

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

FORM 8-K/A
AMENDMENT NO. 1

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

DATE OF REPORT -- NOVEMBER 12, 1999

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

RAYONIER INC.

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ITEM 2. ACQUISITION OF ASSETS

On October 25, 1999 the Registrant acquired approximately 969,000 owned and leased acres of timberland in Georgia, Florida and Alabama from Jefferson Smurfit Corporation (U.S.) ("JSC (U.S)") in a business combination to be accounted for by the purchase method of accounting. In addition, the Registrant and JSC (U.S.) entered into a Timber Cutting Agreement whereby the Registrant has agreed to supply at market prices a portion of JSC (U.S.) wood supply requirements for the years 2000 and 2001 at its facilities in Fernandina Beach, Florida and Brewton, Alabama. The purchase price of approximately \$710 million was financed by \$485 million in installment notes issued to JSC (U.S.) and \$225 million in cash under a bank credit facility underwritten by Credit Suisse First Boston and Morgan Stanley Senior Funding, Inc. JSC (U.S.) used these timberlands primarily to provide pulpwood fiber to its paperboard mills. The Registrant plans to manage the timberlands and sell standing timber on an open-market basis through Rayonier Timberlands Operating Company, L.P., a wholly-owned limited partnership.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired:

Audited Financial Statements of Smurfit Timberlands Operations (A Business Unit of Jefferson Smurfit Corporation (U.S.))

Report of Independent Auditors

Balance Sheets at December 31, 1998 and 1997

Statements of Income for the Years Ended December 31, 1998, 1997 and 1996

Statements of Cash Flows for the Years Ended December 31, 1998, 1997 and 1996

Notes to Financial Statements

Unaudited Financial Statements of Smurfit Timberlands Operations (A Business Unit of Jefferson Smurfit Corporation (U.S.))

Balance Sheet at June 30, 1999

Statements of Income for the Six Months Ended June 30, 1999 and 1998

Statements of Cash Flows for the Six Months Ended June 30, 1999 and 1998

(b) Pro Forma Financial Information:

Introduction to Unaudited Pro Forma Condensed Combined Financial Statements

Unaudited Pro Forma Condensed Combined Balance Sheet at June 30, 1999

Unaudited Pro Forma Condensed Combined Statement of Income for the Year Ended December 31, 1998

Unaudited Pro Forma Condensed Combined Statement of Income for the Six Months Ended June 30, 1999

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

(c) See Exhibit Index

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Jefferson Smurfit Corporation (U.S.)

We have audited the accompanying balance sheets of Smurfit Timberlands Operations, a business unit of Jefferson Smurfit Corporation (U.S.), as of December 31, 1998 and 1997, and the related statements of income and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smurfit Timberlands Operations at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/Ernst & Young LLP

September 15, 1999,
except for Note 8,
as to which the
date is October 25, 1999
St. Louis, Missouri

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))

BALANCE SHEETS

	DECEMBER 31	
	1998	1997
	-----	-----
	(In thousands)	
ASSETS		
Timberlands:		
Land	\$140,721	\$140,773
Standing timber	125,867	125,002
Other	4,733	3,906
	-----	-----
Other assets	271,321	269,681
	1,759	1,822
	-----	-----
Total assets	\$273,080	\$271,503
	=====	=====
LIABILITIES AND JEFFERSON SMURFIT CORPORATION (U.S.) INVESTMENT		
Accounts payable	\$ 304	\$ 812
Accrued liabilities	2,008	1,424
Deferred income taxes	24,955	25,211
Jefferson Smurfit Corporation (U.S.) investment	245,813	244,056
	-----	-----
Total liabilities and Jefferson Smurfit Corporation (U.S.) investment	\$273,080	\$271,503
	=====	=====

See accompanying notes.

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))

STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31		
	1998	1997	1996
	-----	-----	-----
	(In thousands)		
Net sales:			
Jefferson Smurfit Corporation (U.S.)	\$47,797	\$45,559	\$44,412
Third parties:			
Delivered	33,925	35,003	38,478
Stumpage	6,922	8,167	5,723
	-----	-----	-----
	88,644	88,729	88,613
Costs and expenses:			
Cost of timber sold	46,812	47,184	48,439
Selling, general, and administrative	7,398	6,861	6,740
	-----	-----	-----
Operating income	34,434	34,684	33,434
Other income	2,743	3,136	2,742
	-----	-----	-----
Income before income taxes	37,177	37,820	36,176
Provision for income taxes	14,564	14,814	14,170
	-----	-----	-----
Net income	\$22,613	\$23,006	\$22,006
	=====	=====	=====

See accompanying notes.

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31		
	1998	1997	1996
	-----	-----	-----
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 22,613	\$ 23,006	\$ 22,006
Adjustments to reconcile net income to net cash provided by operating activities:			
Cost of timber harvested	7,241	7,405	7,756
Deferred income taxes	(257)	(1,223)	(870)
Gain on sale of timber and timberlands	(130)	(543)	(24)
Changes in other assets and liabilities:			
Other assets	64	138	(94)
Accounts payable and accrued liabilities	76	419	(92)
	-----	-----	-----
Net cash provided by operating activities	29,607	29,202	28,682
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of timber and timberlands	(8,909)	(18,839)	(10,267)
Proceeds from sale of timberlands	158	689	108
	-----	-----	-----
Net cash used for investing activities	(8,751)	(18,150)	(10,159)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net advances to Jefferson Smurfit Corporation (U.S.)	(20,856)	(11,052)	(18,523)
	-----	-----	-----
Net cash used for financing activities	(20,856)	(11,052)	(18,523)
	-----	-----	-----
Increase in cash	--	--	--
Cash at beginning of year	--	--	--
	-----	-----	-----
Cash at end of year	\$ --	\$ --	\$ --
	=====	=====	=====

See accompanying notes

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
NOTES TO FINANCIAL STATEMENTS
(Tabular amounts in thousands)
DECEMBER 31, 1998

1. SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF SMURFIT TIMBERLANDS OPERATIONS AND BASIS OF PRESENTATION

Smurfit Timberlands Operations (the Company) as it is referred to in these financial statements is the wholly owned timberlands management operations of the Forestry Resources Division (the Division) of Jefferson Smurfit Corporation (U.S.) (JSC (U.S.)). JSC (U.S.) is an indirect wholly owned subsidiary of Smurfit-Stone Container Corporation (SSCC).

JSC (U.S.)'s major operations are in paper products, recycled and renewable fiber resources, and consumer and specialty packaging. JSC (U.S.)'s paperboard mills purchase pulpwood and recycled fiber and produce paperboard for conversion into corrugated containers, folding cartons, and industrial packaging.

The Division's operations include (1) the operations of the Company, (2) a procurement function for JSC (U.S.) paperboard mills, and (3) other operations consisting of a cypress sawmill, silvicultural nursery, and seedling farms.

The Company is engaged in the growing and selling of timber harvested from approximately 950,000 acres of timberland owned or leased (under long-term leases) in the southeastern portion of the United States. The timber harvested is sold primarily to JSC (U.S.) paperboard mills located in Jacksonville, Florida; Fernandina Beach, Florida; and Brewton, Alabama. Approximately 30 percent of the pulpwood fiber requirements of the JSC (U.S.) paperboard mills are harvested by the Company. The Company operates in one reportable business segment.

The Company is an integral part of the Division and does not constitute a separate legal entity. The financial statements of the Company present the operating results and the financial position of the timberlands management operations and do not include the pulpwood procurement function and the other operations of the Division.

The financial statements of the Company have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in a Form 8-K to be filed by Rayonier, Inc. in connection with its acquisition of the Company as described in Note 8.

These financial statements have been prepared from the historical accounting records of JSC (U.S.) and reflect the application of management and allocation policies adopted by JSC (U.S.) for various costs and activities, as described in Note 2. All of the accounting judgments, estimations, and allocations in these financial statements are based on assumptions that JSC (U.S.) management believes are reasonable for purposes of preparing the Company's financial statements. However, these allocations and estimates are not necessarily indicative of the costs that would have resulted if the Company had been operated as a separate entity.

CASH

The Company's cash is centralized with JSC (U.S.), and the Company transmits all available cash to JSC (U.S.) on a daily basis.

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

TIMBER AND TIMBERLANDS

Timber and timberlands are stated at the lower of cost, net of timber cost depletion, or market value. The Company capitalizes timber and timberland purchases, logging roads and bridges, and stand establishment costs. The portion of the costs of timberland attributed to the purchase or establishment of standing timber is recognized as depletion expense as timber is cut, at rates determined annually, based on the relationship of unamortized timber costs to the estimated volume of recoverable timber. The Company estimates the volume of recoverable timber using statistical information and data obtained from physical measurements, site maps, and other information-gathering techniques.

The cost of establishing timber stands includes site preparation, seedlings, planting, and initial applications of herbicides and fertilizer. The cost of contractual reforestation obligations for leased land is recognized in depletion expense during the final harvesting rotation. Timberland carrying costs are expensed as incurred.

From time to time the Company exchanges timber and timberlands with third parties in nonmonetary transactions. No gain or loss is reflected in these exchanges. Timber and timberlands with a carrying value of \$640,000, \$0, and \$161,000 were exchanged in 1998, 1997, and 1996, respectively.

PROPERTY, PLANT, AND EQUIPMENT

The Company utilizes property, plant, and equipment of the Division and does not own any property, plant, or equipment of its own. Consequently, depreciation has been allocated to the Company for purposes of these financial statements. The Division provides for depreciation of its property, plant, and equipment using the straight-line method with estimated lives ranging from 5 to 40 years.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of," long-lived assets held and used by the Division are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

INCOME TAXES

The taxable income of the Company is included in the consolidated federal and state income tax returns filed by JSC (U.S.). The Company's income tax provisions are computed on a separate return basis and are paid to JSC (U.S.).

JSC (U.S.) uses the liability method of accounting for deferred income taxes. Deferred income taxes in these financial statements are recognized for all temporary differences between the tax and financial reporting bases of the Company's assets and liabilities based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

REVENUE RECOGNITION

Revenue is recognized on timber sales to JSC (U.S.) when pulpwood is delivered to the mill facility. Sales prices are based primarily on prevailing market prices on a geographic basis as determined by Division management.

Revenue is recognized on timber sales to third party customers when legal ownership of the timber and the related risk of loss pass to the customer and the quantity sold is determinable. These timber sales occur when stumpage or standing timber is sold or when harvested timber is delivered to the third-party customer in a delivered sale agreement.

2. RELATED PARTY TRANSACTIONS

Transactions with JSC (U.S.) and affiliates for the years ended December 31 were as follows:

	1998 -----	1997 -----	1996 -----
Product sales to JSC (U.S.)	\$47,797	\$45,559	\$44,412
General management services fee paid	556	505	459
Common corporate service costs allocated to the Company:			
Workers' compensation	22	22	51
General liability and loss insurance	69	116	145
Employee benefits:			
Medical	344	377	466
Pension	65	106	107
Postretirement medical	83	47	66
401(k)	100	100	85
	-----	-----	-----
	683	768	920
Common Division service costs allocated to the Company:			
Salaries	3,985	3,738	3,477
Other operating expenses	2,174	1,850	1,884
	-----	-----	-----
	6,159	5,588	5,361

Product sales to JSC (U.S.) relate to the sale of timber harvested from land owned or leased by the Company. These sales are consummated on terms similar to those with unrelated third parties.

JSC (U.S.) provides general management services to the Company which include information systems, treasury, accounting, human resources, tax, risk management, certain legal services, internal audit, and other indirect administrative functions. In consideration for these management services, the Company is allocated a portion of JSC (U.S.)'s actual costs on an established formula. The formula is based upon the Company's utilization of the Division's employees, property, plant, and equipment and the Company's contribution of net sales to total sales of the Division.

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

In addition to management services, JSC (U.S.) allocates certain common costs to the Company which include insurance and other employee benefits costs. These include the cost to participate in a noncontributory defined benefit pension plan and health care and life insurance benefit plans all sponsored by JSC (U.S.). They also include the cost of matching employee contributions in a voluntary savings plan offered by JSC (U.S.) for which the match contribution is made in SSCC common stock. Since the personnel utilized by the Company are part of the overall JSC (U.S.) employee benefit plans, the benefit obligation, plan assets, and funded status under these plans are reflected by JSC (U.S.) and are not reflected in these financial statements.

In addition to common costs described above, the Division provides certain common services to the Company which are comprised of both direct expenses and allocated administrative expenses. The direct expenses include lease payments, property taxes, and other direct expenses related to growing and selling timber and are separately identified and charged to the Company based on actual costs incurred. The administrative expenses include salaries of Division personnel and general overhead costs of the Division which are allocated to the Company on an established formula based upon utilization of the Division's employees.

The general management service fee and the corporate and Division common service costs allocated to the Company are not necessarily indicative of the costs that would have been incurred if the Company were operated as a stand-alone business.

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. JSC (U.S.) INVESTMENT

JSC (U.S.) utilizes a centralized cash management system whereby the Company's cash requirements are provided directly by JSC (U.S.). Similarly, cash generated by the Company is remitted directly to JSC (U.S.). All charges and allocations of costs for functions and services provided by JSC (U.S.) and the Division, as described in Note 2, are deemed paid by the Company, in cash, in the period in which the cost is recorded in these financial statements. Intercompany balances with JSC (U.S.) and the Division, net of any settlements, are included in the JSC (U.S.) investment.

JSC (U.S.) does not have indebtedness directly attributable to the assets of the Company. Accordingly, no debt of JSC (U.S.) or related interest expense has been allocated to the Company. The Company's assets are included in the general assets of JSC (U.S.) and its subsidiaries and are pledged as collateral for the JSC (U.S.) bank credit facility which includes approximately \$1.3 billion in term loans outstanding and \$550 million in an outstanding revolving credit agreement.

Changes in the JSC (U.S.) investment were as follows:

Balance at December 31, 1995	\$ 228,619
Net income	22,006
Net advances to JSC (U.S.)	(18,523)

Balance at December 31, 1996	232,102
Net income	23,006
Net advances to JSC (U.S.)	(11,052)

Balance at December 31, 1997	244,056
Net income	22,613
Net advances to JSC (U.S.)	(20,856)

Balance at December 31, 1998	\$ 245,813
	=====

4. INCOME TAXES

The Company's taxable income is included in the consolidated income tax returns of JSC (U.S.). The income tax provision and deferred tax accounts appearing in the accompanying financial statements reflect the results of the Company on a stand-alone basis.

The Company's deferred tax liabilities at December 31, 1998 and 1997, primarily consist of temporary differences relating to depletion expense for book and tax purposes. The Company's other deferred tax liabilities and deferred tax assets are not significant.

Provisions for income taxes for the years ended December 31 were as follows:

	1998	1997	1996
	-----	-----	-----
Current	\$ 14,821	\$ 16,036	\$ 15,040
Deferred (credit)	(257)	(1,222)	(870)
	-----	-----	-----
	\$ 14,564	\$ 14,814	\$ 14,170
	=====	=====	=====

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Reconciliations of the differences between the statutory federal income tax rates and the effective income tax rates as a percentage of income before income taxes are as follows:

	1998	1997	1996
	----	----	----
U.S. federal statutory rate	35%	35%	35%
State and local taxes, net of federal tax benefit	4%	4%	4%
	----	----	----
	39%	39%	39%
	====	====	====

Included in intercompany settlements with JSC (U.S.) are income tax amounts of \$14,821,000, \$16,036,000, and \$15,040,000 in 1998, 1997, and 1996, respectively.

5. LEASES

The Company leases timberland for the purpose of establishing and growing timber under long-term leases which range in length from 30 to 65 years. Future minimum lease payments at December 31, 1998 required under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

1999	\$ 3,085	
2000	2,975	
2001	2,975	
2002	2,853	
2003	2,758	
Thereafter	61,221	

	\$75,867	
	=====	

Rental expense was \$3,117,000, \$3,224,000, and \$3,220,000 for the years ended December 31, 1998, 1997, and 1996, respectively.

The noncancelable leases are adjusted annually based on changes in published indices. The aggregate adjustments (increases or decreases) for these leases during 1998, 1997, and 1996 were 2 percent, 1 percent, and 1 percent, respectively. Certain lease agreements include obligations to reforest the land prior to the termination of the lease.

The Company has renewal options for many of the leases which permit the Company to renew these leases for periods ranging from 1 to 20 years.

6. COMMITMENTS AND CONTINGENCIES

The Company is a defendant in a number of lawsuits and claims arising out of the conduct of its business, including those related to environmental matters. While the ultimate results of such suits or other proceedings against the Company cannot be predicted with certainty, the management of the Company believes that the resolution of these matters will not have a material adverse effect on its financial condition or results of operations.

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FACTORS AFFECTING SUPPLY AND DEMAND

The demand for the Company's timber has been and in the future can be expected to be subject to cyclical fluctuations. Such demand is primarily affected by the level of housing starts, repair and remodeling activity, industrial wood product use, competition from nonwood products, the demand for pulp and paper products, and the land use management policies of the U.S. government. These factors are subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions, competitive pressures, and other factors. Any decrease in the level of industry demand for wood products generally can be expected to result in lower net sales, operating income, and cash flow of the Company.

HARVESTING LIMITATIONS

Weather conditions, timber growth cycles, access limitations, and regulatory requirements associated with the protection of wildlife and water resources may restrict harvesting of the Company's timberlands. Timber harvests also may be affected by various natural factors, including damage by fire, insect infestation, disease, prolonged drought, severe weather conditions, and other causes. Although damage from such natural causes usually is localized and affects only a limited percentage of the timber, there can be no assurance that any damage affecting the Company's timberlands will in fact be so limited. Consistent with industry practice, the Company does not maintain insurance coverage with respect to damage to its timberlands. Any of the above factors that materially limit the ability of purchasers or the Company to harvest timber could have a material adverse impact on the net sales, operating income, and cash flow of the Company.

ENVIRONMENTAL REGULATION

The Company's past and present operations include activities which are subject to federal, state, and local environmental requirements, particularly those relating to air and water quality, which are expected to become more stringent in the future. The Company faces potential environmental liability as a result of violations of permit terms and similar authorizations that have occurred from time to time at its facilities.

Certain environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. There can be no assurance that such laws or future legislation or administrative or judicial action with respect to protection of the environment will not adversely affect the Company.

The Endangered Species Act (the ESA) and counterpart state legislations protect species threatened with possible extinction. Species indigenous to the Company's timberlands have been and in the future may be protected under these laws. Protection of endangered and threatened species may include restrictions on timber harvesting, road building, and other silviculture activities on private, federal, and state land containing the affected species.

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. YEAR 2000 (UNAUDITED)

The Company utilizes information systems applications during the performance of all of its production, accounting, and administrative processes which are owned and operated by the Division and JSC (U.S.). These applications include a timber accounting system used exclusively by the Division (and the Company) and a general accounting system used by all wholly owned entities of JSC (U.S.). The timber accounting system is used to record and monitor all harvesting activity at the Company. The general accounting system is used by the Company to account for payroll, payable, receivable, and fixed asset activity. The Company does not maintain any separate information systems applications of its own.

Both the Division and JSC (U.S.) have developed plans to modify these systems applications in order to address the year 2000 issue. The Division expects to spend approximately \$2 million to implement the new year 2000-compliant timber accounting system, of which approximately \$.6 million has been spent through December 31, 1998. In September 1999, this wood settlement system was installed, and the Division expects to complete the testing of this system in October 1999. Also, JSC (U.S.) is in the process of implementing new accounting applications, and these implementations are expected to be completed and tested by November 1999. The cost of implementing these systems will be borne by JSC (U.S.) and allocated to each entity. The Division and JSC (U.S.) have also contacted their major suppliers to determine the extent of their year 2000 compliance. Based on the status of the system implementations and discussions with major suppliers, management of the Division and JSC (U.S.) does not expect the year 2000 compliance issue to have an adverse impact on the financial condition or results of operation of the Company.

In the unlikely event that the systems utilized by the Company do not become year 2000-compliant prior to January 1, 2000, the Division and JSC (U.S.) have established contingency plans to process information until those systems can be adequately modified. The Division's contingency plans primarily consist of the utilization of an affiliate's timber accounting system. JSC (U.S.)'s contingency plans consist of utilizing various manual procedures to process information currently processed by the general accounting system. Management of the Division and JSC (U.S.) believe that these plans should prevent the year 2000 issue from significantly impacting the financial results of the Company.

8. SUBSEQUENT EVENT

On October 25, 1999, JSC (U.S.) sold approximately 969,000 owned and leased acres of timberland to Rayonier, Inc. for \$710 million. As a part of the sales agreement, JSC (U.S.) entered into a two-year supply contract with Rayonier, Inc. to purchase 1.4 million tons of timber each year from Rayonier, Inc. during 2000 and 2001 at prevailing market prices. In addition, JSC (U.S.) has entered into separate service agreements with Rayonier, Inc. to supply it with pine seedlings through December 31, 2001 and to provide certain site preparation services to it from the date on which the sale is consummated through December 31, 1999.

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))

BALANCE SHEET

(UNAUDITED)
JUNE 30,
1999

(In thousands)

ASSETS

Timberlands:

Land	\$ 140,721
Standing timber	126,478
Other	4,059

271,258

Other assets

1,311

Total assets

\$ 272,569
=====

LIABILITIES AND JEFFERSON SMURFIT CORPORATION

(U.S.) INVESTMENT

Accounts payable	\$ 399
Accrued liabilities	3,181
Deferred revenue	2,029
Deferred income taxes	25,005
Jefferson Smurfit Corporation (U.S.) investment	241,955

Total liabilities and Jefferson Smurfit Corporation
(U.S.) investment

\$ 272,569
=====

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))

STATEMENTS OF INCOME

	(UNAUDITED)	
	SIX MONTHS ENDED JUNE 30,	
	1999	1998
	-----	-----
	(In thousands)	
Net Sales:		
Jefferson Smurfit Corporation (U.S.)	\$16,973	\$24,530
Third parties	20,231	21,155
	-----	-----
	37,204	45,685
Costs and expenses:		
Cost of timber sold	20,796	23,522
Selling, general & administrative	3,876	3,823
	-----	-----
Operating income	12,532	18,340
Other income	178	128
	-----	-----
Income before income taxes	12,710	18,468
Provision for income taxes	4,957	7,202
	-----	-----
Net income	\$ 7,753	\$11,266
	=====	=====

SMURFIT TIMBERLANDS OPERATIONS
(A BUSINESS UNIT OF JEFFERSON SMURFIT CORPORATION (U.S.))
STATEMENTS OF CASH FLOWS

	(UNAUDITED)	
	SIX MONTHS ENDED JUNE 30,	
	1999	1998
	-----	-----
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 7,753	\$ 11,266
Adjustments to reconcile net income to net cash provided by operating activities:		
Cost of timber harvested	3,100	3,244
Deferred income taxes	50	(128)
Loss / (gain) on sale of timber and timberlands	37	(45)
Changes in other assets and liabilities:		
Other assets	448	357
Accounts payable, accrued liabilities and deferred revenue	3,296	2,883
	-----	-----
Net cash provided by operating activities	14,684	17,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of timber and timberlands	(3,076)	(3,271)
Proceeds from sale of timberlands	3	47
	-----	-----
Net cash used for investing activities	(3,073)	(3,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances to Jefferson Smurfit Corporation (U.S.)	(11,611)	(14,353)
	-----	-----
Net cash used for financing activities	(11,611)	(14,353)
	-----	-----
Increase in cash	--	--
Cash at beginning of year	--	--
	-----	-----
Cash at end of year	\$ --	\$ --
	=====	=====

INTRODUCTION TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following Unaudited Pro Forma Condensed Combined Financial Statements give effect to the acquisition by Rayonier Inc. ("Rayonier") of approximately 969,000 acres of timberland from Jefferson Smurfit Corporation (U.S) in a business combination to be accounted for by the purchase method of accounting. The Unaudited Pro Forma Condensed Combined Financial Statements are derived from the historical financial statements of Rayonier and Smurfit Timberlands Operations, ("Smurfit"), a business unit of Jefferson Smurfit Corporation (U.S.).

The Unaudited Pro Forma Condensed Combined Balance Sheet gives effect to the acquisition as if it had occurred on June 30, 1999. The Unaudited Pro Forma Condensed Combined Statements of Income for the year ended December 31, 1998 and for the six months ended June 30, 1999 give effect to the acquisition as if it had occurred on January 1, 1998. The pro forma adjustments are based on certain assumptions that management believes are reasonable under the circumstances. The pro forma information is not necessarily indicative of the results that would have been reported had such event actually occurred on the dates specified, nor is it intended to project Rayonier's results of operations or financial position for any future period or date. The information set forth should be read in conjunction with Rayonier's audited financial statements for the year ended December 31, 1998 included in the Company's Form 10-K Annual Report, Rayonier's unaudited financial statements for the period ended June 30, 1999 included in the Company's Form 10-Q Quarterly Report and the financial statements of Smurfit included elsewhere in this Form 8-K/A.

RAYONIER INC.
 UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
 FOR THE YEAR ENDED DECEMBER 31, 1998
 (THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA)

	HISTORICAL			PRO FORMA ADJUSTMENTS	PRO FORMA
	RAYONIER	SMURFIT	COMBINED		
SALES	\$1,008,566	\$88,644	\$1,097,210	\$(32,924) (e)	\$1,064,286
COSTS AND EXPENSES					
Cost of sales	852,483	46,812	899,295	35,169 (f) (32,924) (e) (6,235) (g)	895,305
Selling and general expenses	35,467	7,398	42,865		42,865
Other operating income, net	(3,507)	(2,743)	(6,250)		(6,250)
	884,443	51,467	935,910	(3,990)	931,920
OPERATING INCOME	124,123	37,177	161,300	(28,934)	132,366
MISCELLANEOUS INCOME	743	-	743	-	743
INTEREST EXPENSE	(34,712)	-	(34,712)	(58,414) (h)	(94,237)
INCOME BEFORE INCOME TAXES	90,154	37,177	127,331	(88,459)	38,872
INCOME TAX EXPENSE	(26,519)	(14,564)	(41,083)	32,730 (i)	(8,353)
NET INCOME	\$ 63,635	\$22,613	\$ 86,248	\$(55,729)	\$ 30,519
BASIC EARNINGS PER SHARE	\$ 2.26				\$1.09
DILUTED EARNINGS PER SHARE	\$ 2.22				\$1.07
WEIGHTED AVERAGE NUMBER OF COMMON SHARES:					
BASIC	28,118,402				28,118,402
DILUTED	28,608,551				28,608,551

The accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements are an integral part of these financial statements.

RAYONIER INC.
 UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
 FOR THE SIX MONTHS ENDED JUNE 30, 1999
 (THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA)

	HISTORICAL			PRO FORMA ADJUSTMENTS	PRO FORMA
	RAYONIER	SMURFIT	COMBINED		
SALES	\$484,419	\$37,204	\$521,623	\$(14,999) (e)	\$506,624
COSTS AND EXPENSES					
Cost of sales	403,879	20,796	424,675	15,587 (f) (14,999) (e) (3,126) (g)	422,137
Selling and general expenses	19,250	3,876	23,126		23,126
Other operating income, net	(1,905)	(178)	(2,083)		(2,083)
	421,224	24,494	445,718	(2,538)	443,180
OPERATING INCOME	63,195	12,710	75,905	(12,461)	63,444
MISCELLANEOUS INCOME	481	-	481		481
INTEREST EXPENSE	(15,387)	-	(15,387)	(556) (k) (28,295) (h)	(44,238)
INCOME BEFORE INCOME TAXES	48,289	12,710	60,999	(41,312)	19,687
INCOME TAX EXPENSE	(16,082)	(4,957)	(21,039)	15,285 (i)	(5,754)
NET INCOME	\$ 32,207	\$ 7,753	\$ 39,960	\$(26,027)	\$ 13,933
BASIC EARNINGS PER SHARE	\$ 1.16				\$.50
DILUTED EARNINGS PER SHARE	\$ 1.14				\$.49
WEIGHTED AVERAGE NUMBER OF COMMON SHARES:					
BASIC	27,796,186				27,796,186
DILUTED	28,305,297				28,305,297

The accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements are an integral part of these financial statements.

RAYONIER INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Thousands of Dollars)

For the purposes of these Unaudited Pro Forma Condensed Combined Financial Statements, the purchase price of the Smurfit timberland assets is \$716.5 million, including \$6.5 million of estimated acquisition costs associated with the transaction. The purchase price was substantially financed by installment notes from Rayonier to Smurfit for \$485 million and a bank loan for \$232 million. In addition, certain pro forma adjustments have been made based on the following assumptions.

- (a) Represents the elimination of all assets and liabilities that are not acquired by Rayonier. The assets acquired are limited to the timber, timberlands and logging roads.
- (b) Represents the financing costs that have been capitalized in the balance sheet and that will be amortized over the terms of the bank loan and the installment notes.
- (c) The purchase price for the Smurfit timberland assets is \$716.5 million including \$6.5 million of estimated acquisition costs associated with closing costs and adjustments to the purchase price that have been added to Timber, Timberlands and Logging Roads. The purchase price for the Smurfit timberlands is comprised of the following:

Historical cost of net assets acquired	\$241,955
Elimination of net liabilities not acquired	29,303
Allocation of excess purchase price over cost of assets acquired	445,242

Total	\$716,500
	=====

- (d) The transaction is financed by installment notes from Rayonier to Smurfit for \$485 million and a bank loan for \$232 million.
- (e) To eliminate Smurfit's logging and freight costs to reflect timber stumpage revenues consistent with Rayonier's timberland operating approach and related revenue recognition.
- (f) Reflects the increased timber depletion cost as a result of the purchase price of \$716.5 million. The increased timber depletion for the year ended December 31, 1998 and the six months ended June 30, 1999 is \$35,169 and \$15,587, respectively.
- (g) To adjust for timberland lease and real estate tax payments that were expensed by Smurfit, but which are capitalized by Rayonier in accordance with its timberland acquisition accounting policy. The amounts for the year ended December 31, 1998 and the six months ended June 30, 1999 are: Timberland lease rentals of \$3,117 and \$1,590; Real estate taxes of \$3,118 and \$1,536.
- (h) Represents interest expense for the full year of 1998 and six months of 1999 on the additional debt of \$717 million used to finance the acquisition.
- (i) Income taxes are adjusted for the full year of 1998 and six months of 1999 at a rate of 37%.
- (j) Represents property taxes payable of \$1.8 million and deferred rental and license fee income of \$1.4 million that were due upon closing related to the Smurfit timberland assets.
- (k) Amortization of capitalized financing costs in (b) above. Costs are being amortized over the terms of the bank loan and the installment notes.
- (l) The reduction in current assets is comprised of the following:

Excess cash from financing the purchase price	\$ 500
Liabilities due upon closing in (j) above	3,180
Financing costs capitalized in (b) above	(7,500)

Total	\$ (3,820)
	=====

SIGNATURE

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

RAYONIER INC. (Registrant)

BY George C. Kay
George C. Kay
Vice President and
Corporate Controller

November 12, 1999

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	LOCATION -----
2.1	Purchase and Sale Agreement dated July 28, 1999 between Rayonier Inc. and Jefferson Smurfit Corporation (U.S.)	Filed herewith
2.2	First Amendment to the Purchase and Sale Agreement dated October 25, 1999 between Rayonier Inc. and Jefferson Smurfit Corporation (U.S.)	Filed herewith
2.3	Assignment and Assumption Agreement dated October 25, 1999 between Jefferson Smurfit Corporation (U.S.) and Timber Capital Holdings LLC	Filed herewith
2.4	Assignment Agreement dated October 25, 1999 between Rayonier Inc. and Rayonier Timberlands Operating Company, L.P.	Filed herewith
2.5	Timber Cutting Agreement dated October 25, 1999 between Rayonier Inc. and Jefferson Smurfit Corporation (U.S.)	Filed herewith
23	Consents of experts and counsel	Filed herewith
99	Additional exhibits	Incorporated by reference to Exhibit 99 in Registrant's November 9, 1999 Form 8-K

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT (this "Agreement"), made as of the Effective Date (as defined in paragraph 28 below), by and between RAYONIER INC., a North Carolina corporation (hereinafter referred to as "Purchaser"), and JEFFERSON SMURFIT CORPORATION (U.S.), a Delaware corporation (hereinafter referred to as "Seller");

W I T N E S S E T H:

WHEREAS, Seller is the owner of the Property (as hereinafter defined); and

WHEREAS, Seller intends to convey the Property to a newly created limited liability company, wholly owned by Seller (the "LLC"); and

WHEREAS, Purchaser desires to purchase 100% of the membership interests in the LLC (the "Membership Interests") from Seller;

NOW, THEREFORE, the parties hereby agree as follows:

1. Agreement of Purchase and Sale. Subject to the provisions of this Agreement, and for the consideration herein stated, Seller agrees to sell to Purchaser and Purchaser agrees to buy from Seller the Membership Interests. On or before the date of Closing, Seller shall transfer and convey to LLC, in accordance with the terms and provisions of this Agreement, all of the following described property (collectively, the "Property"):

(a) all those certain tracts or parcels of land located in the States of Alabama, Florida and Georgia and being described on Exhibit A attached hereto, together with all buildings, structures and other improvements located thereon, all tenements, hereditaments, easements, appurtenances and privileges thereto belonging, all timber and trees thereon (excluding the Reserved Timber, as defined and contemplated in paragraph 3(e) below), and, to the extent (if any) owned by Seller (but excluding the Reserved Minerals, as defined in paragraph 3(f) below), all oil, gas and mineral rights and interests with respect thereto (collectively, the "Owned Real Property");

(b) all of Seller's right, title and interest (excluding the Reserved Timber) as contemplated in paragraph 3(e) below under those certain agreements described on Exhibit B attached hereto (collectively, the "Real Property Leases"), pursuant to which Seller has the right to use or occupy certain real property owned by third parties and located in the States of Alabama, Florida and Georgia (the real property covered by the Real Property Leases being herein referred to collectively as the "Leased Real Property"; the Owned Real Property and the Leased Real Property being herein referred to collectively as the "Real Property"); and

(c) all of Seller's right, title and interest in and to the leases, subleases, contracts, licenses and permits described on Exhibit C attached hereto which are in full force and effect on the date of Closing (collectively, the "Incidental Leases"), pursuant to which third parties have the right to use portions of the Real Property for hunting, fishing, apiary and other incidental purposes.

The parties agree that if any portion of the Real Property is deleted or taken pursuant to any of paragraphs 4(c), 6(a), 7(c) or 30 below, then the term "Real Property" shall no longer include such deleted portion; and if any Real Property Lease is deleted pursuant to any of paragraphs 3(g), 4(c) or 6(b) below, then the term "Real Property Leases" shall no longer include such deleted Real Property Lease.

2. Purchase Price. The purchase price (the "Purchase Price") for the Membership Interests will be Seven Hundred Twenty-Five Million and NO/100 DOLLARS (\$725,000,000.00), subject to adjustment to the extent, if any, provided in paragraphs 3(e), 3(g), 4(c), 6, 7(b) and 30 hereof. The Purchase Price will be paid at the Closing (as hereinafter defined) (a) by the execution and delivery by Purchaser to Seller of one or more installment promissory notes issued in conformity with the requirements of, and subject to the terms and provisions set forth in, Exhibit D attached hereto (collectively the "Installment Note") in the original principal amount of Five Hundred Million and NO/100 Dollars (\$500,000,000.00), and (b) by wire transfer of the balance of the Purchase Price in immediately available funds to an account designated by Seller.

3. Closing.

(a) The execution and delivery of the documents and instruments for the consummation of the purchase and sale pursuant hereto (the "Closing") will take place at 10:00 a.m., local time, on October 15, 1999 at the offices of Seller's counsel, Sutherland Asbill & Brennan LLP, at 999 Peachtree Street, NE, Atlanta, Georgia, subject to any extension expressly provided for in this Agreement, or such earlier date and time, and/or such other location, as may be mutually agreeable to Seller and Purchaser.

(b) On the date of Closing, Seller shall at its sole cost and expense, amend the Constituent Documents (as defined herein) to withdraw as the sole member of the LLC and to admit Purchaser as the sole member of the LLC. Further, Seller shall on the date of Closing and from time to time thereafter at Purchaser's request and without further consideration, execute and deliver to Purchaser such instruments of transfer, conveyance and assignment as Purchaser shall reasonably request to transfer, convey and assign absolute, full, complete and marketable title to the Membership Interests to Purchaser.

(c) On or before the date of Closing, Seller will execute and/or deliver to LLC (i) special or limited warranty deeds (warranting only against claims arising by, through or under Seller) conveying the Owned Real Property to LLC subject only to the Permitted Encumbrances (as hereinafter defined) (the "Deeds"), (ii) assignment and assumption agreements, in form and substance reasonably satisfactory to Purchaser and Seller, pursuant to which Seller will assign to

LLC all of Seller's right, title and interest under the Real Property Leases and the Incidental Leases, subject to the Permitted Encumbrances (as hereinafter defined), and LLC will assume and agree to pay and perform all of Seller's obligations and duties under the Real Property Leases and the Incidental Leases (the "Assignments"), (iii) an affidavit as to the non-foreign status of Seller pursuant to Section 1445 of the Internal Revenue Code, as amended, (iv) evidence, reasonably satisfactory to Purchaser and LLC's title insurer, with respect to the power and authority of Seller to enter into and consummate this Agreement and the transactions contemplated hereby and of the persons executing documentation on behalf of Seller, and (v) any and all files, documents, instruments and other items used by Seller in connection with the operation, management, use and research of the Property, including, without limitation, all working files, aerial photographs, technical, research, administrative and operations data. With the consent of Purchaser (not to be unreasonably withheld), Seller shall be permitted to provide Purchaser copies of certain of such files, documents, instruments and other items and to retain the originals thereof for Seller's own use if such originals are necessary or useful to Seller in connection with open tax years, pending tax controversies, pending litigation, pending contracts or similar ongoing matters. Notwithstanding any assignment of this Agreement which may occur prior to Closing, Jefferson Smurfit Corporation (U.S.) will execute and deliver to Purchaser (i) a Timber Cutting Agreement in the form attached hereto as Exhibit E (the "Timber Agreement"), and (ii) a Seedling Supply Agreement in substantially the form attached hereto as Exhibit F (the "Seedling Agreement").

(d) At the Closing, Purchaser will execute and/or deliver to Seller (i) the Installment Note and any related note purchase agreement or similar agreement which may be executed by the parties pursuant to the provisions of Exhibit D attached hereto, (ii) the Assignments, (iii) the Timber Agreement, (iv) the Seedling Agreement, and (v) evidence, satisfactory to Seller, with respect to the power and authority of Purchaser to enter into and consummate this Agreement and the transactions contemplated hereby and of the persons executing documentation on behalf of Purchaser. Notwithstanding any assignment of this Agreement which may occur prior to Closing, Rayonier Inc. and Purchaser shall execute and deliver to Seller and Jefferson Smurfit Corporation (U.S.) at Closing a written agreement (which will include customary representations, warranties and indemnifications concerning the accuracy of the information provided by Rayonier Inc. and Purchaser) reasonably acceptable to Purchaser and Seller pursuant to which Rayonier Inc. and Purchaser shall agree to cooperate in good faith with Seller and Jefferson Smurfit (U.S.) in Seller's obtaining the "Loan" (as defined in Exhibit D) by (i) making their respective management teams available to answer questions, to meet with prospective note purchasers and to otherwise assist in Seller's obtaining the Loan, and (ii) by preparing and making available such books, records and other information regarding their respective companies as may be reasonably necessary to such effort. Purchaser and Rayonier Inc. also covenant and agree to cooperate in good faith with Seller and Jefferson Smurfit Corporation (U.S.) in such effort in the manner described above at all times after the Effective Date through the date of Closing.

(e) In addition, Purchaser will deliver to Seller, and Seller will deliver to Purchaser, favorable opinions from their respective general counsel as to the due authorization, execution and enforceability of this Agreement and all other agreements, contracts and instruments

delivered pursuant to this agreement, said opinions to be in substantially similar form. The parties also agree to do such other acts and execute and deliver such other documents and instruments as are reasonably necessary for the consummation of the transactions contemplated hereby.

(f) Prior to the date of Closing, Seller shall have the unrestricted right to harvest any and all of the pine timber on those portions of the Real Property identified and described on Exhibit G attached hereto (the "Reserved Timber"); provided, however, that Seller's rights to the Reserved Timber shall be limited to harvesting up to 1,351,445 tons of the Reserved Timber between July 1, 1999 and the end of the Reserved Timber Cutting Period (as hereinafter defined). In the event Seller fails or elects not to harvest all or any portion of the Reserved Timber prior to the date of Closing, Seller shall have the right, pursuant to the provisions of the Timber Agreement, to continue to enter upon the Real Property and to harvest all or any portion of the Reserved Timber during the period commencing on the date of Closing and ending at midnight on December 31, 1999 (the "Reserved Timber Cutting Period"); provided, however, if Seller shall have failed to cut all of the Reserved Timber prior to the expiration of the Reserved Timber Cutting Period as the result of fires, adverse weather conditions, temporary loss of access or other conditions beyond the reasonable control of Seller, Seller shall have the one-time right to extend the expiration of the Reserved Timber Cutting Period until March 31, 2000, by delivering written notice of such extension to Purchaser on or before December 15, 1999; provided further, however, that with respect to the timber covered by the "MONY Timber Agreement" described on Exhibit G hereto, the Reserved Timber Cutting Period shall expire on April 14, 2000.

(g) Seller, for itself and its successors and assigns, hereby reserves, and the Deeds, as applicable, shall contain reservations by Seller of, all of the right, title and interest of Seller in and to any and all oil, gas, and fugitive hydrocarbons lying 300 feet or more below the surface level of all portions of the Owned Real Property located in the State of Alabama (the "Reserved Minerals"), together with full rights and easements for ingress and egress and use on, over, across and through such Owned Real Property for purposes of testing or exploring for, drilling for, quarrying, mining, producing, removing, transporting and owning any or all of the Reserved Minerals and for performing all such acts as may be necessary or desirable in connection therewith (collectively, the "Reserved Minerals Access"), and together with all royalty interests, royalties, bonuses, rental and other rights with respect to the Reserved Minerals. Notwithstanding the above, to act upon its rights set forth in this paragraph, (i) Seller must provide reasonable advance written notice to LLC prior to any exercise of the Reserved Minerals Access; (ii) Seller must exercise its Reserved Mineral Access in a manner designed to minimize to the extent reasonably possible any damage to, or interference with LLC's operation of its business on, the Real Property; (iii) Seller must reimburse LLC the fair market value of any timber or other improvements located on the Real Property which are damaged as the result of Seller's exercise of its Reserved Mineral Access; and (iv) Seller must defend, indemnify and hold harmless LLC and its successors, successors-in-title and assigns from any and all losses, liabilities, damages, costs and expenses (including, without limitation, reasonably restoring the Owned Real Property to its pre-Reserved Minerals Access condition, and interest, penalties and reasonable attorneys' fees and disbursements, including fees

and expenses arising from the enforcement of this provision) based upon, arising out of or otherwise in respect of Seller's Reserved Minerals Access.

(h) Seller and Purchaser acknowledge that each of the Real Property Leases listed as Gilder 41, Oliver and Fuqua requires the consent of the lessor(s) thereunder to the assignment thereof. Seller agrees that it will use reasonable, good faith efforts to obtain the consent of the lessor(s) under each of such three Real Property Leases to the assignment thereof from Seller to LLC. If Seller fails to receive any such consent prior to the Closing, then Purchaser and Seller may elect to negotiate in good faith in an attempt to structure an indemnity, a sublease, a timber supply agreement or similar agreement or arrangement acceptable to Purchaser in its sole discretion which does not require the consent of the lessor(s) under said leases and which will transfer to LLC the economic and operational benefits of said leases. In the event the parties are unwilling or unable to structure such an agreement or arrangement, then each of Seller and Purchaser by written notice to the other shall have the right to delete the Real Property Lease with respect to which such consent was not obtained from the Real Property Leases to be assigned by Seller to LLC at the Closing. In such event, the Purchase Price shall be reduced by the following amounts:

Gilder 41	-	\$9,151,400.00
Oliver	-	\$3,810,800.00
Fuqua	-	\$1,890,500.00

(i) Seller covenants and agrees to use its best efforts to prepare financial statements in accordance with GAAP and in accordance with Regulation S-X of the Securities and Exchange Commission for Seller's "Timber Harvesting and Marketing Business" being acquired by Purchaser for the most recent three (3) fiscal years ending prior to the date of the Closing, in such form that such statements can be audited by Ernst & Young LLP, Seller's independent certified public accountants, and to cause such accountants to issue to Seller an unqualified opinion with respect to such financial statements (such statements and related opinions being hereinafter referred to as the "Audited Financial Statements"). Seller shall, within three (3) business days after the date of this Agreement, engage Ernst & Young LLP for that purpose, and shall direct Ernst & Young LLP to use its best efforts to assist in the preparation of the Audited Financial Statements so that the Audited Financial Statements can be completed and delivered to Purchaser not later than the date of Closing. Such engagement shall include the consent of Ernst & Young LLP that the Audited Financial Statements may be relied upon by Purchaser and Rayonier Inc., and their respective underwriters (a) to prepare and file reports under the Securities and Exchange Act of 1934, as needed, and (b) in connection with any financing or public offering of securities by Purchaser or Rayonier Inc. or any of their respective affiliates. Purchaser may, at its option and expense, engage its own certified public accountants, Arthur Andersen LLP, to monitor and review the progress of the production of the Audited Financial Statements. The delivery of the Audited Financial Statements shall be an express condition of Purchaser's obligation to close the purchase and sale transaction contemplated hereunder, and the Closing shall be extended as necessary, up to and including December 1, 1999, to permit Seller to obtain and deliver the Audited Financial Statements; provided, however, Purchaser may, at any time during the period of such extension,

waive by written notice to Seller the condition that Seller obtain and deliver the Audited Financial Statements, in which case the parties shall close the purchase and sale transaction as promptly as practical after the delivery of such notice, but in no event more than fifteen (15) days after such delivery. In the event that Seller, after employing its best efforts to procure the Audited Financial Statements, is unable to obtain and deliver them by December 1, 1999, then either Seller or Purchaser may terminate this Agreement by delivering written notice of such termination to the other, whereupon no party will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein; provided however, Seller's right to rely on its failure to provide the Audited Financial Statements as grounds to terminate this Agreement shall be conditioned upon delivery to Purchaser of a letter signed by Ernst & Young LLP that, after examination of books and records pertaining to Seller's "Timber Harvesting and Marketing Business" being acquired by Purchaser and exhausting all reasonable efforts, it is the opinion of Ernst & Young LLP that it is not possible to prepare the Audited Financial Statements, and giving the reasons therefor; and provided further, Seller's right to terminate the Agreement under this sentence shall be also be conditioned on Seller not being in material default under any provision of this Agreement.

(j) From and after the Effective Date and continuing after the Closing, Seller shall provide to Purchaser and Rayonier Inc. such unaudited financial statements and other financial information pertaining to the "Timber Harvesting and Marketing Business" being acquired by Purchaser, covering the period included in the Audited Financial Statements, as well as the period commencing with the fiscal year in which Closing occurs until the date of Closing, as may reasonably be required (A) to prepare and file reports under the Securities Exchange Act of 1934, as amended, and (B) in connection with any financing or public offering of securities by Purchaser or Rayonier Inc. or any of their respective affiliates. The provisions of this paragraph shall survive the Closing.

4. Title.

(a) Seller agrees to convey to LLC fee simple title to the Owned Real Property and to assign to LLC the Real Property Leases covering the Leased Real Property, free and clear of all liens, claims and encumbrances created by Seller, except for the matters set forth on Exhibit H attached hereto (the "Permitted Encumbrances").

(b) Purchaser acknowledges that Seller has made available to Purchaser, for Purchaser's review, certain title insurance commitments relating to the Real Property, as listed on Exhibit I attached hereto (the "Title Commitments"). Within ten (10) days after the Effective Date, Purchaser shall give written notice to Seller of any Title Objections (as hereinafter defined) disclosed by the Title Commitments which are unacceptable to Purchaser. If Purchaser fails to give any such notice with respect to any Title Objections which are disclosed in the Title Commitments on or prior to the aforesaid date, then Purchaser shall be deemed to have waived such Title Objections. Thereafter, Purchaser may have Seller's title to the Real Property re-examined at any time and from time to time up to and through the date of Closing, and may give Seller written notice

of any additional Title Objections which were not of record as of the effective date of Purchaser's prior title examination. For purposes of this Agreement, the term "Title Objections" shall mean any mortgages, deeds of trust, liens, financing statements, security interests, easements, leases, rental agreements, licenses, restrictive covenants, agreements, options, claims, clouds, encroachments, rights, taxes, assessments, mechanics' or materialmen's liens (inchoate or perfected), liens for federal or state estate or inheritance taxes, and other encumbrances of any nature whatsoever, whether existing of record or otherwise, together with any and all matters of any kind or description, including, without limitation, matters of survey and any litigation or other proceedings affecting Seller and which affect title to the Real Property or the right, power and authority of Seller to convey fee simple, marketable and insurable title to the Real Property to Purchaser in accordance with the terms of this Agreement, other than the Permitted Encumbrances.

(c) Upon receipt of a Title Objection notice hereunder, Seller shall have ten (10) business days within which to notify Purchaser in writing whether, in its sole discretion, it will: (i) remediate the Title Objection; (ii) indemnify Purchaser for the Title Objection, subject to reasonable time and dollar limits given the nature and extent of such Title Objection and such written indemnity, in form and content reasonably acceptable to Purchaser, shall be delivered to Purchaser by Seller at Closing (the "Indemnity Letter"), (iii) reduce the Purchase Price in an amount equal to the diminution in value of the affected portion of the Real Property encumbered by the Title Objection, or (iv) delete from the Real Property the portion of the Real Property affected by the Title Objection, whereupon the Purchase Price shall be reduced by the value of such deleted portion of the Real Property. With respect to the alternatives set forth in clauses (iii) and (iv) above, Seller shall deliver to Purchaser a good faith estimate of the diminution in value of that portion of the Real Property affected by the Title Objection, or the value of the portion of the Real Property to be deleted, as applicable, which amount shall be subject to the approval of Purchaser, such approval not to be unreasonably withheld, conditioned or delayed. In the event Seller and Purchaser are unable to agree upon the amount by which the Purchase Price should be reduced in connection with the Title Objection, the question of such value shall be submitted for determination in accordance with the provisions of paragraph 25. Should Seller conclude in good faith that Purchaser's Title Objection is not authorized pursuant to the terms of this Agreement, then Seller shall, within ten (10) business days of receipt of Purchaser's notice, notify Purchaser of its disagreement. Similarly, should Purchaser conclude in good faith that Seller's attempted remediation of Purchaser's Title Objection was not successful, Purchaser shall notify Seller of its disagreement. In either event, Purchaser shall have the right to: (i) accept the title as is and waive Purchaser's Title Objection; or (ii) proceed to Closing but seek a determination as to the merits of Purchaser's Title Objection with any dispute to be determined in accordance with the provisions of paragraph 25. Any reasonably disputed amounts shall be escrowed by Purchaser in a separate interest-bearing account or other investment satisfactory to Purchaser and Seller with the parties proceeding to Closing.

(d) In the event Seller chooses to remediate the Title Objections, the transactions contemplated hereby shall close, subject to the other terms and conditions of this Agreement, and, in such event, Seller shall undertake the remediation at its sole cost and expense (including, without limitation, any incremental title insurance cost or premium associated therewith). A Title Objection

shall be deemed remediated when and if Purchaser's title insurance company agrees in writing to insure against the defect either by removing the defect from its Title Commitment or by affirmatively agreeing in writing to insure against the defect. Purchaser shall waive all objection and accept any such remediated defects that Purchaser identified as Title Objections. Seller shall bear all costs of remediating any Title Objection pursuant to this paragraph 4.

(e) Purchaser shall have the absolute right to terminate this Agreement if the total acreage of the Real Property affected by Title Objections pursuant to this paragraph 4 and not subsequently waived by Purchaser within ten (10) days prior to the date of Closing, exceeds 150,000 acres.

(f) At or prior to the Closing, Seller will cause any monetary liens, mortgages, deeds to secure debt and deeds of trust encumbering the Owned Real Property or Seller's leasehold interest in the Leased Real Property to be satisfied or otherwise removed.

(g) Except for the Reserved Timber and except for the Permitted Encumbrances, so long as this Agreement remains in force, Seller will not lease, encumber or convey all or part of the Property or any interest therein, without the prior written consent of Purchaser.

(h) Seller agrees that it will take such action and deliver such indemnities, affidavits and agreements as may be reasonably necessary or appropriate to cause the LLC's title insurer to (i) issue a "non-imputation endorsement" in favor of LLC in form and substance reasonably acceptable to Purchaser to ensure that no knowledge of Seller or its officers, managers, members or shareholders shall be imputed to the LLC for purposes of determining coverage under the LLC's title insurance policies; and (ii) to delete its standard creditors rights exception to coverage.

5. Inspection; Sale "AS IS". (a) Purchaser and its agents and representatives will have the right prior to the Closing to enter upon and to inspect the Real Property, including the right to examine, survey and perform timber cruises, environmental assessments and other tests or surveys which it may deem necessary or advisable. Purchaser shall give reasonable advance notice to Seller's Vice President and General Manager, John Davis (Phone: 904-277-5816) prior to any such entry on the Real Property, which notice shall include (i) a reasonably detailed description of the scope of the examination, survey, timber cruises, environmental assessments or other test or surveys which Purchaser intends to conduct on or about the Real Property, (ii) the identity of the consultant or agent which will be entering the Real Property on Purchaser's behalf, and (iii) the date of such consultant's or agent's initial entry upon the Real Property. Thereafter, Purchaser shall keep Seller's General Manager progressively advised as to the status of the activities being performed on the Real Property. Seller shall have the right to have a representative of Seller accompany Purchaser or its agents or representatives during any such entry on the Real Property. Subject to the requirements of applicable laws, rules and regulations, Purchaser will not discuss with or disclose to any governmental authority the results of any report, test, examination or assessment conducted by or on behalf of Purchaser with respect to the Real Property unless and until the written consent of Seller to such discussion or disclosure has been received by Purchaser. Purchaser will deliver to

Seller, promptly upon Purchaser's receipt thereof, complete copies of all final results, reports and other information in connection with any inspection, examination, test, survey, cruise or assessment performed by or for Purchaser. Purchaser's entry upon the Real Property pursuant to this paragraph shall be at Purchaser's own risk, and Seller, its affiliates, officers and employees shall not be responsible to Purchaser or to any person claiming through or under Purchaser for injury, loss or damage, whether to person, including death arising therefrom, or property suffered by Purchaser or any such person on the Real Property from any cause whatever. Purchaser hereby agrees to indemnify and hold Seller harmless from and against any and all damages, liens, losses, liabilities, claims, costs and expenses (including, without limitation, attorneys' fees and court costs) caused by said inspections, examinations, tests, surveys, cruises and assessments. The foregoing indemnification provision will survive the Closing and will survive any termination of this Agreement.

(b) Seller agrees to make available to Purchaser, at Seller's offices in Fernandina, Florida or Stone Mountain, Georgia, for reviewing and copying by Purchaser at Purchaser's expense, copies of various materials relating to the Property, including maps, aerial photographs, surveys, timber inventory data, harvest schedules, the Real Property Leases, the Incidental Leases, the Title Commitments and other title materials.

(c) Except for the special or limited warranty to be included in the Deeds and except for the warranties, representations and indemnities and related agreements expressly made by Seller in this Agreement, Purchaser acknowledges and agrees as follows: (i) Purchaser is purchasing and Seller is selling the Property (by way of the purchase and sale of the Membership Interests) "AS IS", "WHERE IS" and "WITH ALL FAULTS"; (ii) Seller has not made, does not make and specifically disclaims any representations, warranties, guaranties, commitments, promises or agreements of any kind, express or implied, with respect to the Property, including, without limitation, governmental regulations, requirements or constraints, site or physical conditions, condition of the Property, matters affecting use or occupancy, profitability, volumes, age classes, species, merchantability, yields, acreage, access, availability, quantity or quality of water, environmental compliance, prospects for future improvements or future development, economic feasibility, marketability or any other matter relating to the Property except as otherwise set forth herein; (iii) Purchaser is relying on Purchaser's independent investigations and examinations relating to the Property; and (iv) Purchaser (for itself and, from and after the date of Closing, for the LLC as owner of the Property) waives, and releases Seller from, any and all claims, liabilities, losses, damages, costs and expenses, whether known or unknown, or foreseen or unforeseen, with respect to the condition of the Property, other than the "Permitted Environmental Claims," as hereinafter defined. For purposes of this Agreement, the term "Permitted Environmental Claims" shall mean, subject to the limitations provided in the following sentence, any and all claims, liabilities, losses, damages, costs and expenses, whether known or unknown, or foreseen or unforeseen with respect to the condition of the Property arising under or with respect to any Environmental Laws (as hereinafter defined). Notwithstanding the foregoing, Purchaser's right to assert or seek recovery of any Permitted Environmental Claims shall be limited as follows: (i) after the fifth (5th) anniversary of the Closing hereunder, Purchaser may not assert or seek recovery of

any Permitted Environmental Claims, unless said claims arise under or with respect to (A) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC Section 9601, et seq., as amended ("CERCLA"), (B) any act similar or analogous to CERCLA which is adopted by the States of Georgia, Alabama and/or Florida, and/or (C) any other Environmental Laws (as hereinafter defined), but, with respect to the provisions of this clause (C) only, only to the extent related to or arising out of the acts or omissions of Jefferson Smurfit Corporation (U.S.) and its agents, affiliates, contractors and/or employees during its period of ownership of the Real Property, (ii) Seller shall have no liability to Purchaser with respect to any Permitted Environmental Claims until the aggregate amount of all such claims, plus the aggregate amount of all of Purchaser's Losses under paragraph 6(b), plus the aggregate amount of all losses by Purchaser for all breaches by Seller of warranties and representations provided for in paragraph 8(c) exceeds the sum of \$5,000,000.00, and then only for the amount by which such claims exceed such sum; and (iii) in no event will Seller's aggregate liability for Permitted Environmental Claims under this paragraph plus all of Purchaser's Losses under paragraph 6(b) plus the aggregate amount of all losses by Purchaser for all breaches by Seller of warranties and representations provided for under paragraph 8(c), exceed \$200,000,000.00. The provisions of this paragraph 5(c) will survive the Closing and will survive any termination of this Agreement.

6. Environmental Assessment.

(a) Within forty-five (45) days from the Effective Date, Purchaser may conduct an environmental assessment of the Real Property utilizing an environmental consultant of Purchaser's choice; provided, however, Purchaser shall have the right to extend the aforesaid forty-five (45) day period for a period not to exceed fifteen (15) days upon delivery to Seller of written notice of the exercise of such extension right not later than the expiration of said forty-five (45) day period. If the environmental assessment obtained or conducted by Purchaser reveals any Environmental Contamination on or under any portion of the Real Property and if, in the good faith professional judgment of Purchaser's environmental consultant the Environmental Contamination could reasonably be expected to cost in excess of \$50,000.00 per Environmental Contamination in any one area or, in the aggregate, in excess of \$250,000.00 within any "Block" (as designated on Seller's internally prepared Block Maps, copies of which have been made available to Purchaser for its review and use) to investigate and remediate, Purchaser shall notify Seller in writing within such forty-five (45) day period (as the same may be extended, as provided above) identifying with reasonable specificity the Environmental Contamination and exercising the right, at Purchaser's election, to do the following: (i) if such portion is Owned Real Property, then Purchaser may delete such portion or "Block," as applicable, from the Real Property; or (ii) if such portion is Leased Real Property, then Purchaser may delete the Real Property Lease covering such portion or "Block," as applicable (and all of the Leased Real Property covered by such Real Property Lease shall be deemed deleted from the Real Property). If Purchaser makes a timely election under either of clauses (i) or (ii) of the preceding sentence, then the Purchase Price will be reduced by an amount equal to the value (assuming no Environmental Contamination) of such deleted portion of Owned Real Property or the value (assuming no Environmental Contamination) of Seller's leasehold interest under such deleted Real Property Lease, as the case may be, as mutually agreed upon by

Purchaser and Seller, or if Purchaser and Seller are unable to agree within fifteen (15) days after Seller's receipt of Purchaser's election notice, then such value and the amount of such reduction will be determined pursuant to paragraph 25 below; provided, however, if the sum of the values of all such deletions under this paragraph 6, plus the values of all portions of the Real Property deleted pursuant to paragraph 4(c) above, plus the value of all portions of the timber which are damaged or destroyed by fire, insect infestation or other casualty (paragraph 7(b) below) and the values of all portions of the Real Property which are taken or to be taken by condemnation or eminent domain (paragraph 7(c) below), exceeds fifteen percent (15%) of the Purchase Price, then Purchaser may terminate this Agreement by promptly giving written notice of such termination to Seller, whereupon no party hereto will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein, and any determinations of such values will be mutually agreed upon by Purchaser and Seller, or if Purchaser and Seller are unable to agree, then such values will be determined pursuant to paragraph 25 below. The date of Closing will be extended to the extent necessary to permit any determination(s) of value pursuant to this paragraph.

(b) Subject to the limitations set forth below in Paragraph 6(c), Seller agrees to indemnify, defend and hold harmless Purchaser and LLC (and their respective directors, partners, members, officers, employees, shareholders, successors and assigns) from and against all losses, liabilities, damages, costs and expenses (including, without limitation, interest, penalties and reasonable attorneys' fees and disbursements, including fees and expenses arising from the enforcement of rights under this Agreement) ("Losses") actually incurred by Purchaser, LLC or any of such other indemnified parties based upon, arising out of or otherwise in respect of: (i) any Environmental Contamination (as hereinafter defined) on, in, about or under the Real Property on or prior to Closing which is not disclosed in writing by Seller or in the environmental assessments obtained by Seller prior to Closing, and (ii) any Environmental Contamination on, in, about or under the Real Property that originates from any of the sites identified on Seller's "Carve-out Sites" document dated April 26, 1999, and any sites deleted by Purchaser pursuant to paragraph 6(a).

For purposes of this Agreement, the term "Hazardous Material" means any chemical, compound, constituent, material, waste, contaminant or other substance (including petroleum and petroleum derived substances or wastes) as defined in or regulated by any Environmental Laws (as hereinafter defined). "Environmental Contamination" means any release, spill, emission, leak, injection, deposit, disposal, discharge, dumping, dispersal, leaching, migration or the presence (collectively, "Release") of Hazardous Materials, including the movement of Hazardous Materials through groundwater. Environmental Laws mean any federal, state and local laws (including common law), regulations or other legal requirements relating to the protection of the environment, natural resources, pollution control, hazardous materials or human health.

At Purchaser's discretion, any exception to the representations or warranties set forth in paragraphs 8(a)(vi)(K)-(O) shall be handled either under paragraph 6(a) or 6(b).

(c) The indemnification obligations set forth in paragraph 6(b) above shall be subject to the following limitations: (i) the indemnification obligations shall survive the Closing but

shall expire and be of no further force or effect whatsoever as of the fifth (5th) anniversary of the date of Closing, except to the extent, if any, that Purchaser has given to Seller, prior to expiration of the five-year period, written notice of specific indemnifiable Losses and (ii) the limitations set forth in paragraph 8(d)(ii) and (iii).

7. Condition of Property; Damage; Condemnation.

(a) Seller agrees that at the Closing the Property will be in the same condition as exists on the Effective Date hereof, subject to natural wear and tear, to condemnation, casualties and other circumstances beyond Seller's control, to Seller's use, operation and management of the Property in the ordinary course of business, and to harvesting, cutting and removal of the Reserved Timber.

(b) If at any time prior to the Closing, any material portion of the timber which is included as part of the Real Property is destroyed or damaged by fire, insect infestation or other casualty, then the Purchase Price will be reduced by an amount equal to the value of the portions of such timber so damaged or destroyed as mutually agreed by Seller and Purchaser, or if Seller and Purchaser are unable to agree within fifteen (15) days after Purchaser's receipt of notice of the occurrence of such damage or destruction, such value and the amount of such reduction will be determined pursuant to paragraph 25 hereof; provided, however, if the sum of the values of all portions of such timber so damaged or destroyed, plus the values of all deletions pursuant to paragraphs 4(c) and 6 above and the values of all portions of the Real Property which are taken or to be taken by condemnation or eminent domain (paragraph 7(c) below), exceeds fifteen percent (15%) of the Purchase Price, then Purchaser may terminate this Agreement by promptly giving written notice of such termination to Seller, whereupon no party hereto will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein, and any determinations of such values will be mutually agreed upon by Purchaser and Seller, or if Purchaser and Seller are unable to agree, then such values will be determined pursuant to paragraph 25 below. The date of Closing will be extended to the extent necessary to permit any determination(s) of value pursuant to the preceding sentence.

(c) If at any time prior to the Closing, any action or proceeding is filed or threatened under which any material portion of the Real Property is or may be taken pursuant to any law, ordinance or regulation by condemnation or the right of eminent domain, then Purchaser and Seller will proceed with the purchase and sale of the Property (excluding any portion thereof so taken prior to Closing) pursuant to this Agreement, notwithstanding such action or proceeding, and the Purchase Price will not be reduced, but Purchaser will be entitled to receive all proceeds of any awards paid or payable to Seller with respect to such taking; provided, however, if the sum of the values of all portions of the Real Property so taken or to be taken, plus the values of all deletions pursuant to paragraphs 4(c) and 6 above and the values of all portions of the timber which are damaged or destroyed by fire, insect infestation or other casualty (paragraph 7(b) above), exceeds fifteen percent (15%) of the Purchase Price, then Purchaser may terminate this Agreement by promptly giving written notice of such termination to Seller, whereupon no party hereto will have

any further rights or obligations hereunder, except as may otherwise be expressly provided herein, and any determinations of such values will be mutually agreed upon by Purchaser and Seller, or if Purchaser and Seller are unable to agree, then such values will be determined pursuant to paragraph 25 below. The date of Closing will be extended to the extent necessary to permit any determination(s) of value pursuant to the preceding sentence.

8. Warranties and Representations.

(a) Seller hereby warrants and represents to Purchaser as follows:

(i) Seller is a corporation duly formed and validly existing under the laws of the State of Delaware and is duly qualified to do business in the States of Alabama, Florida and Georgia, and Seller has the full capacity, power and authority to enter into this Agreement and fully perform its obligations hereunder.

(ii) This Agreement and the performance hereof by Seller will not contravene any law or contractual restriction binding on Seller.

(iii) No consent, approval, order or authorization of any court or other governmental entity is required to be obtained by Seller in connection with the execution and delivery of this Agreement or the performance hereof by Seller, except for any filing required under the HSR Act (as hereinafter defined).

(iv) This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to applicable bankruptcy, insolvency and other similar laws affecting the enforceability of creditors' rights generally and the discretion of the courts with respect to equitable remedies.

(v) Seller warrants, represents and covenants the following with respect to the LLC:

(A) The LLC shall, as of the date of Closing, be a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and shall be duly qualified to do business in the States of Alabama, Florida and Georgia, and shall have the full capacity, power and authority to fully perform its obligations under this Agreement.

(B) Seller shall, as of the date of Closing, be the record owner and shall hold legal title to all of the Membership Interests. Such Membership Interests shall be validly issued, fully paid and nonassessable, and shall be free and clear of any liens, claims, charges, rights of first refusal or other encumbrances of any nature whatsoever. Other than such Membership Interests, Seller shall own no securities of

the LLC or any right of any kind to have any such security issued. Upon the amendment of the Constituent Documents pursuant to paragraph 3(b) hereof, Seller shall have transferred to Purchaser good and valid title to all Membership Interests owned by Seller, free and clear of any liens, claims, charges, rights of first refusal or other encumbrances of any nature whatsoever. Seller shall have the exclusive right, power and authority to vote such Membership Interests owned by Seller. Seller covenants that at Closing it shall not be a party to or bound by any agreement affecting or relating to Seller's right to transfer or vote the Membership Interests owned by Seller. Seller covenants that it shall not, nor shall it cause the LLC to, issue, sell or grant options, warrants or rights to purchase or subscribe to, or enter into an arrangement or contract with respect to the issuance or sale of any of the securities of the LLC or rights or obligations convertible into or exchangeable for any Membership Interests or other securities of the LLC or make any changes (by split-up, combination, reorganization or otherwise) in the capital structure of the LLC.

(C) Seller covenants and agrees with Purchaser that the terms of the articles of organization, operating agreement (if applicable) and other similar formation documents of the LLC (the "Constituent Documents") shall be prepared and filed (at the sole expense of Seller) in the form reasonably agreed upon by the parties hereto.

(D) This Agreement and all documents executed by Seller in connection with this Agreement which are to be delivered to Purchaser at Closing are, or at the time of Closing will be, duly authorized, executed and delivered by Seller, and are or at the Closing will be, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization and other laws of general application affecting the enforcement of rights or remedies of creditors generally and the discretion of the courts with respect to equitable remedies. This Agreement and such documents do not and at the time of Closing will not violate any provisions of any agreement or judicial order to which Seller or the LLC is a party or by which it is bound.

(E) As of the date of Closing, Seller shall be the sole beneficial and legal owner of the Membership Interests, free and clear of any and all liens, claims, encumbrances and security interests, and will convey to Purchaser good title to the same free and clear of any and all liens, claims, encumbrances and security interests.

(F) Seller does not, and at the time of Closing will not, have any claim against the LLC.

(G) As of the date of Closing, there shall be no written or filed claims, demands, actions, suits or proceedings whatsoever pending or threatened against Seller with respect to the LLC or the Membership Interests.

(H) On the date of Closing, the LLC will have no liabilities of any nature whatsoever (whether express or implied, fixed or contingent, liquidated or unliquidated, known or unknown, accrued, due or to become due) other than arising under the Leases and the Permitted Exceptions, and Purchaser shall not be liable to pay, perform or discharge any such obligation or liability which may have arisen prior to the date of Closing.

(I) As of the date of Closing, the LLC will not have any employees.

(J) Neither the Property nor the Membership Interests constitute, in whole or in part the asset of any employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

(K) As of the date of Closing, the LLC shall not have filed or be required to file any federal, state, county or local income, excise, sales, property, withholding, social security, franchise, license or information returns or other tax returns or reports.

(L) At Closing, the LLC will own fee simple title to the Owned Real Property and, subject to the provisions of paragraph 3(h), will have a valid leasehold interest in the Leased Real Property, free and clear of any and all liens, claims and encumbrances related thereto, other than Permitted Encumbrances.

(M) At Closing, the Constituent Documents shall not have been further modified or amended since the date of filing and shall be in full force and effect as of the date of filing.

(N) As of the date of Closing, there shall be no written or filed claims, demands, actions, suits or proceedings whatsoever pending or threatened against the LLC, and Seller shall not have received any notice, written or oral, of any claims, demands, actions, suits or proceedings whatsoever, pending or threatened, against the LLC.

(O) Prior to Closing, the sole business of the LLC shall be the ownership and leasing of the Property and activities directly related thereto.

(P) For the period the LLC is in existence prior to Closing up to and including the date of Closing, the LLC shall have been and will be disregarded as an entity under Treasury Regulations Section 301.7701.-3 (the "Regulations") and

Seller shall not have taken, and will not take, any action inconsistent with the treatment of the LLC as disregarded as an entity under the Regulations, including without limitation the filing of an election under the Regulations to treat the LLC as a corporation and not disregarded as an entity under the Regulations.

(vi) Except for the matters set forth on the Disclosure Schedule attached hereto as Exhibit J, Seller warrants and represents, in each case to Seller's knowledge, as follows:

(A) Seller owns fee simple title to the Owned Real Property, subject to the Permitted Encumbrances.

(B) Seller has made available for Purchaser's review at Seller's offices correct and complete copies of the Real Property Leases; the Real Property Leases are valid and subsisting agreements and are in full force and effect in accordance with their respective terms; and there are no existing defaults by Seller under any of the Real Property Leases.

(C) Seller has made available for Purchaser's review at Seller's offices representative copies of the Incidental Leases; to the extent that actual copies of the Incidental Leases have not been provided to Purchaser for its review, Seller hereby represents that all such Incidental Leases are in substantially the form of the representative copies previously made available to Purchaser; if and to the extent that Seller has inadvertently failed to list any Incidental Lease on Exhibit C hereto, Seller represents and warrants that any such additional Incidental Leases shall be in substantially the form of the representative copies previously made available to Purchaser; other than the Incidental Leases and the Permitted Encumbrances, there are no leases, subleases, contracts, licenses or permits (other than the oil, gas and mineral leases (the "OGM Leases") described on Exhibit K attached hereto which shall be retained by Seller) pursuant to which any person other than Seller has the right to use or occupy any of the Real Property; and there are no existing defaults by Seller under any of the Incidental Leases.

(D) The Real Property is in compliance in all material respects with all applicable statutes, ordinances, rules, regulations and orders of all federal, state and local governmental authorities having jurisdiction over the Real Property; and Seller has not received any notice from any such governmental authority of any material violation of any such statute, ordinance, rule, regulation or order relating to the Real Property.

(E) No person other than Seller has any right to conduct timbering operations on the Real Property or any right, title or interest in or to any standing timber located on the Real Property.

(F) There is neither pending nor threatened any legal action against Seller or involving the Real Property which could materially affect Purchaser or LLC after its acquisition of the Real Property or which could materially enjoin or restrict Seller's rights or ability to perform its obligations under this Agreement.

(G) There are no management, service, or brokerage agreements affecting the Real Property to which Seller is a party, or of which Seller has actual knowledge, that will create a liability for Purchaser or LLC, or a lien or charge upon the Real Property.

(H) The Real Property Leases, the Incidental Leases and the OGM Leases (which shall be retained by Seller) (a) are all of the material contracts concerning the Real Property to which Seller is a party and (b) do not provide for management services by any person or entity to be rendered for the benefit of the Real Property.

(I) Other than the Permitted Encumbrances, there are no claims made by third parties pursuant to which Seller's title or estate or access to any portion of the Real Property is or has been challenged, and Seller is in undisputed possession of the Real Property.

(J) Other than the Reserved Timber, Seller has not harvested any timber on the Real Property that is represented as unharvested in the Seller's Land Data dated July 1, 1999.

(K) Seller has not received notice of actual or threatened liability under any Environmental Laws, and there are no facts or circumstances relating to the Real Property that would reasonably be expected to form the basis for the assertion of any claim against the Seller under any Environmental Laws or that would have a material adverse effect on the Real Property.

(L) As relates to the Real Property, Seller has not entered into, agreed to or contemplates entering into any consent decree or order under any Environmental Law, and Seller is not subject to any judgment, decree or judicial or administrative order relating to compliance with, or the cleanup of Hazardous Materials under, any Environmental Laws and the Real Property complies in all material respects with all applicable Environmental Laws.

(M) The Real Property does not contain and, during Seller's ownership or operation, has not contained, any underground storage tanks, landfills, surface impoundments or cattle dip vats and there has been no Release of any Hazardous Materials on or under the Real Property in violation of any Environmental Laws during Seller's ownership or operation.

(N) Seller has made available to Purchaser all existing environmentally related reports, test data, audits, assessments, correspondence, studies and investigation results relating to the Real Property.

(O) There are no species currently listed by the U.S. Fish and Wildlife Service as endangered or threatened species living on the Real Property which could have a material and adverse effect on Purchaser's ability to grow and harvest timber on the Real Property.

As used in this paragraph 8(a)(v), the term "Seller's knowledge" means only the present, actual knowledge of any one of John E. Davis (Seller's Vice President and General Manager), Merle Conkin (Seller's Land Manager), Kim Lloyd (Seller's Land Operations Manager), Joe Parsons (Seller's Technical Director) or Jim Kauffman (Seller's Land Forester), without any duty or obligation to undertake or make any due diligence, inquiry or investigation. At Closing, Seller shall deliver to Purchaser a certificate executed by Seller in favor of Purchaser reaffirming or updating, as the case may be, the representations and warranties set forth in paragraph 8(a) above; provided, however, that the delivery of any supplemental disclosure pursuant to this sentence shall not cure any material breach of any representation or warranty requiring disclosure of such matter prior to or on the date of this Agreement or otherwise limit or affect the determination of the satisfaction of the condition to deliver such certificate.

(b) Purchaser hereby warrants, represents and covenants to Seller as follows:

(i) Purchaser is a corporation duly formed and validly existing under the laws of the State of North Carolina and has full capacity, power and authority to enter into this Agreement and fully perform its obligations hereunder.

(ii) This Agreement and the performance hereof by Purchaser will not contravene any law or contractual restriction binding on Purchaser.

(iii) No consent, approval, order or authorization of any court or other governmental entity is required to be obtained by Purchaser in connection with execution and delivery of this Agreement or the performance hereof by Purchaser, except for any filing required under the HSR Act (as hereinafter defined).

(iv) This Agreement and all documents executed by Purchaser in connection with this Agreement which are to be delivered by Purchaser at Closing are, or at the time of Closing will be, duly authorized, executed and delivered by Purchaser, and are or at the Closing will be, the legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their terms, subject to applicable bankruptcy, insolvency and other laws of general application affecting the enforceability of creditors' rights generally and the discretion of the courts with respect to equitable remedies.
This

Agreement and such documents do not, and at the time of Closing will not, violate any provisions of any agreement or judicial order to which Purchaser is a party or by which it is bound.

(v) Purchaser intends to own, operate and manage the Real Property for use in its ongoing business operations.

At Closing, Purchaser shall deliver to Seller a certificate executed by Purchaser in favor of Seller reaffirming or updating, as the case may be, the representations and warranties set forth in this paragraph 8(b); provided, however, that the delivery of any supplemental disclosure pursuant to this sentence shall not cure any breach of any representation or warranty requiring disclosure of such matter prior to or on the date of this Agreement or otherwise limit or affect the determination of the satisfaction of the condition to deliver such certificate.

(c) Subject to the limitations set forth in paragraph 8(d) below, Seller and Purchaser each agrees to indemnify and hold harmless the other from any damage, loss, liability, expense, cost and claim (including, without limitation, attorneys' fees and court costs) incurred by or asserted against the indemnified party as a result of the breach by the indemnifying party of any warranty or representation set forth in this paragraph 8.

(d) The indemnification obligations set forth in paragraph 8(c) above shall be subject to the following limitations: (i) such indemnification obligations will survive the Closing, but will expire and be of no further force and effect whatsoever (A) as to the representations and warranties set forth in paragraphs 8(a)(i) through (v), 8(a)(vi)(A) through (J), and 8(b)(i) through (v), on the date which is eighteen (18) months from the date of Closing, and (B) as to the representations and warranties set forth in paragraphs 8(a)(vi)(K)-(O) on the date which is five (5) years from the date of Closing, except to the extent, if any, that Seller or Purchaser, as the case may be, has given to the other party, prior to expiration of such eighteen-month period, or five-year period, as the case may be, written notice of a specific claim of a breach by such other party of a warranty or representation set forth in this paragraph 8; (ii) neither Seller nor Purchaser will have any liability for indemnification under paragraph 8(c) and Seller will have no liability for Permitted Environmental Claims under paragraph 5(c) or for indemnification under paragraph 6(b) until the aggregate amount of all losses by the indemnified party for all breaches by the indemnifying party of warranties and representations set forth in paragraph 8(c) plus, as to Seller, all Permitted Environmental Claims under paragraph 5(c) and all Purchaser's Losses under paragraph 6(b), exceeds the sum of \$5,000,000.00 and then only for the amount by which such losses exceeds such sum; and (iii) in no event will Seller or Purchaser have any liability for indemnification under paragraph 8(c) plus, as to Seller, any liability for Permitted Environmental Claims under paragraph 5(c) and for indemnification under paragraph 6(b), in excess of an aggregate amount of \$200,000,000.00. Notwithstanding anything contained in this Agreement to the contrary, Seller's liability with respect to a breach of Seller's representations and warranties under paragraphs 8(a)(v)(B), 8(a)(v)(E) and 8(a)(v)(P) above shall not be subject to the limitations set forth in clauses

(ii) and (iii) of this paragraph 8(d). Further notwithstanding anything contained herein to the contrary, the representation and warranty made by Seller in paragraph 8(a)(v)(P) above shall survive the Closing until the earliest to occur of (a) the closing of the statute of limitations for Purchaser's taxable year which includes the day following the date of Closing, (b) a final determination of an applicable court to the effect that the LLC is not a corporation at the date of Closing, and (c) the execution by Purchaser and the Internal Revenue Service ("IRS") of an agreement binding on the IRS to the effect that the LLC is not a corporation on the date of Closing.

9 Operation of Property Prior to Closing; Site Preparation Reimbursement.

(a) During the period from the Effective Date until the date of the Closing, Seller will continue to use, operate and manage the Property in the ordinary course of business and consistent with past practice, provided that unless Purchaser shall have consented thereto in writing, Seller will not harvest, cut or remove any timber from the Real Property other than the Reserved Timber and other than timber harvested, cut and/or removed pursuant to salvage operations in connection with fire, insect infestation or other casualties affecting the Real Property.

(b) Purchaser acknowledges that between the Effective Date and the date of Closing Seller, in the ordinary course of business, shall conduct certain site preparation activities on the Real Property in anticipation of the 1999-2000 planting season. Purchaser agrees that Purchaser will directly benefit from such site preparation activities and will reimburse Seller on a dollar-for-dollar basis at Closing for the reasonable and verifiable costs incurred by Seller in connection therewith; provided, however, the amount of such reimbursement shall not exceed \$1,500,000.00.

10 Brokerage. At the Closing, Seller will pay to Donaldson, Lufkin & Jenrette, Inc. ("DLJ") and Warburg Dillon Read LLC ("WDR") certain commissions, fees and/or expenses pursuant to the terms of a separate agreement. At the Closing, Purchaser will pay to Credit Suisse First Boston Corporation ("CS First Boston") certain fees and expenses pursuant to the terms of a separate agreement. Seller and Purchaser each warrant and represent to the other that, except for the aforesaid amounts payable to DLJ, WDR, and CS First Boston, neither has incurred any liability for any brokerage or finder's commission, fee or expense in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. Seller and Purchaser each agree to indemnify and hold harmless the other from any and all damage, loss, liability, expense, cost and claim (including but not limited to attorneys' fees and court costs) arising with respect to any such commission, fee or expense which may be suffered by the indemnified party by reason of any action or agreement of the indemnifying party. The foregoing indemnification provision will survive the Closing and will survive any termination of this Agreement. The indemnification obligations of the parties set forth in this paragraph 10 shall not be subject to the limitations of paragraph 8(d) above.

(a) Ad valorem real property taxes on the Real Property, amounts paid or payable by Seller pursuant to the Real Property Leases for any applicable period in which the Closing occurs and rents or fees received or receivable by Seller pursuant to the Incidental Leases for any applicable period in which the Closing occurs will be prorated between Seller and LLC as of the date of Closing. If actual tax bills for the calendar year of Closing are not available, said taxes will be prorated based on tax bills for the previous calendar year and such proration will be final. If any portion of the Real Property is not designated as a separate tax parcel, said taxes will be adjusted to an amount bearing the same relationship to the total tax bill which the acreage contained within such portion of the Real Property bears to the acreage contained within the property included within said tax bill.

(b) Purchaser will pay (i) all costs and expenses for any title examinations and all title insurance premiums and other charges in connection with any title insurance policy or policies obtained by Purchaser or LLC, and (ii) all costs and expenses in connection with any inspections, examinations, tests, surveys, cruises or assessments performed by or for Purchaser.

(c) "Transfer Taxes" shall mean all documentary stamp taxes, document recording taxes or fees, realty transfer taxes and any other similar taxes or fees in connection with Seller's transfer of the Property to LLC, Seller's transfer of the membership interests in LLC to Purchaser, and the subsequent liquidation, if any, of LLC within one year following the date of the Closing or in connection with the recording of the Deeds and the Assignments. Transfer Taxes shall be shared equally by Purchaser and Seller; provided, however, Purchaser's liability for the payment of Transfer Taxes shall not exceed one-half of the amount of any and all documentary stamp taxes, document recording taxes or fees, realty transfer taxes and any other similar taxes or fees as would have been due if Seller had conveyed title to the Property directly to Purchaser. This limitation on the amount of taxes to be paid by Purchaser shall in no way limit the amount of any penalties or interest payable by Purchaser on any portion of the Transfer Taxes payable by Purchaser. Seller and Purchaser shall participate jointly in determining their respective obligations with respect to Transfer Taxes, and in pursuing any reasonable refund claims for Transfer Taxes paid or reasonable challenges to assessments of Transfer Taxes. All costs, including legal fees, of any such refund claims or challenges shall be shared equally by Purchaser and Seller in the ratio in which each would benefit from such refund claim or challenge. Further, Seller shall indemnify Purchaser for any additional federal or state income tax liabilities arising from any action by Seller or the LLC prior to the date of the Closing which causes the LLC to be classified as a corporation under section 7701 of the Internal Revenue Code of 1986, as amended. The provisions of this paragraph 11(c) shall expressly survive the Closing.

(d) Each party will pay its respective costs and expenses of its legal, accounting and other professional advisors.

(e) Purchaser shall be solely responsible and liable for any and all taxes, assessments and similar charges (including any and all fines, penalties and interest charges in connection therewith) that may be levied, assessed, recaptured or otherwise imposed with respect to the Property or any part thereof for any period before or after the Closing which result from or arise out of any change in the use of, or other change in circumstances relating to, the Property or any part thereof after the date of Closing.

(f) The provisions of this paragraph 11 will survive the Closing and will not be subject to the limitations of paragraph 8(d) above.

12 Hart-Scott-Rodino. Seller and Purchaser acknowledge that the transaction contemplated by this Agreement may be subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and it will be a condition to the Closing hereunder that the parties obtain such approvals as may be required under the HSR Act. If Purchaser determines that a filing must be made under the HSR Act, Purchaser agrees that it will cause such filing to be made within ten (10) business days after the Effective Date of this Agreement. The parties agree to cooperate in good faith in exchanging relevant information and filing any documents required under the HSR Act, and each party will bear its own costs, fees and expenses in making such filing, provided that any filing fees payable in connection with such filings shall be shared equally by Purchaser and Seller. The date of Closing will be extended as necessary to obtain any such required approvals; provided, however, if any approval required under the HSR Act has not been received on or before December 1, 1999, then this Agreement shall automatically terminate, whereupon no party hereto will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein.

13 Default; Remedies. If the purchase and sale of the Property contemplated hereby is not consummated because of a default under this Agreement by Purchaser or Seller, then the other party shall have the right, at its option, (a) to terminate this Agreement, whereupon neither party will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein, or (b) to exercise any and all rights and remedies available at law or in equity, including, without limitation, an action or suit for monetary damages and/or specific performance.

14 Assignment; Continuing Liability.

(a) Neither party hereto will have the right to assign its rights or obligations under this Agreement, in whole or in part, without the prior written consent of the other party. Any attempted assignment in violation of this paragraph will be deemed null and void. Notwithstanding the foregoing, Purchaser shall have the right to assign its interest in this Agreement without the prior consent of Seller to any entity which owns substantially all of Purchaser's existing U.S. timberlands; provided, however, Purchaser shall provide Seller with an executed copy of any and all assignment and assumption documentation promptly upon complete execution and delivery of same. Further notwithstanding the foregoing, Seller shall have the right to assign its interest in this Agreement without the prior consent of Purchaser to a newly created limited liability company, wholly owned

by Seller, which shall acquire the Membership Interests from Seller at or prior to Closing; provided, however, Seller shall provide Purchaser with an executed copy of any and all assignment and assumption documentation promptly upon complete execution and delivery of same.

(b) Following any such assignment by Seller, (i) Jefferson Smurfit Corporation (U.S.) ("JSC") shall retain all rights to the Reserved Timber, (ii) JSC shall retain all rights to the Reserved Minerals, the Reserved Mineral Rights and the OGM Leases, (iii) the Timber Cutting Agreement shall be executed by and run to the benefit of JSC, and (iv) the Seedling Agreement shall be executed by and be binding upon JSC.

(c) Upon any assignment of this Agreement by Purchaser pursuant to the provisions of this paragraph, Rayonier Inc. and each assignee of this Agreement shall remain jointly and severally liable to Seller and any other person or entity related to or affiliated with Seller who is expressly benefitted under this Agreement (collectively, the "Seller Parties") for and with respect to, and shall guaranty the performance of all obligations arising under, all indemnifications, representations, warranties and other obligations of Purchaser set forth in this Agreement (collectively, "Purchaser's Obligations").

(d) Upon any assignment of this Agreement by Seller pursuant to the provisions of this paragraph, JSC and each assignee of this Agreement shall remain jointly and severally liable to Purchaser and any other person or entity related to or affiliated with Purchaser who is expressly benefitted under this Agreement (including, without limitation, the LLC) (collectively, the "Purchaser Parties") for and with respect to, and shall guaranty the performance of all obligations arising under, all indemnifications, representations, warranties and other obligations of Seller set forth in this Agreement (collectively, "Seller's Obligations").

(e) The Purchaser Parties shall not be entitled to make any claim against any Seller Party with respect to Seller's Obligations after the appropriate Claims Period (as defined below); provided, however, that if prior to the close of business on the last day of the Claims Period, the Seller Parties shall have been notified of a claim hereunder and such claim shall not have been finally resolved or disposed of at such date, the basis for such claim shall continue to survive with respect to such claim and shall remain a basis for recovery hereunder with respect to such claim until such claim is finally resolved or disposed of in accordance with the terms hereof; provided that the Purchaser Parties and Seller Parties shall use reasonable efforts to resolve promptly any such claim.

(f) The Seller Parties shall not be entitled to make any claim against any Purchaser Party with respect to Purchaser's Obligations after the appropriate Claims Period (as defined below); provided, however, that if prior to the close of business on the last day of the Claims Period, the Purchaser Parties shall have been notified of a claim hereunder and such claim shall not have been finally resolved or disposed of at such date, the basis of such claim shall continue to survive with respect to such claim and shall remain a basis for recovery hereunder with respect to such claim until such claim is finally resolved or disposed of in accordance with the terms

hereof; provided that the Purchaser Parties and Seller Parties shall use reasonable efforts to resolve promptly any such claim.

(g) Claims to be made by the Purchaser Parties or the Seller Parties hereunder (the party desiring to make such a claim being referred to herein as a "Claiming Party" and the party against whom such claim is made being referred to herein as a "Responding Party") shall be made in accordance with the following procedures:

(i) Promptly after receipt by a Claiming Party of notice by a third party of any complaint or the commencement of any action or proceeding with respect to which recovery is being sought hereunder, such Claiming Party shall notify the Responding Party of such complaint or of the commencement of such action or proceeding; provided, however, that failure to so notify the Responding Party shall not relieve the Responding Party from liability for such claim arising otherwise than under this Agreement and such failure to so notify the Responding Party shall relieve the Responding Party from liability which the Responding Party may have hereunder with respect to such claim if, but only if, and only to the extent that, such failure to notify the Responding Party results in the forfeiture by the Responding Party of material rights and defenses otherwise available to the Responding Party with respect to such claim. The Responding Party shall have the right, upon written notice by the Responding Party to the Claiming Party, to assume the defense of such action or proceeding, including the employment of counsel reasonably satisfactory to the Claiming Party and the payment of the reasonable fees and disbursements of such counsel as incurred. If the Responding Party does not elect to assume control of the defense of any such claims, the Responding Party shall be bound by the results otherwise obtained with respect to such claim. In the event, however, that the Responding Party declines or fails to assume the defense of the action or proceeding or to employ counsel reasonably satisfactory to such Claiming Party, in either case in a timely manner, then the Claiming Party may employ counsel to represent or defend it in any such action or proceeding and the Responding Party shall pay the reasonable fees and disbursements of such counsel as incurred; provided, however, that the Responding Party shall not be required to pay the fees and disbursements of more than one counsel for all the Claiming Parties in any jurisdiction in any single action or proceeding. In any action or proceeding with respect to which recovery is being sought hereunder, the Claiming Party or the Responding Party, whichever is not assuming the defense of such action, shall have the right to participate in such litigation and to retain its own counsel at such party's own expense. The Claiming Party or the Responding Party, as the case may be, shall at all times use reasonable efforts to keep the Responding Party or the Claiming Party, as the case may be, reasonably apprised of the status of the defense of any claim the defense of which they are maintaining, and to cooperate in good faith with each other with respect to the defense of any such action.

(ii) The Claiming Party may not settle or compromise any claim or consent to the entry of any judgment with respect to which recovery is being sought from the Responding Party hereunder without the prior written consent of the Responding Party,

unless such settlement, compromise or consent includes an unconditional release of the Responding Party and its affiliates from all liability arising out of such claim and does not contain any equitable order, judgment or term which affects, restrains or interferes with the business of the Responding Party or its successors or assigns. The Responding Party may not, without the prior written consent of the Claiming Party, settle or compromise any claim or consent to the entry of any judgment with respect to which recovery is being sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Claiming Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which in any material manner affects, restrains or interferes with the business of the Claiming Party or any of its affiliates.

(iii) In the event that the Claiming Party shall claim a right to payment pursuant to this Agreement, such Claiming Party shall send written notice of such claim to the Responding Party. Such notice shall specify the basis for such claim. As promptly as possible after the Claiming Party has given such notice, the Claiming Party and the Responding Party shall establish the merits and amount of such claim (by mutual agreement, litigation, arbitration, mediation or otherwise) and, within ten (10) business days of the final determination of the merits and amount of such claim, the Responding Party shall deliver an amount of cash to the Claiming Party as appropriate to satisfy and discharge in full such claim as determined hereunder.

(h) Except as provided in this paragraph or elsewhere in this Agreement, no claim may be asserted with respect to the Purchaser's Obligations or Seller's Obligations by the Purchaser Parties or the Seller Parties after the end of the claims period (the "Claims Period") which shall commence on the date of Closing and terminate five (5) years thereafter; provided, however, that the Claims Period with respect to (a) Purchaser Losses arising out of or pursuant to any breach by Seller of the representations and warranties in paragraphs 8(a)(i) through (iv) and 8(a)(vi)(A) through (J) of this Agreement shall commence on the date hereof and terminate eighteen (18) months thereafter, (b) Purchaser Losses arising out of or pursuant to any breach by Seller of the representations and warranties in paragraphs 8(a)(v)(B) and 8(a)(v)(E) shall commence on the date hereof and remain in effect without limitation, except as limited by law, and (c) Seller Losses arising out of or pursuant to any breach by Purchaser of the representations and warranties in paragraphs 8(b)(i) through (v) of the Purchase Agreement shall commence on the date hereof and terminate eighteen (18) months thereafter.

(i) By the execution and delivery of this Agreement, each of Seller (on behalf of the Seller Parties) and Purchaser (on behalf of the Purchaser Parties) irrevocably designates and appoints each of the parties set forth under its name or designation below as its authorized agent(s) upon which process may be served in any suit or proceeding arising out of or relating to this Agreement that may be instituted in any state or federal court in the States of Alabama, Georgia or Florida.

Seller (on behalf of the Seller Parties):

Jefferson Smurfit Corporation (U.S.)
c/o Smurfit-Stone Container Corporation
8182 Maryland Avenue
St. Louis, Missouri 63105
Attention: Craig Hunt, General Counsel

Purchaser (on behalf of the Purchaser Parties):

Rayonier Inc.
1177 Summer Street
Stamford, Connecticut 06905-5529
Attention: Lisa M. Palumbo, Vice President and
General Counsel

In addition, Responding Party submits to the personal jurisdiction of any such court in any such suit or proceeding, and agrees that service of process upon the above-designated individuals shall be deemed in every respect effective service of process upon such Responding Party in any such suit or proceeding. Each such Responding Party further agrees to take any and all action reasonably requested by a Claiming Party hereunder, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of the above-designated individuals in full force and effect or to provide for an appropriate substitution for such agents. The foregoing shall not limit the rights of any party to serve process in any other manner permitted by law.

(j) To the extent that any Responding Party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, or otherwise) with respect to itself or its property, each Responding Party hereby irrevocably waives such immunity in respect of its obligations with respect to this Agreement.

(k) The parties hereto agree that an appropriate forum and venue for any disputes between any of the parties hereto arising out of this Agreement shall be any state or federal court in the States of Alabama, Georgia or Florida. The foregoing shall not limit the rights of any party to obtain execution of judgment in any other jurisdiction. The parties further agree, to the extent permitted by law, that a final and unappealable judgment against any of them in any action or proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and amount of such judgment.

(l) The provisions of this paragraph 14 shall expressly survive the Closing. Each of Purchaser, Seller, JSC and Rayonier Inc. shall execute and deliver at Closing a written confirmation of the obligations assumed and agreed to by the parties under this paragraph 14.

15 No Waiver. No action or failure to act by any party hereto will constitute a waiver of any right or duty afforded to such party under this Agreement, nor will any such action or failure to act constitute an approval of or acquiescence in any breach of this Agreement except as may be specifically agreed in writing.

16 Governing Law. This Agreement will be governed by the laws of the States of Georgia, Florida and Alabama as to those portions of the Real Property located in such states.

17 Notice. Any and all notices, elections and communications required or permitted by this Agreement will be made or given in writing and will be delivered in person, sent by reputable overnight courier, or sent by postage prepaid United States mail, certified or registered, return receipt requested, to the other parties at the addresses set forth below, or such other address as may be furnished by notice in accordance with this paragraph. The date of notice given by personal delivery will be the date of such delivery. The effective date of notice by overnight courier or by mail will be the date such notice is received by the addressee.

Seller: Jefferson Smurfit Corporation (U.S.)
c/o Smurfit-Stone Container Corporation
8182 Maryland Avenue
St. Louis, Missouri 63105
Attention: Craig A. Hunt, Vice President and
General Counsel

with a copy to: Sutherland Asbill & Brennan LLP
999 Peachtree Street, NE
Suite 2300
Atlanta, GA 30309-3996
Attention: William H. Bradley, Esq.

Purchaser: Rayonier Inc.
1177 Summer Street
Stamford, Connecticut 06905-5529
Attention: Lisa M. Palumbo
Vice President and General Counsel

with a copy to: King & Spalding
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1763
Attention: Robert G. Pennington, Esq.

18 Entire Agreement. This Agreement contains the entire agreement among the parties hereto with respect to the subject matter hereof and cannot be amended or supplemented except by a written agreement signed by all parties.

19 Captions. The captions of paragraphs in this Agreement are for convenience and reference only and are not part of the substance hereof.

20 Severability. In the event that any one or more of the provisions, paragraphs, words, clauses, phrases or sentences contained in this Agreement, or the application thereof in any circumstance is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, paragraph, word, clause, phrase or sentence in every other respect and of the remaining provisions, paragraphs, words, clauses, phrases or sentences of this Agreement, will not be in any way impaired, it being the intention of the parties that this Agreement will be enforceable to the fullest extent permitted by law.

21 Counterparts. This Agreement may be executed in counterparts which will be construed together as one instrument.

22 No Third Party Beneficiaries; Binding Effect. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing contained herein will give or be construed to give to any party, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder. Subject to the foregoing and the provisions of paragraph 14 above, this Agreement will be binding upon and will inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

23 Time of Essence. Time is of the essence of this Agreement.

24 No Survival. Except to the extent otherwise expressly provided in this Agreement, the provisions of this Agreement will not survive any termination of this Agreement and will not survive the Closing and will be merged into the documents executed and delivered and the payment of all amounts made at the Closing.

25 Determination of Value; Arbitration.

(a) Either Seller or Purchaser may require that any determination of value contemplated in this Agreement be submitted to arbitration pursuant to this paragraph 25.

(b) The party desiring such arbitration shall give notice to that effect to the other party. As soon as possible, but in any event within the next five (5) days, Seller and Purchaser shall each select one arbitrator. As soon as possible, but in any event, within the next five (5) days, the two arbitrators so selected shall select a third arbitrator. No arbitrator shall be an employee, officer, director, shareholder, member, partner or other affiliate of either party. In the event of the failure, refusal or inability of any arbitrator to act, a new arbitrator shall be appointed in his stead, which

appointment shall be made in the same manner as hereinbefore provided. At the request of either party, the arbitrators shall authorize the service of subpoenas for the production of documents or attendance of witnesses.

(c) Each arbitrator shall be either (i) a partner, principal or senior executive of a regionally recognized forest management firm having substantial experience in the valuation of timberland and timber in the southeastern United States, or (ii) an appraiser associated with a regionally recognized real estate appraisal firm who is a member of the American Institute of Real Estate Appraisers (or the successor organization, or if no such organization exists, then an organization composed of persons of similar professional qualifications) and having substantial experience in the valuation of timberland and timber in the southeastern United States, or (iii) in the case of an arbitration pursuant to paragraph 4(c) hereof relating to the validity of a Title Objection, a present or former underwriting officer of a nationally recognized title insurance company having at least ten (10) years experience in underwriting and handling title insurance claims in connection with timberland or commercial property in the southeastern United States, or an attorney licensed to practice in the state in which the affected property is situated, having not less than ten (10) years of practice experience in real estate law in such state, or (iv) in the case of an arbitration pursuant to paragraph 6(a), an environmental engineer licensed in the state of the affected property and having not less than ten (10) years of engineering experience, or an attorney licensed to practice in the state in which the affected property is situated, having not less than ten (10) years of practice experience in environmental law in such state.

(d) Within thirty (30) days after their appointment, the arbitrators so chosen shall hold a hearing at which each party may submit evidence, be heard and cross-examine witnesses, with each party having at least five (5) business days advance notice of the hearing. The hearing shall be conducted such that each of Seller and Purchaser shall have reasonably adequate time to present oral evidence or argument, but either party may present whatever written evidence it deems appropriate prior to the hearing (with copies of any such written evidence being sent to the other party).

(e) The decision of the arbitrators so chosen shall be given in writing within a period of ten (10) days after the conclusion of such hearing. The decision in which any two arbitrators so appointed and acting hereunder concur shall in all cases be binding and conclusive upon the parties.

(f) The fees and expenses of the arbitration proceeding and the fees of the third arbitrator appointed under this paragraph 25 shall be borne equally by Seller and Purchaser. Seller and Purchaser each shall pay the fees of the arbitrator each selected, and the fees and expenses of preparing and presenting its own case. Seller and Purchaser may at any time by mutual written agreement discontinue arbitration proceedings and themselves agree upon any such matter submitted to arbitration.

26 Incorporation of Exhibits. All exhibits referred to herein are hereby incorporated in this Agreement by this reference.

27 No Publicity. Neither Purchaser nor Seller shall make any public announcement or otherwise publicly disseminate any information with respect to this Agreement or the transactions contemplated hereby without the prior written consent of the other party hereto.

28 Effective Date. The effective date (the "Effective Date") of this Agreement will be the last date on which all parties hereto shall have executed this Agreement, as indicated below.

29 Deletion of Real Property. Purchaser and Seller agree that the following provisions shall be taken into consideration in determining the size and configuration of any portions of the Owned Real Property which is to be excluded from the Real Property pursuant to the provisions of paragraphs 4(c) and/or 6(a) above: (a) no parcel or site excluded shall be of a size less than five (5) acres without the prior approval of Seller; (b) each parcel so excluded shall retain or be granted commercially reasonable access either directly to a public road or over the Real Property acquired by Purchaser; (c) if access is retained or granted over the Real Property acquired by Purchaser, such access shall not materially or adversely affect Purchaser's use and operation of the Real Property, and shall be in a location reasonably acceptable to Purchaser; (d) in determining the size and configuration of the tract or tracts to be excluded, Seller may elect to exclude an area which is up to 125% of the area actually impacted or affected by the Title Objection or the Environmental Condition, as the case may be, in order to ensure that the excluded tract or tracts retain economic viability; (e) Purchaser shall retain approval rights over the size (subject to the five-acre minimum described in clause (a) above), configuration and means of access of any tract proposed to be excluded from the Real Property pursuant to paragraphs 4(c) and 6(a) hereof, which approval shall not be unreasonably withheld; (f) all tracts excluded pursuant to paragraphs 4(c) and 6(a) hereof shall be subject to restrictive covenants (to be agreed to by the parties) which shall prohibit Seller and its successors-in-title from operating landfills or other noxious uses which are inconsistent with, or which could unreasonably interfere with, Purchaser's timber operations on its adjacent Real Property; and (g) Purchaser shall be granted a right of first offer in the event Seller ever elects to sell or otherwise dispose of any excluded tract or tracts. If the Title Objection or Environmental Condition in question impacts a portion of the Real Property which is a portion of the Leased Real Property, then the Real Property Lease covering such portion of the Real Property shall be deleted, and all of the Leased Real Property covered by such Real Property Lease shall be deemed deleted from the Real Property.

30 Property to be Excluded. Purchaser acknowledges and agrees that prior to Closing (a) Seller may elect to carve out up to 1,000 acres of the Real Property in Alachua County, Florida near the University of Florida to facilitate a settlement of the AFIDA Proceeding described on Exhibit J hereto; and (b) may convey in lieu of condemnation up to 300 acres of the Real Property to Alabama Power Company. If the conveyance described in clause (a) above occurs prior to Closing, then the Purchase Price shall be reduced by the fair value of the Real Property conveyed, as determined by the agreement of the parties or pursuant to the provisions of paragraph 25 hereof. If

the conveyance described in clause (b) above occurs prior to Closing, then the Purchase Price shall be reduced by the greater of (i) the fair value of the Real Property conveyed, as determined by the agreement of the parties or pursuant to the provisions of paragraph 25 hereof, or (ii) the net proceeds received by Seller from Alabama Power Company as consideration for said conveyance.

[End of Text]

IN WITNESS WHEREOF, this Agreement has been duly executed, sealed and delivered by the parties hereto on the date(s) indicated below.

PURCHASER:

Date of execution: 7/28/99

RAYONIER INC.

By: /s/ W.L. Nutter
Title: Chairman of the Board,
President and
Chief Executive Officer

SELLER:

Date of execution: 7/28/99

JEFFERSON SMURFIT CORPORATION (U.S.)

By: /s/ Raymond M. Curran
Title: President & Chief
Executive Officer

FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT

This Amendment (this "Amendment") is entered into as of the 25th day of October, 1999, by and between JEFFERSON SMURFIT CORPORATION (U.S.), a Delaware corporation ("Seller"), and RAYONIER INC., a North Carolina corporation ("Purchaser").

WITNESSETH

WHEREAS, Seller and Purchaser entered into that certain Purchase and Sale Agreement (the "Agreement") dated as of July 28, 1999, for the purchase and sale of certain timberlands more particularly described therein; and

WHEREAS, Seller and Purchaser desire to amend the Agreement as provided herein.

NOW, THEREFORE, for and in consideration of the premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, Seller and Purchaser, intending to be legally bound, do hereby agree as follows:

1. Defined Terms. Unless otherwise defined in this Amendment, terms used herein with an initial capital letter or initial capital letters shall have the meanings given them in the Agreement.

2. Purchase Price Reduction. Paragraph 2 of the Agreement is hereby amended by deleting the number "Seven Hundred Twenty-Five Million and NO/100 DOLLARS (\$725,000,000.00)" in line 2 of said Paragraph 2 and substituting in lieu thereof the number "Seven Hundred Ten Million and NO/100 DOLLARS (\$710,000,000.00)." Paragraph 2 is hereby further amended by deleting the number "Five Hundred Million and NO/100 DOLLARS (\$500,000,000.00)" in line 8 of said Paragraph 2 and substituting in lieu thereof the number "Four Hundred Eighty Five Million and NO/100 DOLLARS (\$485,000,000.00)."

3. Extension of Closing Date. Paragraph 3(a) of the Agreement is hereby amended by deleting the date "October 15, 1999" in line three of said paragraph 3(a) and substituting in lieu thereof the date "October 25, 1999."

4. Site Preparation Reimbursement. Paragraph 9(b) is hereby amended by deleting the number "\$1,500,000.00" in the last line of said paragraph 9(b) and substituting in lieu thereof the number "\$1,750,000.00."

5. Closing Deliveries. Paragraph 3(c) of the Agreement is hereby amended by adding the following new clause (v) in said Paragraph 3(c):

"and (v) an assignment with reservation of royalties of the OGM Leases (hereinafter defined) in form and substance reasonably satisfactory to Purchaser and Seller pursuant to which Seller shall assign to LLC the OGM Leases and reserve the royalties thereunder."

6. Exhibits. Exhibit C (Incidental Leases), Exhibit F (Seedling Agreement) and Exhibit K (Oil, Gas and Mineral Leases) attached to the Agreement are hereby deleted in their entirety and Exhibit C, Exhibit F and Exhibit K attached to this Amendment shall be substituted in lieu thereof.

7. No Change in Terms and Conditions. Except as modified herein, the Agreement is ratified and confirmed and remains in full force and effect.

8. Counterparts. To facilitate execution, this Amendment may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of each party appear on each counterpart. All counterparts shall collectively constitute a single instrument.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

SELLER:

JEFFERSON SMURFIT CORPORATION (U.S.), a Delaware corporation

By: /s/ Leslie T. Lederer
Name: Leslie T. Lederer
Title: Vice President

PURCHASER:

RAYONIER INC., a North Carolina corporation

By: /s/ James M. Rutledge
Name: James M. Rutledge
Title: Vice President - Finance & Taxes

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") is made as of the 25th day of October between JEFFERSON SMURFIT CORPORATION (U.S.), a Delaware corporation (the "Assignor"), and TIMBER CAPITAL HOLDINGS LLC, a Delaware limited liability company ("Assignee").

Reference is made to Purchase and Sale Agreement dated July 28, 1999 (the "Purchase and Sale Agreement"), between Seller and Rayonier Inc. ("Purchaser"), as amended by that First Amendment to Purchase and Sale Agreement dated as of October 25, 1999, between Assignor and Purchaser, and as assigned by Purchaser to Rayonier Timberlands Operating Company, L.P.

In accordance with Section 14(a) of the Purchase and Sale Agreement, (a) Assignor does hereby assign to Assignee (the "Assignment") all of its rights, interests in and to, and obligations under, the Purchase and Sale Agreement, and (b) Assignee does hereby accept and agree to the Assignment and does hereby assume all of Assignor's obligations under the Purchase and Sale Agreement.

This Agreement shall be effective as of the date first set forth above. This Agreement is governed by, and shall be construed and enforced in accordance with, the laws of the State of New York.

(Signature page follows)

IN WITNESS WHEREOF, the Assignor and the Assignee have executed and delivered this Agreement as of the date first set forth above.

Assignor: JEFFERSON SMURFIT CORPORATION (U.S.)

By: /s/ Leslie T. Lederer

Name: Leslie T. Lederer
Title: Vice President

Assignee: TIMBER CAPITAL HOLDINGS LLC

By: Jefferson Smurfit Corporation (U.S.),
as sole member

By: /s/ Leslie T. Lederer

Name: Leslie T. Lederer
Title: Vice President

ASSIGNMENT

(From Rayonier Inc. to Rayonier Timberlands Operating Company, L.P.)

THIS ASSIGNMENT is made effective as of the 25th day of October, 1999 (the "Effective Date"), by and between Rayonier Inc. (hereinafter referred to as "Assignor") and Rayonier Timberlands Operating Company, L.P. ("Assignee").

WHEREAS, Assignor has entered into a Purchase and Sale Agreement (the "Agreement"), made as of July 28, 1999, by and between Assignor, a North Carolina corporation, and Jefferson Smurfit Corporation (U.S.), a Delaware corporation ("JSC"), as amended (said Purchase and Sale Agreement, as so amended, is herein referred to as the "Agreement"); and

WHEREAS, Assignor desires to contribute to the Assignee (i) a 98.8% of its member interests in Rayland, L.L.C. and (ii) all of its interest in certain timberlands located in Florida, Georgia, South Carolina and Washington (hereinafter referred to as the "Assigned Interest"), in exchange for a limited partnership interest in the Assignee; and

WHEREAS, Assignor desires to assign to Assignee all of its right, title and interest in and to the Agreement; and

WHEREAS, Assignor and Assignee now desire to enter into this written Assignment to evidence the foregoing assignments.

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, the parties hereby agree as follows:

1. Assignor has assigned, transferred, conveyed and delivered, and by these presents does hereby assign, transfer, convey and deliver to Assignee effective as of the Effective Date, the Assigned Interest.

2. Assignee has accepted, and by these presents does hereby accept effective as of the Effective Date, the Assigned Interest.

3. Assignor has assigned, transferred, conveyed, sold and set over and by these presents does hereby assign, transfer, convey, sell and set over into Assignee all of Assignor's right, title and interest in and to the Agreement. Assignee accepts such assignment and assumes and agrees to perform all of the duties, obligations, liabilities and responsibilities of Assignor under the Agreement.

This Assignment is binding upon Assignor and Assignee and shall inure to the benefit of Assignee and Assignor and their respective legal representatives, successors and assigns.

"ASSIGNOR"

Rayonier Inc.

By: /s/ Gerald J. Pollack

Name: Gerald J. Pollack
Title: Senior Vice President and
Chief Financial Officer

"ASSIGNEE"

Rayonier Timberlands Operating
Company, L.P.

By: Rayonier Timberlands
Management Inc., its managing
general partner

By: /s/ Gerald J. Pollack

Name: Gerald J. Pollack
Title: Senior Vice President

TIMBER CUTTING AGREEMENT

This TIMBER CUTTING AGREEMENT is dated as of October 25, 1999 and is made by and between R (1999) TIMBERLANDS LLC, a limited liability company organized under the laws of the State of Delaware, and RAYONIER TIMBERLANDS OPERATING COMPANY, L.P., a Delaware limited partnership (collectively and severally, "Seller") and JEFFERSON SMURFIT CORPORATION (U.S.), a Delaware corporation ("Buyer").

ARTICLE I

RECITALS

1.01 BACKGROUND. Seller is the fee simple owner and lessee of certain timberlands located in the states of Florida, Georgia and Alabama. Buyer owns and operates paper mills located in Fernandina, Florida, and Brewton, Alabama. The aforesaid timberlands have been a principal source of pulpwood used in the operation of the Mills.

1.02 PURPOSE OF AGREEMENT. The parties wish by this agreement to contract for the purchase of timber from the Timberlands.

ARTICLE II

DEFINITIONS

The following terms used in this Agreement will have the following meanings (unless otherwise expressly provided herein):

"AFFILIATE" of a Person means any other Person directly, or through one or more other intermediaries indirectly, controlling, controlled by or under common control with the first Person.

"AGREEMENT" is this Timber Cutting Agreement, as modified or amended from time to time.

"BREWTON MILL" is the paper mill located in Brewton, Alabama that Buyer owns and operates.

"BUYER" is Jefferson Smurfit Corporation (U.S.), a Delaware corporation.

"DESIGNATION AND PRICING FORM" shall mean the form of Designation and Pricing Form for each Tract substantially in the form of Exhibit C attached hereto.

"DISPUTE" includes any dispute, controversy or claim arising out of or relating to this Agreement.

"FERNANDINA MILL" is the paper mill located in Fernandina, Florida that Buyer owns and operates.

"FORCE MAJEURE" means any cause, condition or event beyond a party's reasonable control that delays or prevents such party's performance of its non-monetary obligations hereunder, including war, acts of government, acts of public enemy, riots, civil strife, lightning, fires, explosions, storms, floods, power failures, other acts of God or nature, major equipment failure, labor strikes, lockouts or other dispute, and other similar events or circumstances; provided, however, that adverse financial or market conditions and generally applicable legislation shall not constitute a Force Majeure.

"INDEPENDENT CONSULTANT" is any of the following forestry consultants: Larson & McGowan, Sizemore & Sizemore, F&W Forestry, Canal Forest Resources and Resource Management, Inc.

"MILLS" are, collectively, the Fernandina Mill and the Brewton Mill.

"PERSON" means any individual, sole proprietorship, trust, estate, executor, legal representative, unincorporated association, institution, corporation, company, partnership, limited liability company, limited liability partnership, joint venture, government (whether national, federal, state, county, city, municipal or otherwise, including, without limitation, any instrumentality, division, agency, body or department thereof) or other entity.

"RESERVED TIMBER" shall mean the standing merchantable pine timber situated on the commercial forest land described in Exhibit B hereto.

"SELLER" is, collectively and severally, R (1999) Timberlands LLC, a Delaware limited liability company, and Rayonier Timberlands Operating Company, L.P., a Delaware limited partnership, and their respective successors and assigns.

"TERM" shall mean the term of this Timber Cutting Agreement as provided in Article VIII.

"TIMBER" is any and all merchantable timber standing, growing, laying or being on the Timberlands which meets the specifications set forth in each Designation and Pricing Form.

"TIMBERLANDS" are the approximately 1,800,000 acres of commercial forest land owned by Seller in the states of Florida, Georgia and Alabama, as more specifically described in Exhibit A hereto.

"TRACT" or "TRACTS" are tracts of commercial forest land comprising portions of the Timberlands.

ARTICLE III

RIGHTS AND OBLIGATIONS

3.01 AGREEMENT. Seller hereby grants to Buyer the right to sever and remove the designated Timber on all Tracts designated by Seller in accordance with Article IV, and Buyer agrees to sever and remove such Timber.

3.02 RISK OF LOSS. Seller retains all risk of loss, damage, or injury to the Timber by fire, windstorm, pestilence, act of God, act of government or other casualty not caused by the negligence or willful acts of Buyer, its agents, employees or contractors, until it is severed and removed from the Timberlands by or on behalf of Buyer.

3.03 TITLE. Upon severance and removal from the Timberlands of any portion of the Timber, title to and ownership of such Timber shall pass to Buyer free and clear of all liens and encumbrances.

3.04 SCALING. Volumes will be based on gross tons of wood shown on scale tickets. Seller will provide Buyer with load tickets which will operate as a record for the Timber harvested under this Agreement. Such load tickets will be sequentially numbered documents in multiple part forms. Buyer will be responsible for completing the pertinent information on the form for each load, attaching one part of the load ticket to the load of Timber at the loading site, and depositing another part of the ticket into a lock box on the Tract from which the Timber is harvested. Buyer shall have the load weighed across any state certified or forest products industry scale, with the scale weight recorded on a written scale ticket. Buyer shall attach the third part of the load ticket to the corresponding scale ticket. The scale tickets and the corresponding load tickets for each week's deliveries, along with a cutting report and sales record recapping the timber types, weights and payment classification shall be forwarded to Seller as provided below. Buyer shall remit to Seller not later than Friday of each week following a week during which Buyer has removed Timber from the Timberlands, a check made payable to Seller for the full price of the Timber cut and removed during the preceding week. Each payment shall be accompanied by a cutting report and sales record which will be provided by Seller. Such cutting report and sales record will detail the products removed during the prior week. The original (white) cutting report and sales record with scale tickets and payment attached shall be mailed to:

Southeast Forest Resources
Post Office Box 728
4 North 2nd Street
Fernandina Beach, Florida 32035-0728

The second copy (canary) is to be sent to the appropriate Seller supervisor.

The third copy (pink) is for Buyer's records.

If Buyer fails to produce load tickets and scale tickets that correspond to all load tickets deposited in the lock box, Buyer shall pay Seller \$1,000 for each missing ticket. Any load tickets issued to the Buyer which are unused at completion of the sale must be returned to Seller.

3.05 RESERVED TIMBER. Buyer shall have the unrestricted right to sever and remove the Reserved Timber without paying Seller therefor. Buyer's logging operations with respect to the Reserved Timber shall be performed pursuant to the provisions of Article V of this Agreement governing logging operations associated with the Timber.

ARTICLE IV

TIMBER DESIGNATION AND PRICE DETERMINATION

4.01 TRACT DESIGNATION.

(a) During each of calendar years 2000 and 2001, Seller shall designate to Buyer one or more Tracts within the supply area of the Fernandina Mill on which sufficient pine timber is available for harvest to produce 1,275,000 tons, and Seller shall designate one or more Tracts within the supply area of the Brewton Mill on which sufficient pine timber is available for harvest to produce 560,000 tons. Prior to Seller's designating any Tract, both Seller and Buyer must have received the timber cruise data for the Tract from the Independent Consultant as provided in Section 4.02.

(b) Tracts designated by Seller shall represent an estimated aggregate volume of one hundred ten percent (110%) of the annual volume commitments set forth in Section 4.01(a) above for the relevant calendar year. Tract selection will be made by district, including six (6) or seven (7) districts that are logical combinations of Buyer's historic districts with those of Seller in the Fernandina region, and three new districts in Alabama. Taking into account Seller's objective of having Timber harvested with respect to a designated Tract within the calendar year of designation, and Buyer's objective of achieving Timber harvests consistent with Buyer's supply and production requirements, Seller and Buyer shall collaborate in good faith to achieve a mutually acceptable schedule of Tract designations. The total volume of Timber on the Tracts designated in any calendar year will be prorated among the districts in approximate proportion to each district's share of the total volume scheduled for harvest in such calendar year from the Timberlands. The mix of Tracts designated will fairly represent the mix of Tracts available for harvest within each district of the Timberlands, except that, upon agreement of Seller and Buyer the designated Timber may, in the aggregate, contain a higher than average percentage of pulpwood.

4.02 TIMBER CRUISES. Prior to Tract designation by Seller, an Independent Consultant mutually selected by Buyer and Seller shall conduct a cruise of each Tract selected by Seller to determine the species and product mix and estimated volume of Timber on the Tract. Such Independent Consultant shall deliver all such cruise data for each cruised Tract to both Seller and Buyer upon completion of the cruise of the Tract. The cost of all such timber cruises shall be divided and paid equally by Seller and Buyer.

4.03 BUYER'S RIGHT OF REFUSAL. After receiving designation of a Tract from Seller and prior to submitting its proposed stumpage prices to the Independent Consultant for determination under Section 4.04(b) below, Buyer shall have the right to decline to purchase the Timber on such Tract as long as the volume offered on all Tracts previously declined by Buyer under this

Section 4.03 during the calendar year does not exceed ten percent (10%) of the annual volume commitments set forth in Section 4.01 above. Likewise, after designating a Tract to Buyer and prior to submitting its proposed stumpage prices to the Independent Consultant for determination under Section 4.04(b) below, Seller shall have the right to decline to sell the Timber on such Tract as long as the volume offered on all Tracts previously declined by Seller under this Section 4.03 during the calendar year does not exceed ten percent (10%) of the annual volume commitments set forth in Section 4.01 above; provided, however, Seller's obligation to designate Tracts on which sufficient volumes are available pursuant to the provisions of Section 4.01(a) shall remain in full force and effect. Any decision not to sell or buy Timber with respect to an assigned Tract on the part of Seller or Buyer under the provisions of this Section 4.03 shall result in neither party having the obligation to sell or buy such Timber, as the case may be.

4.04 STUMPAGE PRICE DETERMINATIONS. The stumpage price for the Timber will be determined separately for the Timber on each designated Tract in accordance with this Section 4.04.

(a) After a Tract is designated by Seller pursuant to Section 4.01, Buyer and Seller shall first negotiate in good faith to determine composite stumpage prices for each species of Timber on the designated Tract.

(b) If the parties cannot agree on stumpage prices within fourteen (14) days after the date the Seller designates a Tract, Buyer shall submit to the Independent Consultant the stumpage prices at which it is willing to purchase the Timber on the Tract, and Seller shall submit to the Independent Consultant the stumpage prices at which it is willing to sell the Timber on the Tract. Taking into account all available comparable sales and other data relevant to determine the fair market value of such Timber, the Independent Consultant shall select whichever of the two stumpage prices submitted by the parties more closely reflects the fair market value of the designated Timber.

4.05 DESIGNATION AND PRICING FORM. Once the Seller has designated a Tract and the stumpage prices have been determined in accordance with Section 4.04, the parties shall execute a Designation and Pricing Form for the Tract. Once executed, the Designation and Pricing Form for the Tract shall be incorporated as part of this Agreement.

4.06 CUTTING PERIOD. Unless extended as provided below, Buyer shall have twelve months from the time the Designation and Pricing Form for a Tract is executed to harvest the Timber on the Tract. If Buyer is prevented during the twelve-month period from severing and removing the Timber on a Tract because it reasonably believes there is a Force Majeure affecting the operations on the Tract, then the twelve-month period shall be extended by a period equal to the number of days Buyer was required to suspend its operations as a result of the Force Majeure, provided that Buyer gives notice to Seller within seven (7) days of suspension of its operations describing the cause of such suspension and the estimated period its operations will be

suspended. Seller may suspend Buyer's operations on a Tract, without liability to Buyer, if Seller reasonably believes there is a Force Majeure affecting operations on the Tract provided Seller gives written notice to Buyer describing the cause of such suspension and the estimated period Buyer's operations will be suspended. If Seller suspends Buyer's operations on a Tract, the twelve-month cutting period for the Tract will be extended by the number of days Buyer was required to suspend its operations.

ARTICLE V

LOGGING OPERATIONS

5.01 CONDUCT BY BUYER. Buyer shall conduct all harvesting and road construction activities in compliance in all material respects with applicable law, including without limitation environmental, occupational, labor, health, and safety laws, and good and safe harvest operations, taking into account the type of timber and terrain in question, and in accordance with the following requirements.

(a) Buyer shall pay all costs of labor and materials and shall keep the properties of Seller free from liens and encumbrances.

(b) Buyer shall keep all roads, firebreaks, fields, streams, and other open areas on the Timberlands free of tops and other logging debris.

(c) Stump height shall not exceed four (4) inches or the diameter of the stump, whichever is smaller, as measured from ground level, except cypress stump height, which shall be at least five (5) inches, as measured from the ground level, but shall not exceed twenty (20) inches.

(d) Cutting shall be done only in designated areas.

(e) Buyer shall cut and remove all Timber as defined herein.

(f) No logs, pulpwood or other forest products will be ramped on graded roads.

(g) At the completion of each day's operations, Buyer shall be responsible for locking all cables and/or gates unlocked during logging operations.

(h) Purchaser shall be responsible for initiating and fully cooperating with Seller in implementing harvesting practices consistent with recommended Best Management Practices.

(i) Upon completion of all logging operations on a Tract, Buyer shall promptly remove all equipment, refuse, wire rope, litter, scrap and trash brought onto the Tract or deposited along access roads by Buyer, its agents, contractors or employees. All lunch-box garbage, empty containers, empty cans or anything of a non-biodegradable nature shall be removed from the Timberlands on a daily basis.

(j) Buyer shall notify Seller when road construction and/or harvesting begins on a designated Tract, and shall notify Seller whenever the harvesting operation moves onto or off of a designated Tract.

5.02 ACCESS RIGHTS. Seller hereby grants to Buyer, its successors, assigns, contractors and subcontractors, the right to enter upon designated Tracts at any and all times during said term with tools, wagons, carts, trucks, men and equipment and all other conveyances that are necessary for the preservation, care, cutting and removal of the Timber, together with the right to operate roads and roadways upon, over and across such Tracts and any other lands of Seller near or adjacent thereto, where such roads and roadways are necessary for ingress and egress, and the right to erect temporary structures upon such Tracts. Buyer shall have and is hereby granted the right at any time during the Term and for sixty (60) days thereafter, to remove any and all machinery, equipment and other property (excluding any claim to timber) of Buyer, whether or not so fixed to the Tracts as to be regarded in law as a part of the Tracts, provided that the Tracts and other property are not damaged as a result of such removal.

5.03 ROAD CONSTRUCTION. Buyer shall use existing roads wherever possible and shall leave all roads in a condition that equals or exceeds their condition when harvesting began. Buyer shall have the right to build such temporary roads upon the Timberlands as may be necessary to log the Timberlands; provided, however, Seller shall have the right to approve the location of any such temporary roads, which approval shall not be unreasonably withheld, conditioned or delayed.

5.04 REFORESTATION. Seller shall be responsible for reforestation work and costs of complying with any State requirements regarding reforestation.

5.05 TAXES. Seller shall pay all taxes levied against the Timberlands, including fire patrol tax, during the Term, and Seller shall pay all taxes levied by reason of Buyer's harvest and removal of the Timber, including without limitation, any privilege tax. For all or any portions of the Timber growing upon Tracts in Georgia that is subject to ad valorem assessment by the county in which the Tract is situated (as required under O.C.G.A. Section 48-5-7.5), for each calendar quarter in which timber is harvested by Buyer, Buyer shall timely complete, sign and tender two (2) copies of Form PT-283T. One copy thereof shall be sent to the Board of Tax Assessors of the county in which the Tract is situated whereupon Timber was harvested, and the other copy shall be sent to the following address:

Rayonier Timberlands Operating Company, L.P.
R (1999) Timberlands LLC
Attention: Manager, Taxes
Post Office Box 728
Fernandina Beach, Florida 32035-0728

Such reports are due within forty-five (45) days after the end of the calendar quarter and shall include the total of dollar value paid for the standing Timber harvested on the applicable Tract and the volume in tons by product harvested on said Tract in the quarter for which the report is being filed.

5.06 HARVEST AND OTHER PERMITS; RESPONSIBILITY AND COST. Buyer shall be responsible for obtaining, at Buyer's expense, and in its name or in the name of Seller, all governmental permits and approvals required to harvest the Timber from any designated Tract.

5.07 ENVIRONMENTAL COMPLIANCE. Buyer shall, during the period of its harvest of Timber hereunder, promptly observe and comply with all applicable laws, ordinances, orders, directives, rules, regulations, and other requirements of any Federal, State or local governmental authority or agency having jurisdiction, whether in force at the commencement of this Agreement or enacted or asserted during the term of this Agreement. Buyer shall promptly report to Seller any suspected activity on any Tract that violates or may appear to violate any environmental law, regulation, ordinance or rule whether state, local or federal. Under no circumstances whatsoever will Buyer cause any carcinogenic, controlled, toxic or hazardous substance or material, or permit a container presently holding or formerly holding such substance(s), to drain, or percolate on or into, or be stored, dumped, buried, or otherwise contaminate, taint, or affect any Tract from which Timber is to be cut, or any other land adjacent to or in the vicinity of the Tract.

5.08 RAILROAD CROSSINGS. Seller does not warrant the condition of the Timberlands; Buyer enters upon the Timberlands at its sole risk. Seller HEREBY GIVES NOTICE TO BUYER THAT IT MAY ENCOUNTER UNGUARDED RAILROAD CROSSINGS THAT DO NOT HAVE AUTOMATIC WARNINGS DEVICES. Seller does not warrant the condition of the railroad crossings, and Buyer accepts railroad crossings in an "as is" condition. At all times during the Term, Buyer agrees to utilize great care and caution when encountering such crossings. Buyer shall indemnify and save harmless Seller and owner of railroad right of way in the vicinity of said railroad crossing, their officers, agents and employees, from and against all liability, claims, loss, damage, expense (including attorney's fees) or costs for personal injuries (including death) and/or property damage to whomsoever or whatsoever, occurring or arising in any manner from Buyer's use of said railroad crossing.

5.09 PENALTY CLAUSE. If Seller finds any undesignated stumpage cut without the permission of Seller, Buyer shall pay as damages to Seller twice the stumpage price determined in Section 4.1, or \$50.00 per tree for any marked boundary line tree regardless of size unless said

tree is specifically designated for cutting. The volume of such penalty stumpage will be calculated by Seller. If, at the expiration of this Agreement, Seller finds cut merchantable trees, left in the woods, and if failure to remove was not due to circumstances beyond the control of Buyer, as determined solely by Seller, the volume of such trees will be calculated by Seller within thirty (30) days after the expiration of this Agreement, and the Buyer will pay Seller for the calculated volume, based on the prices determined in Section 4.04 above, as though it had been removed. Notification of the calculated volume shall consist of mailing the notice and invoice to Buyer's representative as set forth in Section 10.07 Buyer shall have thirty (30) days after notification by Seller in which to remove said trees. Title to any trees not removed by the end of said period shall remain in and/or revert to Seller to then dispose of as it may seem fit. In the event uncut trees remain at the expiration of the Term, liquidated damages will be assessed equal to the calculated volume, as determined solely by Seller, multiplied by twenty-five percent (25%) of the prices determined in Section 4.04 above.

5.10 HARVEST COMPLETION LETTER. At such time as Buyer has harvested all Timber from a designated Tract and performed all of its post-harvest obligations under this Agreement with respect to such Tract, Seller and Buyer shall execute and deliver a "Harvest Completion Letter" substantially in the form of that attached hereto as Exhibit D, which letter shall be accompanied by any amounts payable by Buyer with respect to unfulfilled post-harvest obligations which Seller has agreed to perform or cause to be performed. Delivery of such letter, and acceptance thereof by Seller, shall release Buyer from any further liability hereunder with respect to Buyer's obligations under this Agreement as to (i) severing, removing and paying for the Timber pertaining to the Tract at issue and (ii) post-harvest clean-up and site restoration of such Tract, except as may later arise under Section 5.07 regarding environmental matters.

ARTICLE VI

COVENANTS AND AGREEMENTS OF SELLER

6.01 Seller covenants and agrees that it is seized of fee simple or leasehold title to the Timberlands and that it has the right to grant and convey the right to harvest the Timber.

6.02 Seller shall hold Buyer harmless against any Person claiming by, through or under Seller who may assert against Buyer any claim of title to the Timberlands or the Timber.

ARTICLE VII

COVENANTS AND AGREEMENTS OF BUYER

7.01 HOLD HARMLESS. Buyer shall defend, indemnify and save harmless Seller, its directors, officers, employees and agents against any and all loss, expenses, damages, claims,

finances, charges, liens, liabilities, actions, causes of action or proceedings of any kind whatsoever (whether or not arising on account of damage to or loss of property, or injury to or death of any person) arising directly or indirectly out of or in connection with performance by or on behalf of Buyer of any of its obligations, operations or activities hereunder, except those caused solely by any such indemnified party's negligence. The foregoing includes, without limitations, any claim for injury to persons or property, timber trespass, nuisance, mechanics' and materialmen's liens, workers' compensation or unemployment taxes, and any fines and penalties. Buyer shall perform all its obligations and carry on all its operations and activities hereunder as an independent contractor and entirely at its own risk and responsibility. Buyer shall be responsible for activities of its subcontractors. Buyer will reimburse Seller, its directors, officers, employees or agents for all costs reasonably incurred by any such parties in defending against such claims through their attorney(s) of choice.

7.02 DAMAGE TO PROPERTY. Buyer shall pay for all material damage to Seller's property and any damage to the property of any third parties resulting directly or indirectly from negligent acts or omissions by Buyer, its employees, agents or contractors in performing this Agreement.

7.03 INSURANCE. At all times during the term of this Agreement and any extension thereof or until all work required by this Agreement is completed, Buyer shall, at its sole cost, maintain in effect:

(a) Commercial general liability insurance with aggregate coverage not less than \$20,000,000 covering its harvesting activities. The limit of liability shall be at least \$1,000,000 per occurrence and may be provided, in part, by umbrella or excess liability policies.

(b) Motor vehicle liability insurance covering all vehicles used in operations under this Agreement, or used upon or in connection with the harvest of timber on or from Seller's land. The policy shall have a limit of liability not less than \$1,000,000 per occurrence.

(c) Workers compensation insurance meeting statutory requirements for all Buyer's employees, and shall require Buyer's contractors and subcontractors to have workers compensation insurance involved in any operation hereunder.

All policies of insurance shall be placed with financially sound, commercial insurers licensed to do business in the states in which the Timberlands are situated; provided, however, Buyer may satisfy the obligations of this Section 7.03 by a plan of self-insurance. All policies of insurance shall provide that Seller shall be given thirty (30) days' prior notice of material change or cancellation of coverage, and shall name Seller and Rayonier Forest Resources Company and their respective directors, officers, employees and agents as insured parties thereunder. This

notice provision shall be without qualification. Buyer shall on or prior to the closing date, and prior to each policy renewal, furnish to Seller certificates of insurance or other evidence satisfactory to Seller that insurance complying with all of the above requirements is in effect.

ARTICLE VIII

TERM; TERMINATION

8.01 TERM. Subject to termination as provided in Section 8.02, the term of this Agreement shall be, and this Agreement shall continue in full force and effect from the date hereof until the last cutting period described in Section 4.06, including any extension thereof, has been completed.

8.02 TERMINATION. This Agreement may be terminated in the following manner:

(a) at any time by the mutual written agreement of the parties;

(b) by either party following a breach by the defaulting party of any of its monetary obligations hereunder, by giving written notice of such breach to the defaulting party, and the continuing failure by the defaulting party to cure such breach in all material respects for a period of ten (10) days after the receipt of such notice, following which the nondefaulting party will have no further obligations hereunder; or

(c) by either party at any time following a material breach by the defaulting party of any of its other obligations hereunder, by giving written notice of such breach to the defaulting party, and the continued failure by the defaulting party to cure such breach in all material respects for a period of thirty (30) days, provided that if the breach is not reasonably susceptible of cure within thirty (30) days, such defaulting party shall have such additional time (not to exceed sixty [60] days from the date of such notice of breach) as long as the defaulting party initiates such cure within the thirty (30)-day period and diligently pursues completion of the cure, following which termination the nondefaulting party shall have no further obligations hereunder.

Termination shall not relieve a defaulting party of any liability to the nondefaulting party for breach of its obligations hereunder. The provisions of Article IX shall survive any termination of this Agreement.

ARTICLE IX

DISPUTE RESOLUTION

9.01 CONSULTATION BY SENIOR EXECUTIVES. In the event of any Dispute, each of the parties will cause its chief operating officer in charge of the Timberlands (or his or her designee) in the case of Seller, and in charge of wood procurement for the Mills (or his or her designee) in the case of Buyer, to consult with each other promptly and in good faith to endeavor to resolve such Dispute before seeking arbitration as provided in Section 9.02, but failure to do so shall not limit the right of either party to submit the issue to such arbitration.

9.02 ARBITRATION. Any Dispute not settled in accordance with the procedures set forth in Section 9.01 shall, at the request of either party, be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect (the "Rules"), except as the Rules may be modified by this Section 9.02.

(a) The arbitration shall be held in Atlanta, Georgia. There shall be three arbitrators, of whom each party shall select one. The party-appointed arbitrators shall select the third arbitrator. Each of the arbitrators shall be a lawyer with at least 10 years' experience in commercial matters and shall have experience in the forest products area.

(b) The arbitrators shall decide the matters in dispute in accordance with the laws of the state in which the Timber or Tract at issue is situated, without reference to the conflict of laws rules thereof. The arbitration shall be governed by the Federal Arbitration Act.

(c) The hearing shall be commenced within sixty (60) days and the award shall be rendered no later than one hundred twenty (120) days following the appointment of the last of the three arbitrators. All discovery shall be completed no later than twenty (20) days prior to the commencement of the hearing.

(d) Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, provide the other with copies of documents in its possession, custody or control relevant to the issues raised by any claim or counterclaim. Other discovery may be agreed by the parties or ordered by the arbitrators to the extent the arbitrators deem additional discovery relevant and appropriate, and any dispute regarding discovery, including disputes as to the need therefor or the relevance or scope thereof, shall be determined by the arbitrators, which determination shall be conclusive.

(e) The parties and the arbitrators shall treat the proceedings, any related discovery and the decisions of the arbitral tribunal as confidential, except in connection with a judicial challenge to, or enforcement of, an award, and unless otherwise required by law.

(f) Any claim by either party, shall be time barred unless the asserting party makes a demand for arbitration with respect to such claim within the applicable statute of limitations except to the extent otherwise provided in this Agreement. Any dispute as to the timeliness of such demand or other statute of limitations issues shall be decided by the arbitrators.

(g) The award of the arbitrators shall be final and binding and shall be the sole and exclusive remedy between the parties regarding any claim, counterclaims, issues, or accounting presented to the tribunal. The arbitrators' award shall state the reasons on which the award is based. Any monetary award shall include interest from the date of any breach of or other violation of this Agreement to the date of which the award is paid, at a rate to be determined by the arbitrators. Judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof. Each of the parties hereby consents to service of process by registered mail, by receipted Federal Express or other courier delivery, or by personal delivery at its address set forth below and agrees that its submission to jurisdiction and its consent to service of process by mail is made for the express benefit of the other party.

(h) This agreement to arbitrate shall be binding upon the successors and assigns and any trustee or receiver, of each party, provided that nothing contained in this Section 9.02 shall limit the right of either party, or any of their respective Affiliates, successors, or assigns, at its election, to seek equitable remedies in a court of equity or law in the event of a breach or threatened breach hereof, without first proceeding under this Section 9.02.

ARTICLE X

MISCELLANEOUS

10.01 ENTIRE AGREEMENT. This Agreement (including the Exhibits attached hereto or referred to herein and the Designation and Pricing Forms executed under Section 4.05) constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they related in any way to the subject matter hereof.

10.02 NO THIRD-PARTY BENEFICIARIES. Except as otherwise expressly provided for in this Agreement, nothing in this Agreement, express or implied, is intended or shall be construed to confer upon or give to any employee of Seller or Buyer or any other Person, other than the parties hereto (and their successors and permitted assigns), any rights, remedies or other benefits under or by reason of this Agreement.

10.03 SUCCESSION AND ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties named herein and their respective successors and permitted assigns. No party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed, except as follows:

(a) Assignment by Seller. Except as provided in this Section 10.03, this Agreement may not be assigned by Seller in whole or in part. Notwithstanding the foregoing, at any time during the Term, Seller may assign this Agreement: upon prior written notice to Buyer, to any Person (i) (1) that is and at all times remains an Affiliate or subsidiary of Seller, or that merges or consolidates with or into Seller, or that acquires all or substantially all of the assets of Seller or (2) that is a third party purchaser for value of the Timberlands, or any portion thereof, and (ii) that assumes all liabilities and obligations of Seller under this Agreement pursuant to an instrument in form and substance reasonably satisfactory to Buyer. In addition to the foregoing, Seller may assign this Agreement as security for obligations to any lender in respect of financial arrangements of Seller. In the event of any assignment or assumption contemplated by clauses (1) and (2) above, with respect to whom all liabilities and obligations of Seller under this Agreement are expressly assumed in writing, Seller shall be released from any and all liability under this Agreement that accrues prior to the date of such assignment and assumption; provided, however, any such release of Seller shall be conditioned upon there being provided to Buyer reasonable assurances that Seller's assignee (or an agent or contractor of such assignee) is capable of performing Seller's duties and obligations under this Agreement and such assignee has agreed to perform such duties and obligations. Seller hereby covenants and agrees that it shall not sell or transfer its interest in the Timber or the Timberlands in violation of the provisions of those certain promissory notes more particularly identified and described on Exhibit E attached hereto and incorporated herein by this reference, so long as any of such promissory notes remained issued and outstanding, nor shall Seller sell all or any portion of the Timberlands the effect of which would have a material adverse effect on the geographic mix of Timber with respect to the region within which such Timber or Tracts are located. Any purported assignment or transfer of this Agreement in violation of this Section 10.04(a) shall be void and of no force or effect.

(b) Assignment by Buyer. Except as provided in this Section 10.04, this Agreement may not be assigned by Buyer in whole or in part. Notwithstanding the foregoing, at any time during the Term, Buyer may assign this Agreement, in whole or in part, (i) as security for obligations to such lenders in respect of financing arrangements of Buyer, (ii) upon prior written notice to Seller, to any Person (a) that is and at all times remains an Affiliate of Buyer controlled by Buyer, or that merges or consolidates with or into Buyer or that acquires all or substantially all of the assets of Buyer, including the Mill, and (b) that assumes all liabilities and obligations of Buyer under this Agreement

pursuant to an instrument in form and substance reasonably satisfactory to Seller, or (iii) to any purchaser, lessee or operator of one of the Mills, whether or not affiliated with Buyer. No such assignment or assumption pursuant to the preceding sentence shall in any way affect the liabilities or obligations of Buyer under this Agreement, and in the event of any such assignment or assumption, Buyer shall remain fully liable for its liabilities and obligations under this Agreement. Any purported assignment or transfer of this Agreement in violation of this Section 10.03 shall be void and of no force or effect.

10.04 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and by any party on separate counterparts, each of which as so executed and delivered shall be deemed an original, but all of which together shall constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement as to any party hereto to produce or account for more than one such counterpart executed and delivered by such party.

10.05 HEADINGS. The Article and Section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

10.06 NOTICES. All notices, certificates, requests, demands, claims, and other communications hereunder shall be given in writing and shall be delivered personally (including by personal courier or delivery service) or sent by facsimile or telegram or by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following address (or at such other addresses as shall be specified by like notice):

If to Buyer:

John E. Davis
Smurfit-Stone Container
Corporation
P.O. Box 457
Fernandina Beach, Florida 32035

Copy To:

John F. Allgood
Assistant Secretary and Regional
Counsel
Smurfit-Stone Container
Corporation
1979 Lakeside Parkway
Suite 300
Tucker, Georgia 30084

If to Seller:

Rayonier Southeast Forest Resources
Post Office Box 728
Fernandina Beach, Florida 32035-0728
Attention: Mr. W. D. Ericksen

Copies of any and all notices, requests, demands, claims or other communications of a legal nature (as distinguished from those undertaken in the ordinary course of business) shall be delivered to:

Rayonier Inc.
1177 Summer Street
Stamford, Connecticut 06905-5529
Attention: Ms. Lisa M. Palumbo
General Counsel

Any notice given personally or by mail or telegram shall be effective when received. Any notice given by facsimile shall be effective when the appropriate facsimile answer back is received.

10.07 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the state in which the Timber or Tract at issue is situated as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies (without giving effect to any choice or conflict of law, provision or rule, whether such state or any other jurisdiction, that would cause the application of the laws of any jurisdiction other than such state).

10.08 AMENDMENTS AND WAIVERS. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Seller and the Buyer. Either party hereto may, by written notice to the other party, waive any provision of this Agreement. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

10.09 SEVERABILITY. The provisions of this Agreement shall be deemed severable and any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof. If any provision of this Agreement or the application thereof to any Person or entity or any circumstance, is invalid or unenforceable, (i) a suitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (ii) the remainder of this Agreement and the application of such provision to other persons, entities or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

10.10 EXPENSES. Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, each of the parties will bear its own costs and expenses (including, but not limited to, all compensation and expenses of

counsel, financial advisors, consultants, actuaries and independent accountants) incurred in connection with this Agreement and the transactions contemplated hereby.

10.11 CONSTRUCTION. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. The parties intend that each provision contained herein shall have independent significance. If any party has breached any agreement contained herein in any respect, the fact that there exists another provision relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached shall not detract from or mitigate the fact that the party is in breach of the first representation, warranty, or covenant.

10.12 INCORPORATION OF EXHIBITS. The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

10.13 PERFORMANCE. Each of the parties acknowledges and agrees that the other party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the parties agrees that the other party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter (subject to the provisions set forth in Section 10.14 below), in addition to any other remedy to which they may be entitled, at law or in equity.

10.14 SUBMISSION TO JURISDICTION. WITHOUT LIMITING THE PARTIES' AGREEMENT TO SUBMIT ANY AND ALL DISPUTES TO ARBITRATION AS HEREIN PROVIDED, IF, NOTWITHSTANDING SAID SECTION, ANY PARTY SHALL HAVE THE RIGHT TO SEEK RECOURSE TO A COURT WITH RESPECT TO ANY DISPUTE ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTAINED IN OR CONTEMPLATED BY THIS AGREEMENT, WHETHER IN TORT OR CONTRACT OR AT LAW OR IN EQUITY, THEN ANY ACTION OR PROCEEDING IN RESPECT OF ANY SUCH DISPUTE SHALL BE BROUGHT EXCLUSIVELY IN ANY UNITED STATES DISTRICT COURT LOCATED IN THE STATE OF GOVERNING LAW (AS SET FORTH IN SECTION 10.07) (THE "JURISDICTIONAL STATE") OR THE STATE COURTS OF THE JURISDICTIONAL STATE (THE "CHOSEN COURTS") AND WITH RESPECT TO ANY SUCH ACTION EACH PARTY (I) IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE CHOSEN COURTS FOR SUCH PURPOSES, (II) WAIVES ANY OBJECTION TO LAYING VENUE IN ANY SUCH ACTION OR PROCEEDING IN THE CHOSEN COURTS, (III) WAIVES ANY OBJECTION THAT THE CHOSEN COURTS ARE AN INCONVENIENT FORUM OR DO NOT HAVE JURISDICTION OVER ANY PARTY HERETO AND (IV) AGREES THAT SERVICE OF PROCESS UPON SUCH PARTY IN ANY SUCH ACTION OR PROCEEDING SHALL BE EFFECTIVE IF NOTICE IS GIVEN IN ACCORDANCE WITH SECTION 10.06 OF THIS AGREEMENT. EACH PARTY AGREES THAT A FINAL JUDGMENT IN ANY ACTION OR PROCEEDING SO BROUGHT SHALL BE CONCLUSIVE AND MAY BE ENFORCED BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW OR AT EQUITY. EACH PARTY ALSO AGREES NOT TO BRING ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY OTHER COURT. BUYER IRREVOCABLY DESIGNATES JOHN F. ALLGOOD AS ITS AGENT AND ATTORNEY-IN-FACT FOR THE ACCEPTANCE OF SERVICE OF PROCESS ON ITS BEHALF IN ANY SUCH CLAIM OR PROCEEDING AND TAKING ALL SUCH ACTS AS MAY BE NECESSARY OR APPROPRIATE IN ORDER TO CONFER JURISDICTION OVER IT UPON THE CHOSEN COURTS AND THE BUYER STIPULATES THAT SUCH CONSENT AND APPOINTMENT IS IRREVOCABLE AND COUPLED WITH AN INTEREST. SELLER IRREVOCABLY DESIGNATES LISA M. PALUMBO AS ITS AGENT AND ATTORNEY-IN-FACT FOR THE ACCEPTANCE OF SERVICE OF PROCESS IN ANY SUCH CLAIM OR PROCEEDING AND TAKING ALL SUCH ACTS AS MAY BE NECESSARY OR APPROPRIATE IN ORDER TO CONFER JURISDICTION OVER IT UPON THE CHOSEN COURTS AND SELLER STIPULATES THAT SUCH CONSENT AND APPOINTMENT IS IRREVOCABLE AND COUPLED WITH AN INTEREST.

10.15 FULFILLMENT OF OBLIGATIONS. Any obligation of any party to any other party under this Agreement, which obligation is performed, satisfied or fulfilled by an Affiliate of such party, shall be deemed to have been performed, satisfied or fulfilled by such party.

10.16 RECORDABILITY. Seller and Buyer agree that this Agreement shall not be recorded in the public records of any county wherein the Timber is located; provided, however, Seller and Buyer agree that a notice of this Agreement in a form substantially similar to that document attached hereto as Exhibit D may be recorded.

10.17 LEGAL COMPLIANCE. Buyer shall promptly report to Seller any observed marijuana or suspected marijuana growing on or about any Tract with respect to which Buyer is conducting logging operations.

IN WITNESS WHEREOF, Seller and Buyer have each caused this Timber Cutting Agreement to be executed by their duly authorized officers, each as of the date first above written.

SELLER:

Date of execution: 10/25/99 R (1999) TIMBERLANDS LLC

By: Rayonier Timberlands Management, Inc.,
A Delaware corporation, its Managing
General Partner

By: /s/ James M. Rutledge

Title: Treasurer

Date of execution: 10/25/99 RAYONIER TIMBERLANDS OPERATING
COMPANY, L.P.

By: Rayonier Timberlands Operating Company, L.P.
A Delaware limited partnership, its sole
member

By: Rayonier Timberlands Management Inc., a
Delaware corporation, its Managing
General Partner

By: /s/ James M. Rutledge

Title: Treasurer

BUYER:

Date of execution: 10/25/99 JEFFERSON SMURFIT CORPORATION (U.S.)

By: /s/ Leslie T. Lederer

Title: Vice President

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-52857) of Rayonier Inc. and in the related Prospectus of our report dated September 15, 1999, except for Note 8, as to which the date is October 25, 1999 with respect to the financial statements of Smurfit Timberlands Operations, a business unit of Jefferson Smurfit Corporation (U.S.) included in the Current Report on Amendment No. 1 to Form 8-K/A dated November 12, 1999 of Rayonier Inc., filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

November 10, 1999
St. Louis, Missouri