

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

RAYONIER INC.

By _____
Name:
Title:

By _____
Name:
Title:

Commitment

- - - - -

\$32,500,000

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

By _____
Name:
Title:

\$32,500,000

THE TORONTO-DOMINION BANK

By _____
Name:
Title:

12
Commitment

12

\$25,000,000

BANK OF AMERICA NATIONAL
TRUST AND SAVINGS ASSOCIATION

By _____
Name:
Title:

\$25,000,000

THE BANK OF NEW YORK

By _____
Name:
Title:

\$25,000,000

THE CHASE MANHATTAN BANK

By _____
Name:
Title:

\$25,000,000

FLEET NATIONAL BANK

By _____
Name:
Title:

\$25,000,000

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK

By _____
Name:
Title:

242492,6/NYL3
Amendment and Restatement

13
Commitment

\$25,000,000

13

NATIONSBANK, N.A.

By _____
Name:
Title:

\$25,000,000

SUNTRUST BANK, ATLANTA

By _____
Name:
Title:

\$15,000,000

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

By _____
Name:
Title:

242492,6/NYL3
Amendment and Restatement

14
Commitment

14

\$15,000,000

CREDIT SUISSE FIRST BOSTON

By _____
Name:
Title:

\$15,000,000

THE SUMITOMO BANK, LIMITED
NEW YORK BRANCH

By _____
Name:
Title:

\$15,000,000

UNITED STATES NATIONAL BANK
OF OREGON

By _____
Name:
Title:

\$300,000,000

Total of the Commitments

242492,6/NYL3
Amendment and Restatement

FORM OF A NOTE

U.S.\$ _____

Dated: _____, _____

FOR VALUE RECEIVED, the undersigned, RAYONIER INC., a North Carolina corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[amount of the Lender's Commitment in figures] or, if less, the aggregate principal amount of the A Advances (as defined below) made by the Lender to the Borrower pursuant to the Credit Agreement outstanding on the Termination Date.

The Borrower promises to pay interest on the unpaid principal amount of each A Advance from the date of such A Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Administrative Agent, at 399 Park Avenue, New York, New York 10043, in same day funds. Each A Advance made by the Lender to the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto or set forth in a schedule substantially in the form of such grid and attached hereto, either of which is part of this Promissory Note.

This Promissory Note is one of the A Notes referred to in, and is entitled to the benefits of, the Amended and Restated Credit Agreement dated as of April 11, 1997 (the "Credit Agreement") among the Borrower, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Administrative Agent for the Lender and such other lenders. The Credit Agreement, among other things, (i) provides for the making of advances (the "A Advances") by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such A Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

242492,6/NYL3
Amendment and Restatement

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York, United States.

RAYONIER INC.

By _____
Title:

By _____
Title:

RAYONIER INC. AND SUBSIDIARIES

RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)
(THOUSANDS OF DOLLARS)

	Three Months Ended March 31,	
	1997	1996
Earnings:		
Net Income	\$18,396	\$31,477
Add:		
Income Taxes	8,539	13,769
Minority Interest	8,079	8,988
Amortization of Capitalized Interest	268	491
	35,282	54,725
Adjustments to Earnings for Fixed Charges:		
Interest and Other Financial Charges	5,856	7,146
Interest Factor Attributable to Rentals	547	361
	6,403	7,507
EARNINGS AS ADJUSTED	\$41,685	\$62,232
Fixed Charges:		
Fixed Charges above Capitalized Interest	\$ 6,403	\$ 7,507
	1,328	433
TOTAL FIXED CHARGES	\$ 7,731	\$ 7,940
RATIO OF EARNINGS AS ADJUSTED TO TOTAL FIXED CHARGES	5.39	7.84

5
1,000

3-MOS
DEC-31-1997
JAN-01-1997
MAR-31-1997
2,878
0
117,692
4,739
163,432
344,038
1,219,239
524,447
1,605,516
193,302
461,367
0
0
138,048
487,337
1,605,516
260,138
260,138
209,781
209,781
17,566
0
5,856
26,935
8,539
18,396
0
0
0
18,396
0.62
0.62