

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 29, 1994.
 REGISTRATION NO. 33-
 REGISTRATION NO. 33-51972

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM S-3
 AND
 POST-EFFECTIVE
 AMENDMENT NO. 1
 TO FORM S-3
 REGISTRATION STATEMENT
 UNDER
 THE SECURITIES ACT OF 1933

RAYONIER INC.
 (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NORTH CAROLINA
 (STATE OF INCORPORATION) 13-2607329
 (I.R.S. EMPLOYER IDENTIFICATION NO.)

1177 SUMMER STREET, STAMFORD, CONNECTICUT 06905-5529
 (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

REGISTRANT'S TELEPHONE NUMBER: 203-348-7000

JOHN B. CANNING, ESQ.
 CORPORATE SECRETARY AND ASSOCIATE GENERAL COUNSEL
 RAYONIER INC.
 1177 SUMMER STREET, STAMFORD, CONNECTICUT 06905-5529
 (NAME AND ADDRESS OF AGENT FOR SERVICE)

AGENT'S TELEPHONE NUMBER: 203-348-7000

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C. DUANE BLINN, ESQ.
 DAY, BERRY & HOWARD
 CITYPLACE
 HARTFORD, CT 06103-3499

DAVID O. BROWNWOOD, ESQ.
 CRAVATH, SWAINE & MOORE
 825 EIGHTH AVENUE
 NEW YORK, NY 10019-7415

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES BEING REGISTERED	AMOUNT BEING REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Debt Securities.....	\$150,000,000(1)	100%	\$150,000,000(2)	\$51,724

(1) If any Debt Securities are issued at original issue discount, such greater amount as may result in the initial offering prices for Debt Securities aggregating \$150,000,000.

(2) Estimated solely for the purpose of calculating the registration fee.

Pursuant to Rule 429 of the General Rules and Regulations under the Securities Act of 1933, the Prospectus included in this Registration Statement is a combined Prospectus which also relates to Registration Statement No. 33-51972, previously filed by the registrant on Form S-3. This Registration Statement also constitutes Post-Effective Amendment No. 1 with respect to the registrant's Registration Statement No. 33-51972, and such Post-Effective

Amendment shall hereafter become effective concurrently with the effectiveness of this Registration Statement in accordance with Section 8(c) of the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED IN THIS PRELIMINARY PROSPECTUS SUPPLEMENT IS SUBJECT TO COMPLETION PURSUANT TO RULE 424 UNDER THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN DECLARED EFFECTIVE BY THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933. A FINAL PROSPECTUS SUPPLEMENT AND ACCOMPANYING PROSPECTUS WILL BE DELIVERED TO PURCHASERS OF THESE SECURITIES. THIS PRELIMINARY PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION
MARCH , 1994

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED MARCH , 1994)

\$100,000,000

RAYONIER INC.

% DEBENTURES DUE

The % Debentures Due (the "Debentures") will mature on ,
. Interest on the Debentures is payable semiannually on and
of each year commencing . Application has been made to
list the Debentures on the New York Stock Exchange (the "NYSE").
The Debentures will be represented by Global Securities registered in the name
of the nominee of The Depository Trust Company (the "Depository"). Interests in
the Debentures represented by Global Securities will be shown on, and transfers
thereof will be effected only through, records maintained by the Depository and
its direct and indirect participants. Except as described herein, Debentures in
certificated form will not be issued in exchange for Global Securities.
THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND
EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES
AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE
ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY
REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC(1)	UNDERWRITING DISCOUNT	PROCEEDS TO COMPANY(1)(2)
Per Debenture.....	%	%	%
Total.....	\$	\$	\$

(1) Plus accrued interest, if any, from , 1994.

(2) Before deducting expenses payable by the Company estimated at \$.

The Debentures are offered subject to receipt and acceptance by the Underwriters, to prior sale and to the Underwriters' right to reject any order in whole or in part and to withdraw, cancel or modify the offer without notice. It is expected that delivery of the Debentures will be made at the office of Salomon Brothers Inc, Seven World Trade Center, New York, New York or through the book-entry facilities of the Depository, on or about , 1994.

SALOMON BROTHERS INC

BT SECURITIES CORPORATION

MORGAN STANLEY & CO.
INCORPORATED

The date of this Prospectus Supplement is March , 1994.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE DEBENTURES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

RAYONIER INC.

Rayonier Inc. ("Rayonier" or the "Company") is a leading international forest products company primarily engaged in the trading, merchandising and manufacture of logs, timber and wood products, and in the production and sale of high value added specialty pulps. Rayonier traces its origin to the founding of Rainier Pulp and Paper Company in Shelton, Washington, in 1926. With the consolidation of several pulp companies in 1937, the Company became "Rayonier Incorporated," a corporation whose stock was publicly traded on the NYSE until Rayonier became a wholly owned subsidiary of ITT Corporation ("ITT") in 1968. On February 28, 1994, Rayonier again became an independent company when ITT distributed all of the Common Shares of Rayonier to ITT stockholders. Rayonier shares are publicly traded on the NYSE under the symbol "RYN."

Rayonier owns, leases or controls approximately 1.5 million acres of timberlands, with approximately 863,000 acres located in the Southeastern U.S., 379,000 acres in the Pacific Northwest and 253,000 acres in New Zealand. In addition, Rayonier operates three pulp mills and two lumber manufacturing facilities in the United States. With customers in over 60 countries, Rayonier has historically shipped more than half of its products to foreign markets, primarily in Asia and Western Europe.

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

TIMBER AND WOOD PRODUCTS

Rayonier is a leading international supplier of softwood logs. Rayonier owns, buys and harvests standing timber, and purchases delivered logs, in Northwest North America and New Zealand. The logs harvested and purchased are sold into export markets (primarily to Japan, Korea and China), as well as to pulp and lumber mills in domestic markets.

In the United States, Rayonier manages timberlands and sells timber stumpage (cutting rights to standing timber) directly through Rayonier Timberlands, L.P. ("RTLPL"), a master limited partnership. RTLPL's timberlands provide a major source of wood used in Rayonier's other businesses. Rayonier and Rayonier Forest Resources Company ("RFR"), a wholly owned subsidiary, are the general partners of RTLPL, and Rayonier owns all the Partnership Units of RTLPL except for 25.3 percent of the Class A Limited Partnership Units, which are publicly traded.

Rayonier's two Georgia lumber mills convert southern yellow pine timber into dimension and specialty lumber products for residential construction and industrial uses. The mills have a combined annual capacity of approximately 200 million board feet of lumber and an annual output of approximately 483,000 tons of wood chips for pulping. Their entire wood chip production is shipped to Rayonier's Jesup, Georgia pulp facility.

SPECIALTY PULP PRODUCTS

Rayonier is one of the world's leading producers of chemical cellulose, often called dissolving pulp, from which customers produce a wide variety of products, principally textile, industrial and filtration fibers, plastics and other chemical intermediate industrial products. Within the chemical cellulose industry, Rayonier concentrates on the most highly valued, technologically demanding end uses, such as cellulose acetate and high purity cellulose ethers. Rayonier believes that it is one of the world's largest manufacturers of high grade chemical cellulose. Rayonier also manufactures fluff pulps that customers

use to produce diapers and other sanitary products, and specialty paper pulps used in the manufacture of products such as filters and decorative laminates.

The Company owns and operates three wood pulp mills which have an aggregate annual capacity of approximately 826,000 metric tons. Rayonier does not convert its pulps into finished products but instead concentrates on the production of specialty market pulps that are sold to industrial companies producing a wide variety of products. Rayonier manufactures its specialty pulp products to customers' specifications. Approximately half of Rayonier's pulp sales are to export customers, with the more important overseas markets being Western Europe and Japan.

USE OF PROCEEDS

The Company intends to use the net proceeds from the sale of the Debentures to retire approximately \$100 million of short-term bank debt which was incurred as bridge financing for the payment of a \$90 million special dividend to ITT in connection with a recapitalization program and for the settlement of intercompany accounts with ITT. Pending such utilization, the proceeds may be temporarily invested in short-term marketable securities.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of December 31, 1993 on a historical basis and as adjusted to give effect to the sale of the Debentures and the application of the net proceeds therefrom.

	DECEMBER 31, 1993	
	OUTSTANDING	AS ADJUSTED
	(\$ IN MILLIONS)	
Total Short-Term Debt.....	\$ 182	\$ 82
Long-Term Debt:		
Debentures Offered Hereby.....	\$ --	\$ 100
7.5% Notes Due 2002.....	110	110
Term Loan Due 1995-1997.....	100	100
Medium-Term Notes Due 1998-1999.....	16	16
Other Long-Term Debt.....	90	90
Total Long-Term Debt (exclusive of current installments).....	316	416
Equity:		
Common Shares.....	157	157
Retained Earnings.....	449	449
Total Equity.....	606	606
Total Capitalization.....	\$ 1,104	\$1,104

SUMMARY OF HISTORICAL FINANCIAL AND OPERATING DATA

The following summary of historical financial data for each year of the five years ended December 31, 1993 is derived from the consolidated financial statements of the Company. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information incorporated by reference herein.

	YEAR ENDED DECEMBER 31,				
	1993	1992	1991	1990	1989
	(\$ IN MILLIONS)				
INCOME STATEMENT DATA:					
Sales.....	\$ 936	\$ 974	\$ 979	\$1,104	\$1,082
Cost of sales.....	782	822	846	863	801
Operating income before provision for dispositions.....	130	102	97	190	224
Provision for dispositions.....	(3)	(189)(1)	--	--	2
Operating income (loss).....	127	(87)	97	190	226
Interest expense.....	(23)	(21)	(14)	(12)	(18)
Minority interest.....	(23)	(23)	(20)	(21)	(19)
Income (loss) from continuing operations...	52	(81)	44	109	128
Provision for discontinued operations.....	--	--	--	(43)(2)	--
Cumulative effect of accounting changes....	--	(22)(3)	--	--	--
Net income (loss).....	52	(103)	44	66	128
DIVIDENDS(4).....	122	18	20	61	48
BALANCE SHEET DATA:					
Total assets.....	\$1,475	\$1,476	\$1,372	\$1,353	\$1,330
Short-term bank debt and current maturities of long-term debt.....	182	102	12	32	7
Long-term debt.....	316	302	193	141	174
Shareholder equity.....	606	676	797	772	767
CASH FLOW DATA:					
Capital expenditures.....	\$ 72	\$ 97	\$ 134	\$ 100	\$ 80
New Zealand acquisition.....	--	197	--	--	--
Depreciation, depletion and amortization...	78	78	69	64	64
EBITDA(5).....	187	156	147	234	271
EBIT(6).....	109	78	78	170	207
SELECTED FINANCIAL RATIOS (UNAUDITED):					
Total debt to capitalization.....	45%	37%	21%	18%	19%
Total debt to EBITDA.....	2.7x	2.6x	1.4x	0.7x	0.7x
EBIT/Interest expense.....	4.7x	3.7x	5.6x	13.7x	11.6x

	YEAR ENDED DECEMBER 31,				
	1993	1992	1991	1990	1989
SELECTED OPERATING DATA (UNAUDITED):					
TIMBER AND WOOD PRODUCTS SEGMENT					
Log Sales:					
North America -- million board feet...	475	435	506	585	629
New Zealand -- thousand cubic meters.....	1,375	682	259	114	57
Other -- million board feet.....	11	--	--	--	--
Timber Harvested:					
Northwest U.S. -- million board feet.....	143	195	189	202	270
Southeast U.S. -- thousand short green tons.....	2,001	2,006	2,037	1,838	1,765
New Zealand -- thousand cubic meters.....	918	636	--	--	--
Lumber sold -- million board feet.....	125	118	103	113	109
Intercompany Sales:					
Logs -- million board feet.....	15	25	35	31	63
Northwest U.S. Timber					
Stumpage -- million board feet.....	28	44	68	69	92
Southeast U.S. Timber					
Stumpage -- thousand short green tons.....	299	317	398	114	129
Wood Chips to Jesup pulp mill -- thousand short green tons.....	319	352	320	356	295
SPECIALTY PULP PRODUCTS SEGMENT					
Chemical cellulose sales -- thousand metric tons.....	369	399	412	403	436
Fluff and specialty paper sales -- thousand metric tons(7).....	352	367	409	446	318
Production as a percentage of capacity...	85%	95%	97%	96%	92%

- (1) Represents a charge of \$189 million (\$121 million after-tax) to provide for the loss on the disposal of assets along with the costs for severance, demolition and other closedown items associated with the disposition of certain facilities; \$180 million (\$115 million after-tax) of this charge relates to the Grays Harbor Complex (as defined elsewhere herein).
- (2) Represents adjustments for reserves of discontinued operations which, net of taxes, were \$43 million in 1990.
- (3) Represents the cumulative effect of accounting changes due to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions," and SFAS No. 112 "Employers' Accounting for Postemployment Benefits." These standards were adopted as of January 1, 1992 using the immediate recognition method, and the resulting after-tax charge of \$22 million (\$33 million pre-tax) is included in net income (loss) in 1992.
- (4) Pursuant to a recapitalization program, Rayonier paid a special dividend to ITT in the fourth quarter of 1993 of \$90 million. Dividends paid by Rayonier to ITT are not indicative of future dividends. In the first quarter of 1994, the Board of Directors declared a dividend of \$.18 per share payable on March 31, 1994 to holders of record of Rayonier Common Shares on March 10, 1994.
- (5) EBITDA is defined as earnings (income) from continuing operations before the cumulative effect of accounting changes, provision for dispositions, income taxes, interest expense and depreciation, depletion and amortization.
- (6) EBIT is defined as earnings (income) from continuing operations before the cumulative effect of accounting changes, provision for dispositions, income taxes and interest expense.
- (7) Excludes wood pulp produced by the Grays Harbor pulp mill of 62, 78, 103 and 105 thousand metric tons for the years ended December 31, 1992, 1991, 1990 and 1989, respectively.

SEGMENT INFORMATION

The amounts and relative contributions to sales and operating income attributable to each of Rayonier's business segments for each of the last three years ended December 31, 1993 were as follows:

SALES	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	(\$ IN MILLIONS)		
Timber and Wood Products:			
Log Trading and Merchandising.....	\$ 365	\$ 301	\$ 294
Timberlands Management and Stumpage (Standing Timber) Sales.....	120	123	106
Wood Products Sales.....	47	33	24
Total Before Intrasegment Eliminations.....	532	457	424
Intrasegment Eliminations.....	(16)	(14)	(22)
Total Timber and Wood Products.....	516	443	402
Specialty Pulp Products:			
Chemical Cellulose.....	279	307	325
Fluff and Specialty Paper Pulps.....	183	218	228
Total Specialty Pulp Products.....	462	525	553
Intersegment Eliminations.....	(42)	(34)	(31)
Total Before Dispositions.....	936	934	924
Dispositions.....	--	40	55
Total Sales.....	\$ 936	\$ 974	\$ 979

OPERATING INCOME (LOSS)	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	(\$ IN MILLIONS)		
Timber and Wood Products.....	\$ 144	\$ 100	\$ 79
Specialty Pulp Products.....	(4)	16	44
Corporate and Other.....	(8)	(10)	(9)
Intersegment Eliminations.....	(2)	3	(1)
Total Before Dispositions.....	130	109	113
Dispositions.....	(3)	(196)	(16)
Total Operating Income (Loss).....	\$ 127	\$ (87)	\$ 97

RECENT EVENTS

On February 28, 1994, ITT, Rayonier's then sole shareholder, distributed, as a special dividend, all of the Common Shares of Rayonier to the holders of ITT Common Stock and ITT Series N Preferred Stock (the "Distribution"). In connection with the Distribution, the Company changed its name from ITT Rayonier Incorporated to Rayonier Inc. and became a publicly traded company listed on the NYSE under the symbol "RYN". On March 1, 1994, there were approximately 29.6 million Common Shares of Rayonier outstanding.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
SEE "SEGMENT INFORMATION."

BUSINESS CONDITIONS

Operating results in the forest products industry are cyclical. Rayonier's recent operating results for the Timber and Wood Products segment have improved due to significantly higher selling prices and increased activity resulting from the Company's May 1992 expansion of its New Zealand operations. However, Rayonier's recent operating results for the Specialty Pulp Products segment have been adversely affected by lower selling prices and reduced shipments resulting from excess capacity in the pulp industry combined with weak domestic and international markets. As a result, sales for the Company's Specialty Pulp Products segment declined in the last three fiscal years, affecting total Company sales results. In 1992 and 1993, increasing Timber and Wood Products sales have offset the Specialty Pulp Products sales decline. During the most recent economic downturn, the Company remained profitable, except for the effect of the pre-tax restructuring charge for the Grays Harbor Complex (as defined below) of \$180 million, which resulted in a net loss in 1992 of \$103 million.

Specialty Pulp Products operating results in 1993 continued to decline from prior year levels as a result of an extended period of slow economic growth and overcapacity in the industry. The Company expects that this business segment will continue to be under pressure in 1994.

Rayonier's results continue to be heavily dependent on the pulp industry cycle, and the Company continues to look at the strategic value of its facilities in light of these market conditions. In 1992 the Company permanently closed operations at the Grays Harbor Pulp Mill and Vanillin plant and the associated Grays Harbor Paper Company (collectively referred to as the Grays Harbor Complex). The Company took a charge of \$189 million (\$121 million after-tax) in the year for the write-off of assets and closure costs for certain facilities; \$180 million (\$115 million after-tax) of this charge related to the Grays Harbor Complex.

The Company's two remaining sulfite mills, Port Angeles, Washington, and Fernandina Beach, Florida, are currently facing severe margin pressure as a result of many factors including their age and size and possible environmental compliance costs. The mill in Port Angeles, Washington, in particular, has faced and will likely continue to face significantly higher wood costs than facilities in other parts of the country. The viability of these two particular facilities will be dependent upon a resurgence of economic growth in Rayonier's markets and, for the Port Angeles mill, the return of Northwest wood costs to a more competitive level. If the resurgence in economic growth is delayed, and, in the case of Port Angeles, raw material wood costs do not become more competitive, the Company may be faced with considering other alternatives relative to these facilities. Potential options include sale of the facilities, a restructuring of the operations to make alternative products, temporary mothball of the facilities, joint-venture arrangements or possible closure and termination of operations. The net plant and equipment invested in the Port Angeles and Fernandina pulp facilities was \$101 million and \$142 million, respectively, at December 31, 1993.

The Company's repositioning of strategic assets into timber and wood markets, such as the expansion of its New Zealand timber and wood based operations, and its significant timberland holdings, have allowed it to moderate the effect of the pulp cycle and, except for the significant write-off of the Grays Harbor Complex in 1992, report profitable results for the last three fiscal years.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1993 COMPARED WITH
THE YEAR ENDED DECEMBER 31, 1992

SALES AND OPERATING INCOME

Sales of \$936 million for the year ended December 31, 1993 were \$38 million (4 percent) lower than the comparable period of 1992. Operating income of \$127 million for the year ended December 31, 1993 increased \$214 million over the comparable 1992 period.

Timber and Wood Products

Sales for the Timber and Wood Products segment were \$516 million, an increase of \$73 million (16 percent) over 1992 sales due to significantly higher selling prices and increased activity resulting from the Company's May 1992 major expansion of its New Zealand operations, partially offset by lower North American log and stumpage volume. Prices were substantially higher for stumpage, logs and lumber products due to supply shortages caused by environmental restrictions and litigation in the Northwest U.S., wet weather conditions in the Southeast U.S. in the first quarter, and concerns over the availability of timber and lumber supplies worldwide. Sales in 1993 were adversely affected by lower timber harvest volumes in the Northwest as a result of customers delaying stumpage harvesting due to previously contracted prices outpacing end use export log values. Sales in 1992 included \$17 million in timberland parcel sales in the Northwest with no comparable sales during 1993.

Timber and Wood Products operating income improved \$44 million (44 percent) to \$144 million, reflecting significantly improved stumpage, log and lumber prices and expanded New Zealand operations. The 1992 operating income included \$16 million from the Northwest timberland parcel sales. Other operating expenses in 1992 included several charges for contract settlements and reserves.

Specialty Pulp Products

Sales for the Specialty Pulp Products segment were \$462 million, declining \$63 million (12 percent) from the prior period. The decrease primarily reflects lower selling prices and reduced volume resulting from excess capacity in the pulp industry combined with weak domestic and international markets.

Operating income for Specialty Pulp Products decreased \$20 million to an operating loss of \$4 million, reflecting lower pulp prices, lower sales volume, temporary market related downtime costs and higher pulpwood costs.

Dispositions

The Dispositions segment includes the results of the Grays Harbor Complex which was closed in 1992, and other miscellaneous operations that are being held for disposition. These operations had no sales in 1993 versus sales of \$40 million in 1992. Operating losses of this segment were \$3 million in 1993, representing a provision for disposition of other miscellaneous operations. Operating losses of the Dispositions segment were \$196 million in 1992 which included a provision for dispositions of \$189 million related to the closure of the Grays Harbor Complex and other miscellaneous facilities. A portion of the Grays Harbor Complex assets were sold in August 1993 for cash and notes. See "Business -- Dispositions/Discontinued Operations." The Company is still completing demolition, personnel termination, environmental remediation and other closure programs.

OTHER ITEMS

Commission expenses for the year ended December 31, 1993 decreased \$12 million from the prior year, as 1992 included external commissions incurred under a sales agency agreement with ITT Foreign Sales Corporation ("FSC"). Effective January 1, 1993, ITT transferred ownership of FSC to Rayonier.

Equity in the net loss of Grays Harbor Paper Company decreased \$3 million from the prior year as this joint venture company ceased operations in late 1992. See "Business -- Dispositions/Discontinued Operations."

Interest expense increased \$2 million from the prior year reflecting higher debt levels resulting from the May 1992 New Zealand timber rights acquisition.

INCOME TAXES

The provision for income taxes was adversely impacted by the effects of tax reform legislation enacted August 10, 1993. This legislation increased the corporate income tax rate from 34 percent to

35 percent retroactive to January 1, 1993 and eliminated tax benefits related to log exports for foreign sales corporations effective in the third quarter. The provision for income taxes includes a charge of \$2 million as a result of the remeasurement of the Company's deferred tax liability for the 1 percent increase in the corporate income tax rate. In total, the 1993 tax reform legislation negatively impacted results by approximately \$3 million.

NET INCOME

Net income in 1993 was \$52 million compared to a net loss of \$103 million in 1992. As noted above, the 1992 net loss includes commission expenses of \$12 million, pretax (\$8 million after-tax) incurred under a sales agency agreement with FSC and \$190 million, pretax (\$123 million after-tax) of operating losses, equity losses and closure provision relating to the Grays Harbor Complex. In addition, in 1992 the Company recorded an after-tax charge of \$22 million to reflect the cumulative effect of accounting changes for the adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits." Excluding the cumulative effect of accounting changes, the FSC commission expense and the effect of the Grays Harbor Complex related expenses recorded in 1992, net income of \$52 million in 1993 increased \$3 million or 6 percent over last year's comparable net income of \$49 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities for 1993 amounted to \$129 million, an increase of \$5 million from the prior year. Cash from operating activities and an increase in debt of \$95 million were mainly used for capital expenditures of \$72 million, cash dividends to ITT of \$122 million, environmental remediation and other corrective action programs at Rayonier's wholly owned subsidiary, Southern Wood Piedmont Company ("SWP"), and various closure costs of units held for disposition of \$28 million.

The Company's EBITDA, defined as earnings (income) from continuing operations (before the cumulative effect of accounting changes and any provision for dispositions) before income taxes, interest expense and depreciation, depletion and amortization, for 1993 amounted to \$187 million, increasing \$31 million from the prior year, due to the higher pre-tax income reported in 1993.

The forest products industry requires substantial annual capital expenditures to maintain production facilities at peak operating efficiency and to comply with environmental standards. See "-- Environmental Regulation."

As of December 31, 1993, the Company had negative working capital of \$39 million as compared to working capital of \$7 million at December 31, 1992. Bank loans and current maturities of long-term debt increased \$80 million, primarily to fund a \$90 million dividend to ITT and a portion of intercompany settlements of \$21 million related to the Distribution. (The impact on income for additional debt of \$111 million will be approximately \$8 million (\$5 million, after-tax) on an annual basis, assuming an average incremental borrowing rate of 7.7 percent.) The Company's current assets also increased in several categories, including accounts receivable by \$8 million and prepaid timber stumpage by \$15 million. The Company is working with its lenders on a program to refinance a portion of its short-term debt with long-term funding sufficient to return to a positive working capital position. The Company expects to complete this program in the second quarter of 1994.

Under a lease to the Company of its Baxley, Georgia sawmill entered into in 1985, the trustee on behalf of the lessor and the loan participant has the right to require the Company to purchase the sawmill for approximately \$8.4 million because ITT has ceased to own a majority of the Company's voting stock.

As a result of ITT's decision to make the Distribution, Rayonier's senior debt ratings were placed under review. Moody's Investor Service confirmed the Company's rating at Baa2 and Standard & Poor's Corporation ("S&P") lowered the Company's rating from A+ to BBB. The earlier S&P rating had carried with it an implied support from ITT (although ITT did not have any legally enforceable obligations with

respect to Rayonier's debt). It is expected that some of the Company's borrowing costs may rise as a result of the Distribution, but the increased interest expense, if any, is not expected to be material.

The Company has established a \$174 million medium-term note program. Such notes may be due nine months or more from the date of issue and will be pari passu with the Debentures. No assurance can be made as to the amount or timing of any offerings or sales under the program.

ENVIRONMENTAL REGULATION

The Company has become subject to increasingly stringent environmental laws and regulations concerning air emission, water discharges and waste disposal which, in the opinion of management, will require substantial expenditures over the next ten years. During 1993, 1992, 1991 and 1990 the Company spent approximately \$3 million, \$25 million, \$43 million and \$15 million, respectively, for capital projects related to environmental compliance for its continuing operations. The Company expects to spend approximately \$4 million on such projects for its continuing operations for the two-year period 1994-1995. However, recently proposed Federal environmental regulations governing air and water discharges may require further expenditures and, if finally enacted in their proposed form, would prevent Rayonier from meeting certain product quality specifications for substantially all of its chemical cellulose products and in other cases will increase the cost of making its products. Sales of the Company's chemical cellulose products accounted for approximately 30 percent of the Company's total 1993 sales. While these regulations may have a material effect on the Company's operations if not changed, it will not be possible for the Company to determine the nature or costs of such effect until the regulations are issued in final form. The Company recently developed initial order of magnitude estimates of the costs of complying with these regulations if they are modified to remove the technological bases that would prevent Rayonier from manufacturing some of its products. These estimates indicate that with incremental capital expenditures of approximately \$95 million at Jesup, \$55 million at Fernandina Beach and \$40 million at Port Angeles, the Company could continue to manufacture its current product line. Such expenditures would most likely be incurred over several years and not commence before 1995. Rayonier, however, will continue to argue, both individually and through the industry trade association, for modifying the proposed operating guidelines further to eliminate errors it believes the agency has made and Rayonier will continue to explore new and revised operating and technical process alternatives in lieu of spending such funds. Rayonier cannot predict, however, whether these efforts will be successful.

Over the past three years, the harvest of timber from private lands in the State of Washington has been restricted as a result of the listing of the northern spotted owl as a threatened species under the Endangered Species Act ("ESA"). These restrictions have caused RTLP to restructure and reschedule some of its harvest plans. The U.S. Fish and Wildlife Service ("FWS") is developing a proposed rule under the ESA to redefine protective measures for the northern spotted owl on private lands. This proposed rule, as currently drafted, would reduce the harvest restrictions on private lands except within specified special emphasis areas, where restrictions would be increased. One proposed special emphasis area is on the Olympic Peninsula, where a significant portion of RTLP's Washington timberlands is located. The new rule may also include guidelines for the protection of the marbled murrelet, also recently listed as a threatened species. Separately, the State of Washington Forest Practices Board is in the process of adopting new harvest regulations to protect the northern spotted owl and the marbled murrelet. The State Department of Natural Resources draft of this rule also provides for a special emphasis area to protect the northern spotted owl on the Olympic Peninsula, which would increase harvest restrictions on the Company's lands. The Company is unable at this time to predict the form in which the Federal or state rules will eventually be adopted. However, if either rule is adopted in the form proposed by the respective agencies, the result will be some reduction in the volume of Company timber available for harvest.

BUSINESS

GENERAL

Rayonier is a leading international forest products company primarily engaged in the trading, merchandising and manufacture of logs, timber and wood products, and in the production and sale of high value added specialty pulps. In 1993, timber and wood products accounted for 51 percent of sales and pulp products accounted for 49 percent of sales. With customers in over 60 countries, more than half of Rayonier's 1993 sales of \$936 million were shipped to customers outside of the United States, with Asian and Western European customers representing 36 percent and 12 percent of total sales in 1993, respectively. No single customer accounts for more than 8 percent of total sales.

Rayonier owns, leases or controls approximately 1.5 million acres of timberland in the United States and New Zealand. In addition, Rayonier operates three pulp mills and two lumber manufacturing facilities in the United States.

Rayonier traces its origin to the founding of Rainier Pulp and Paper Company in Shelton, Washington, in 1926. With the consolidation of several pulp companies in 1937, the Company became "Rayonier Incorporated", a corporation whose stock was publicly traded on the NYSE until Rayonier became a wholly owned subsidiary of ITT in 1968. On February 28, 1994, Rayonier again became an independent company when ITT distributed all of the Common Shares of Rayonier to ITT stockholders. Rayonier shares are publicly traded on the NYSE under the symbol "RYN". See "Recent Events."

TIMBER AND WOOD PRODUCTS

Rayonier owns, buys and harvests timber stumpage, and purchases delivered logs, in North America and New Zealand for subsequent sale into export markets (primarily to Japan, Korea and China), as well as to domestic lumber and pulp mills. Rayonier also produces dimension and specialty lumber products for residential construction and industrial uses.

Rayonier participates in the worldwide timber and wood products business in three specific ways:

Log Trading and Merchandising -- The Company harvests logs from Company owned parcels and from third party parcels on which the Company has acquired cutting rights and purchases logs on the open market. The Company subsequently packages and sells these logs throughout the world.

Timberlands Management and Stumpage (Standing Timber) Sales -- The Company manages owned, leased and otherwise controlled timber properties and, after scientifically growing and nurturing the trees to their economic peak, sells the cutting rights to the timber on these properties at market prices through auction or negotiation. See "-- Rayonier Timberlands, L.P."

Wood Products Sales -- The Company manufactures and sells lumber products for construction and other uses both domestically and in international markets.

Log Trading and Merchandising

Rayonier is a leading supplier and exporter of softwood logs. Rayonier buys and harvests timber stumpage principally in Northwest North America from third parties as well as from Company sources on an arm's-length basis, competitively auctioned or negotiated. The Company also purchases, merchandises and sells purchased logs from New Zealand, both domestically in New Zealand as well as in export markets. The sale of logs accounted for approximately 71 percent of the Timber and Wood Products segment's sales in 1993. In 1993, 64 percent of New Zealand's sales came from Company-managed timberlands. In North America 8 percent was directly sourced from Rayonier timberlands with an additional 2 percent purchased as logs from local dealers who had, in turn, purchased their cutting rights from the Company's timberland stumpage sales.

The logs harvested and purchased are sold into export markets (primarily to Japan, Korea and China), as well as to pulp and lumber mills in domestic markets. The Company also trades Canadian and

Russian timber. During 1993, approximately 83 percent of the revenues Rayonier derived from the sale of logs were from logs sold to export markets.

Timberlands Management and Stumpage (Standing Timber) Sales

Rayonier manages timberlands, scientifically growing and nurturing tree stands until their economic peak for specific markets. As of December 31, 1993, Rayonier managed approximately 1.5 million acres of timberlands, with approximately 863,000 acres or 58 percent located in the Southeastern United States, approximately 379,000 acres or 25 percent located in the Pacific Northwest (See "-- Rayonier Timberlands, L.P.") and approximately 253,000 acres or 17 percent located in New Zealand.

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

Also key to the success of the Company's management of timberlands has been the extensive application of Rayonier's silvicultural expertise to species selection for plantations, soil preparation, thinning of timber stands, pruning of selected species and careful timing of harvest, all designed to maximize growth and forest yields while responding to environmental needs. The average rotation age for timber destined for export markets from the Northwestern United States is 50 years (primarily hemlock and Douglas fir species). The average rotation age for timber from the Southeastern United States is 25 years for timber sold to sawmills and 20 years for pulp wood destined for pulp and paper mills. The Company manages its timberlands on a sustainable yield basis in conformity with forest industry practices. Management of the Company's forest resources includes the annual planting of millions of genetically improved seedlings developed at Rayonier or cooperative nurseries.

The 863,000 acres of Southeastern timberlands are located primarily in Georgia and Florida. Their proximity to a large number of pulp, paper and lumber mills results in significant competition for the purchase of Rayonier's timber. Approximately 726,000 acres are owned in fee and 137,000 acres are held under long-term leases. The Southeastern timberlands include approximately 554,000 acres of pine plantations, 290,000 acres of hardwood lands and 19,000 non-forest acres (representing main line and access roads and other acreage not suitable for forest development). Approximately 60 percent of the timber harvest is pulpwood, which is destined for pulp mills, with the remaining 40 percent being higher value sawlogs, which are sold to sawmills. Over the last five years the Company, through advanced silvicultural practices, has been able to increase the amount of timber volume per acre available for harvest from its Southeastern timberlands by approximately 2-3 percent per year and expects this trend to continue.

The 379,000 acres of the Company's Northwestern timberlands are located primarily on the Olympic Peninsula in Washington state, are all owned in fee and consist almost entirely of second-growth trees. The dramatic reduction of Northwest federal timber supply due to a shift to preservationist management has significantly increased demand on all alternative private timber supply, including that of the Company. These timberlands include approximately 322,000 acres of softwood stands, approximately 70 percent of which is hemlock and 30 percent Douglas fir, western red cedar and white fir. The Northwestern timberlands also include approximately 19,000 acres of hardwood timber stands, consisting principally of alder and maple. The remaining 38,000 acres are classified as non-forest lands.

On May 15, 1992, Rayonier, through its wholly owned New Zealand subsidiary, purchased for approximately \$197 million from the New Zealand government forest assets consisting primarily of Crown Forest licenses providing the right to utilize approximately 250,000 acres of New Zealand plantation forests for a minimum period of 35 years. Most of these timberlands consist of radiata pine trees, with a planting-to-harvesting time of approximately 27 years, well-suited for the highest quality lumber and panel products. These trees typically produce up to twice as much fiber per acre, per year as the most productive commercial tree species in the United States. Rayonier intends to grow and harvest the New Zealand timber for both domestic New Zealand uses and for export primarily to Pacific Rim markets. The

Company believes the acquisition was an important strategic initiative in that it increased Rayonier's assets employed in the Timber and Wood Products segment from 29 percent to 40 percent of total assets from 1991 to 1992, further reducing the effects of the Specialty Pulp Products segment's cyclicality on Rayonier's earnings and cash flows because of the more stable characteristics of the timber stumpage business.

Wood Products Sales

Rayonier's two Georgia lumber mills located at Baxley and Swainsboro convert southern yellow pine timber into dimension and specialty lumber products for residential construction and industrial uses. The Baxley mill utilizes modern and technologically advanced equipment, including computer and laser technology. The other lumber mill (an integrated complex located at Swainsboro and Lumber City, Georgia) was acquired in October 1993. The mills have a combined annual capacity of approximately 200 million board feet of lumber and an annual output of approximately 483,000 tons of wood chips for pulping. The mills sell their lumber output primarily in Southeastern markets. Their entire wood chip production, however, is shipped to Rayonier's Jesup, Georgia pulp facility and accounts for approximately 20 percent of Jesup's pine chip consumption. The sale of lumber accounted for approximately 9 percent of the Timber and Wood Products segment's sales in 1993.

Sales of logs and lumber in the Timber and Wood Products segment are made directly by Rayonier sales personnel to customers, although sales to certain export locations are made through agents.

SPECIALTY PULP PRODUCTS

Rayonier is a leading specialty manufacturer of chemical cellulose, often called dissolving pulp, from which customers produce a wide variety of products, principally textile, industrial and filtration fibers, plastics and other chemical intermediate industrial products. Rayonier believes that it is one of the world's largest manufacturers of high grade chemical cellulose. Rayonier also manufactures fluff pulps that customers use to produce diapers and other sanitary products, and specialty paper pulps used in the manufacture of products such as filters and decorative laminates.

Rayonier manufactures its specialty pulp products to customers' specifications. Approximately half of Rayonier's pulp sales are to export customers, with the more important overseas markets being Western Europe (23 percent of sales) and Japan (12 percent of sales). Over 90 percent of specialty pulp products sales are made directly by Rayonier sales personnel. In certain of the Company's export locations, sales are made with the aid of agents.

Rayonier manufactures more than 25 different grades of pulp. The Company owns and operates three wood pulp mills which have an aggregate annual capacity of approximately 826,000 metric tons. Rayonier's wood pulp production facilities are able to manufacture a broad mix of products to meet customers' needs. The Company owns wood pulp production facilities in Jesup, Georgia; Fernandina Beach, Florida; and Port Angeles, Washington. The Jesup facility, a kraft mill that began operations in 1954 and was subsequently significantly expanded and modernized, today accounts for approximately 530,000 metric tons of annual wood pulp production capacity, or 64 percent of Rayonier's current total. The Fernandina Beach facility began operations in 1939 and accounts for approximately 146,000 metric tons of annual wood pulp production capacity, or 18 percent of Rayonier's current total. The Port Angeles facility began operations in 1929 and accounts for approximately 150,000 metric tons of annual wood pulp production capacity, or 18 percent of Rayonier's current total.

Pulp Pricing

Rayonier believes pulp industry prices are currently at or near a cyclical low. On an inflation adjusted basis such prices are at or below historical lows. However, while Rayonier's pricing has been adversely impacted, the Company's higher value pulps are significantly less cyclical than commodity paper pulp.

Because Rayonier is a non-integrated market pulp producer, its high value product mix pricing trends tend to lag (on both the upturn and downturn) pulp and paper industry trends which are dominated by paper, paperboard and newsprint products. Over the past ten to twelve years, compared to commodity paper pulp prices, the Company's price trends for fluff grades have lagged by one to two quarters and for chemical cellulose by three to four quarters.

FOREIGN SALES AND OPERATIONS

Rayonier relies on foreign markets for its pulp and timber products, with approximately 50 percent of its sales going to foreign customers during the past five years. In 1993, Asian markets accounted for 30 percent of U.S. sales and Western Europe 12 percent. Exports, primarily to Asian markets, also accounted for 78 percent of Rayonier's New Zealand sales. The Company is therefore reasonably dependent upon strong economic growth in all international markets as well as in the United States. With alternate markets in Latin America and the Middle East, however, the Company has been able to spread its geographical risk when specific markets have entered economic recessions.

In recent years, substantially all of Rayonier's operating activities have been in the United States. In May 1992, the Company purchased timber rights in New Zealand, significantly increasing its overseas assets. Overseas assets amounted to 15 percent of total assets as of the end of 1993, and Rayonier's sales from non-U.S. sources in 1993 were 10 percent of total sales.

The following tables summarize the sales, operating income and identifiable assets of the Company by geographical operating area for the three years ended December 31, 1993 (in millions of dollars):

	SALES			OPERATING INCOME (LOSS)			IDENTIFIABLE ASSETS		
	1993	1992	1991	1993	1992	1991	1993	1992	1991
United States.....	\$839	\$944	\$968	\$103	\$ (89)	\$ 99	\$1,248	\$1,271	\$1,367
New Zealand.....	93	30	11	27	5	1	226	205	5
All other.....	4	--	--	(3)	(3)	(3)	1	--	--
Total.....	\$936	\$974	\$979	\$127	\$ (87)	\$ 97	\$1,475	\$1,476	\$1,372

DISPOSITIONS/DISCONTINUED OPERATIONS

Dispositions/Discontinued Operations includes units and site facilities no longer considered integral to Rayonier's business strategy. This segment includes operations of SWP, the Grays Harbor Complex and other miscellaneous operations held for disposition.

Management made a determination effective December 31, 1986 to phase out and discontinue SWP, its treated wood and preserving business subsidiary, establishing an after-tax provision for its discontinuation. Increases to the after-tax provision were recorded in 1988 and 1990, primarily as a result of revisions in Rayonier's estimate of environmental costs for closure, post-closure, and corrective action programs at SWP.

Rayonier is currently actively involved in implementing cleanup and closure programs for SWP in compliance with the Resource Conservation and Recovery Act ("RCRA") and is in negotiations with Federal and state environmental agencies on such programs. The costs of the corrective action and closure programs at SWP's nine primary manufacturing locations are affected by many factors, which has led to increases in the reserves for such programs in the past, and may result in increases in the future, as the effectiveness of the existing cleanup programs is measured against applicable standards. Expenditures for such programs will also depend on new laws, regulations and administrative interpretations, governmental responses to programs proposed by Rayonier and changes in environmental control technology. Although considerable progress on cleanup was made by year-end 1993, in particular at three of SWP's nine locations where the installation of corrective action facilities has been completed, there is still uncertainty as to the timing and amount of expenditures beyond 1993 at these sites and the extent and timing for completing programs at all sites.

In 1992, Rayonier provided \$180 million, pre-tax, for the loss on disposal of assets along with the costs for severance, demolition and other close down items associated with the disposition of the Grays Harbor Complex. In August 1993, a portion of the Grays Harbor Complex was sold for cash and notes. The Company is still completing demolition, personnel termination, environmental remediation and other closure programs.

As of December 31, 1993 the Company had \$76 million reserved for discontinued operations and units held for disposition. Subject to the uncertainties discussed above, the Company believes that its reserves established to divest or close all of these business activities are adequate. The Company further believes that future changes in estimates, if necessary, will not materially affect the financial condition of the Company.

RAYONIER TIMBERLANDS, L.P.

In the United States, Rayonier manages timberlands and sells timber stumpage directly through RTLP, a publicly traded master limited partnership. Rayonier and RFR, a wholly owned subsidiary, are the general partners of RTLP. Rayonier also owns 74.7 percent of the Class A Limited Partnership Units, the remaining 25.3 percent being publicly held. Class A Units participate principally in the revenues, expenses and cash flow associated with RTLP's sales of timber through December 31, 2000 and to a significantly lesser extent in subsequent periods. RTLP's sales of timber after that date as well as cash flow associated with land management activities before and after that date are principally allocable to the Class B Limited Partnership Units, all of which have been retained by Rayonier. RTLP, through Rayonier Timberlands Operating Company, L.P., owns, leases and manages timberlands in the Southeastern and Northwestern United States previously owned or leased by Rayonier, sells timber stumpage from such timberlands and from time to time purchases and sells timberlands. RTLP's timberlands provide a major source of wood used in Rayonier's other businesses. Since RTLP is majority owned by the Company, RTLP is included in the Company's consolidated financial statements as a consolidated entity. The Company's investment in RTLP as of December 31, 1993 was \$219 million, on the basis of historical cost.

ENVIRONMENTAL MATTERS

Rayonier's current and future operations are closely linked with the environment. Timber regeneration, wildlife protection, recycling and waste reduction, energy conservation and compliance with increasingly stringent environmental standards are significant factors affecting operations. As a result, Rayonier closely monitors all of its environmental responsibilities, together with trends in environmental laws.

Historically, Rayonier has invested substantial capital in order to comply with Federal, state and local environmental laws and regulations. During 1993, 1992, 1991 and 1990, capital expenditures attributable to environmental compliance amounted to \$3 million, \$25 million, \$43 million and \$15 million, respectively. By making the anticipated expenditures for its ongoing pollution abatement program, Rayonier believes that it will continue to meet the environmental standards now applicable to its various facilities. Failure to meet applicable pollution control standards could result in interruption or suspension of operations of the affected facilities, or could require additional capital expenditures at these facilities in the future.

Rayonier believes that the Clean Air Act Amendments of 1990 (the "CAAA") will require substantial capital expenditures by the pulp and paper industry over the next ten years. In particular, regulations recently proposed by the U.S. Environmental Protection Agency (the "EPA") would require incineration of volatile pulp mill emissions and scrubbing of similar emissions from bleach plants. While Rayonier has some of the technology to meet these proposed regulations in place, it believes that certain parts of this proposal are not based on sound technology and are outside the authority of the law that the EPA seeks to apply. During the regulatory comment period, Rayonier expects to file comments with the EPA documenting this position and seeking to have the EPA modify these proposed regulations.

Rayonier believes that many provisions of these proposed regulations, if adopted in their current form, would also require substantial modifications in the operations of most mills within the industry. Other provisions of the CAAA will require more stringent monitoring of mill emissions than has previously been required in order to demonstrate compliance with air permits to be issued under Title V of the CAAA. These permits will apply emission limitations on a facility-wide basis to each of Rayonier's mill operations.

The EPA is also revising effluent guidelines applicable to pulp and paper facilities under the Clean Water Act (the "CWA"). The proposed regulations, which are designed to reduce or eliminate the discharge of chlorinated organics, are, in some cases, based on technological requirements which would prevent Rayonier from meeting certain product quality specifications for substantially all of its chemical cellulose products and in other cases will increase the cost of making its products. Sales of the Company's chemical cellulose products accounted for approximately 30 percent of the Company's total 1993 sales. Rayonier expects to file comments with the EPA during the CWA regulatory comment period to challenge the technical and legal bases of these proposed regulations and to seek to have the proposals modified by the EPA.

These proposed regulations would also require a large reduction in the discharge of conventional pollutants from dissolving sulfite mills (Rayonier's Port Angeles, Washington and Fernandina Beach, Florida mills are dissolving sulfite mills). Rayonier expects to submit comments challenging the technical and legal bases for the proposed regulations.

The proposed regulations under the CAAA and CWA are scheduled to be promulgated in final form by late 1995, and compliance must be achieved within three years thereafter. Although these regulations, if not changed, may have a material effect on Rayonier's operations, it will not be possible for Rayonier to determine the nature or costs of such effect until the regulations are issued in final form. The Company recently developed initial order of magnitude estimates of the costs of complying with these regulations if they are modified to remove the technological bases that would prevent Rayonier from manufacturing some of its products. These estimates indicate that with incremental capital expenditures of approximately \$95 million at Jesup, \$55 million at Fernandina Beach and \$40 million at Port Angeles, the Company could continue to manufacture its current product line. Such expenditures would most likely be incurred over several years and not commence before 1995. Rayonier, however, will continue to argue, both individually and through the industry trade association, for modifying the EPA's proposed operating guidelines further to eliminate errors it believes the agency has made and Rayonier will continue to explore new and revised operating and technical process alternatives in lieu of spending such funds. Rayonier cannot predict, however, whether these efforts will be successful.

Over the past three years, the harvest of timber from private lands in the State of Washington has been restricted as a result of the listing of the northern spotted owl as a threatened species under the ESA. These restrictions have caused RTLP to restructure and reschedule some of its harvest plans. The FWS is developing a proposed rule under the ESA to redefine protective measures for the northern spotted owl on private lands. This proposed rule, as currently drafted, would reduce the harvest restrictions on private lands except within specified special emphasis areas, where restrictions would be increased. One proposed special emphasis area is on the Olympic Peninsula, where a significant portion of RTLP's Washington timberlands is located. The new rule may also include guidelines for the protection of the marbled murrelet, also recently listed as a threatened species. Separately, the State of Washington Forest Practices Board is in the process of adopting new harvest regulations to protect the northern spotted owl and the marbled murrelet. The State Department of Natural Resources draft of this rule also provides for a special emphasis area to protect the northern spotted owl on the Olympic Peninsula, which would increase harvest restrictions on the Company's lands. The Company is unable at this time to predict the form in which the Federal or state rules will eventually be adopted. However, if either rule is adopted in the form proposed by the respective agencies, the result will be some reduction in the volume of Company timber available for harvest.

LEGAL PROCEEDINGS

The Company and its wholly owned subsidiary, SWP, are named defendants in six cases arising out of former wood preserving operations at SWP's plant located in Augusta, Georgia. In general, these cases, five pending in the U.S. District Court for the Southern District of Georgia and one pending in the Superior Court of Richmond County, Georgia, seek recovery for property damage and personal injury or medical monitoring costs based on the alleged exposure to toxic chemicals used by SWP in its former operations. One case, Ernest Jordan v. Southern Wood Piedmont Co., et al., seeks certification as a class action and damages in the amount of \$700 million. Counsel for the Company believes that the Company has meritorious defenses in all these cases. Several previous lawsuits related to the Augusta facility have been settled for amounts not material to the Company.

Rayonier has been named as a "Potentially Responsible Party" ("PRP") or is a defendant in actions being brought by a PRP in five proceedings instituted by the EPA under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") or by state agencies under comparable state statutes. In three of these proceedings, Rayonier is presently considered a "de minimis" participant. In one proceeding, the Company is not a "de minimis" participant because of the limited number of PRP's, and the Company believes that its share of liability for total cleanup costs (currently estimated to be between \$30 million and \$39 million) will be less than 9 percent of the total. In another proceeding, the Company is not a "de minimis" participant based on an analysis of the volume and type of waste that the Company is alleged to have disposed of at the site, and the Company believes that its share of liability for total cleanup costs (currently estimated to be between \$25 million and \$32 million) will be less than 1.75 percent of the total. In each case, Rayonier has established reserves for its estimated liability. Rayonier has also received requests for information from the EPA in connection with two other CERCLA sites, but the Company does not currently know to what extent, if at all, liability under CERCLA will be asserted against Rayonier with respect to either site.

There are various other lawsuits pending against or affecting Rayonier and its subsidiaries, some of which involve claims for substantial amounts. The ultimate liability with respect to all actions pending against Rayonier and its subsidiaries is not considered material in relation to the consolidated financial condition of Rayonier and its subsidiaries.

EMPLOYEE RELATIONS

Rayonier currently employs approximately 2,600 people. Of this number, approximately 2,500 are employees in the United States, of whom 60 percent are represented by labor unions. Most hourly employees are represented by labor unions. Generally, labor relations have been maintained in a normal and satisfactory manner.

The ten labor unions within Rayonier represent approximately 1,500 employees at the three pulp mills and at the Rayonier Research Center. Bargaining activity in 1993 resulted in a three-year extension of the Port Angeles pulp mill's two labor agreements. The Fernandina Beach pulp mill (approximately 300 covered employees) and the Rayonier Research Center (approximately 25 covered employees) contracts will expire on April 30, 1994 and August 31, 1994, respectively. During 1995, labor contracts of Rayonier's Jesup mill will expire, covering approximately 875 employees.

Rayonier has in effect various plans which extend to its employees and retirees certain group medical, dental and life insurance coverage, pension, and other benefits. The cost of such benefit plans is borne primarily by Rayonier, with the exception of health care, for which employees are responsible for approximately 20 percent of premium costs.

DESCRIPTION OF THE DEBENTURES

The following description of the particular terms of the Debentures supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Debt Securities set forth in the Prospectus, to which description reference is hereby made.

The Debentures will be issued under an indenture dated as of April 1, 1994 (the "Indenture") between the Company and Chemical Bank (the "Trustee").

The Debentures will be limited to \$100,000,000 aggregate principal amount and will mature on , 1994, or from the most recent interest payment date to which interest has been paid, at the rate of % per annum, payable semiannually on and , commencing on , 1994, to the person in whose name such Debenture is registered at the close of business on the preceding and , respectively.

The Indenture permits defeasance of the Debentures upon satisfaction of the conditions described under "Description of the Debt Securities -- Defeasance of Debt Securities and Certain Covenants" in the accompanying Prospectus.

GLOBAL SECURITY

Upon issuance, the Debentures will be represented by a single global security (the "Global Security") which will be deposited with, or on behalf of, the Depositary and will be registered in the name of the Depositary or a nominee of the Depositary.

Upon the issuance of the Global Security, the Depositary or its nominee will credit on its book-entry registration and transfer system the respective principal amounts of the individual Debentures represented by the Global Security to the accounts of the persons that have accounts with such Depositary ("Participants"). Such accounts shall be designated by the Underwriters. Ownership of beneficial interests in the Global Security will be limited to Participants or persons that may hold interests through Participants. Ownership of beneficial interests in the Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depositary or its nominee (with respect to interests of Participants) and the records of Participants (with respect to interests of persons who hold through Participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in the Global Security.

So long as the Depositary, or its nominee, is the registered owner of the Global Security, the Depositary or the nominee, as the case may be, will be considered the sole owner or holder of the Debentures represented by the Global Security for all purposes under the Indenture. Except as provided below, owners of beneficial interests in the Global Security will not be entitled to have any of the individual Debentures represented by the Global Security registered in their names, will not receive or be entitled to receive physical delivery of any such Debentures in definitive form and will not be considered the owners or holders thereof under the Indenture.

Payments of principal of (and premium, if any) and interest on individual Debentures represented by the Global Security registered in the name of the Depositary or its nominee will be made to the Depositary or its nominee, as the case may be, as the registered owner of the Global Security. None of the Company, the Trustee, any Paying Agent, or the Securities Registrar for such Debentures will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interest of the Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company has been advised by the Depositary that, upon receipt of any payment of principal, premium or interest in respect of the Global Security, the Depositary immediately will credit Participants' accounts with payments in amounts proportionate to their respective beneficial interest in the principal

amount of the Global Security as shown on the records of the Depository. Payments by Participants to owners of beneficial interests in the Global Security held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name". Such payments will be the responsibility of such Participants.

If the Depository is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by the Company within 90 days, the Company will issue individual Debentures in exchange for the Global Security. In addition, the Company may at any time and in its sole discretion determine not to have any Debentures represented by one or more Global Securities and, in such event, will issue individual Debentures in exchange for the Global Security. Further, if the Company so specifies with respect to the Debentures, an owner of a beneficial interest in the Global Security may, on terms acceptable to the Company, the Trustee and the Depository, receive individual Debentures in exchange for such beneficial interests. In any such instance, an owner of a beneficial interest in the Global Security will be entitled to physical delivery of individual Debentures equal in principal amount to such beneficial interest and to have such Debentures registered in its name. Individual Debentures of such series so issued will be issued in denominations, unless otherwise specified by the Company, of \$1,000 and integral multiples thereof.

Except as provided above, owners of beneficial interests in the Global Security will not be entitled to receive physical delivery of Debentures in definitive form and will not be considered the holders thereof for any purposes under the Indenture. Accordingly, each person owning a beneficial interest in the Global Security must rely on the procedures of the Depository and, if such person is not a Participant, on the procedures of the Participant through which such person owns its interest, to exercise any rights of a holder of such securities under the Indenture. The Depository may grant proxies and otherwise authorize Participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action that a holder is entitled to give or take under the Indenture. The Company understands that under existing industry practices, in the event that the Company requests any action of holders or that an owner of a beneficial interest in the Global Security desires to give or take any action to which a holder is entitled to give or take under the Indenture, the Depository would authorize the Participants holding the relevant beneficial interests to give or take such action, and such Participants would authorize beneficial owners owning through such Participants to give or take such action or would otherwise act upon the instructions of beneficial owners owning through them.

The Depository has advised the Company that the Depository is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A under the Exchange Act. The Depository was created to hold the securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers (including the Underwriters), banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own the Depository. Access to the Depository's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant either directly or indirectly.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the Company has agreed to sell to each of the Underwriters named below, and each of the Underwriters has severally agreed to purchase, the principal amount of Debentures set forth opposite its name below:

NAME	PRINCIPAL AMOUNT OF DEBENTURES
-----	-----
Salomon Brothers Inc.....	
BT Securities Corporation.....	
Morgan Stanley & Co. Incorporated.....	

Total.....	\$

The Underwriting Agreement provides that the obligations of the Underwriters to pay for and accept delivery of the Debentures are subject to certain conditions precedent, that the Underwriting Agreement may be terminated under certain circumstances, and that the Underwriters will be obligated to purchase all of the Debentures if any are purchased.

The Company has been advised by the Underwriters that the Underwriters propose initially to offer the Debentures to the public at the respective public offering prices set forth on the cover page of this Prospectus Supplement, and to certain dealers at such prices less a concession of not more than % of the principal amount with respect to the Debentures. The Underwriters may allow and such dealers may reallow a concession of not more than % of the principal amount of the Debentures to certain other dealers. After the initial public offering, the public offering price and such concessions may be changed.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments which the Underwriters may be required to make in respect thereof.

The Underwriters have provided and may in the future provide investment banking or other financial services to the Company and its affiliates in the ordinary course of business, for which they have received and may in the future receive customary fees. Banker's Trust Company, an affiliate of BT Securities Corporation, one of the Underwriters, acts as trustee under one of the Company's indentures, acts as trustee under the Company's salaried employees savings plan and as investment manager for certain funds under such plan, and acts as depositary for funds of, makes loans to, and performs other services for, the Company and its subsidiaries in the normal course of business.

As indicated on the cover page hereof, the Company has applied for the listing of the Debentures on the NYSE. In addition, the Company has been advised by the Underwriters that they presently intend to make a market in the Debentures, as permitted by applicable laws and regulations. However, such market-making may be discontinued at any time and, accordingly, no assurance can be given as to the market for, or the liquidity of, the Debentures.

NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER, AGENT OR DEALER. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE DEBENTURES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND/OR THE PROSPECTUS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN OR THEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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\$100,000,000

RAYONIER INC.

% DEBENTURES DUE

SALOMON BROTHERS INC

BT SECURITIES CORPORATION

MORGAN STANLEY & CO.
INCORPORATED

PROSPECTUS SUPPLEMENT

DATED , 1994

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED MARCH , 1994

\$174,000,000

RAYONIER INC.
 SERIES B MEDIUM-TERM NOTES
 DUE 9 MONTHS OR MORE FROM DATE OF ISSUE

The Company may offer from time to time its Series B Medium-Term Notes, due 9 months or more from the date of issue (the "Notes"), as selected by the purchaser and agreed to by the Company, at an aggregate initial public offering price not to exceed U.S. \$174,000,000.

The Notes will be denominated in U.S. dollars. The Notes may be issued with the principal amount thereof payable at maturity, or the amount of interest payable on an interest payment date, to be determined by reference to an index (e.g., currencies, composite currencies, commodities or financial or non-financial indices) ("Indexed Notes"), as specified in the applicable Pricing Supplement. The index (if any), interest rate (if any), issue price and maturity date of any Note will be set forth in a pricing supplement (a "Pricing Supplement") to this Prospectus Supplement. Notes may also be issued as Amortizing Notes (as defined herein), as disclosed herein. See "Description of Notes."

Unless otherwise specified in the applicable Pricing Supplement, the Notes, except Zero Coupon Notes (as defined), will bear interest at a fixed rate or rates (a "Fixed Rate Note") or at a floating rate (a "Floating Rate Note") determined by reference to the Commercial Paper Rate, the Prime Rate, LIBOR, the Treasury Rate, the CD Rate, the Federal Funds Rate or such other interest rate formula as set forth in the Pricing Supplement, as adjusted by the Spread or Spread Multiplier, if any, applicable to such Notes (as such terms are defined herein). Interest rates and interest rate formulas are subject to change by the Company, but no such change will affect any Notes already issued or as to which an offer to purchase has been accepted by the Company. Unless otherwise specified in the applicable Pricing Supplement, interest on the Fixed Rate Notes will be payable on each May 15 and November 15 and at Maturity (as defined herein). Interest on the Floating Rate Notes will be payable on the dates specified therein and in the applicable Pricing Supplement. Zero Coupon Notes will not bear interest.

Unless a redemption commencement date (a "Redemption Commencement Date") or a repayment date (a "Repayment Date") is specified in the applicable Pricing Supplement, the Notes will not be redeemable or repayable prior to their Stated Maturity. If a Redemption Commencement Date or a Repayment Date is so specified, the Notes will be redeemable at the option of the Company, or repayable at the option of the holder (the "Holder"), or both (as specified therein) at any time after such date (or for a limited period) as described herein and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the Notes offered hereby will be issued in global or definitive form in a minimum denomination of U.S. \$1,000, and integral multiples of \$1,000 in excess thereof, as specified in the applicable Pricing Supplement. If Notes are issued in global form, a global Note representing Book-Entry Notes will be registered in the name of the nominee of The Depository Trust Company, which will act as Depository. Interests in Book-Entry Notes will be shown on, and transfers thereof will be effected only through, records maintained by the Depository (with respect to participants' interests) and its participants. Except as described herein under "Description of Notes -- Book-Entry System", owners of beneficial interests in a global Note will not be considered the Holders thereof and will not be entitled to receive physical delivery of Notes in definitive form, and no global Note will be exchangeable except for another global Note of like denomination and terms to be registered in the name of the Depository or its nominee. See "Description of Notes."

 THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT HERETO OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC(1)	AGENTS' COMMISSIONS(2)		PROCEEDS TO COMPANY(2)(3)	
		%	%	%	%
Per Note.....	%	% -	%	% -	%
Total.....	\$174,000,000	\$	- \$	\$	- \$

 (1) Notes will be issued at 100% of their principal amount, unless otherwise specified in the applicable Pricing Supplement.
 (2) The Company will pay the Agents a commission of from % to % of the principal amount of any Notes, depending on maturity, for sales made through them as agents of Notes with a maturity of less than 40 years; the commission to be paid by the Company to the Agents on any sale of Notes with

a maturity of 40 years or more will be negotiated at the time of sale. Unless otherwise specified in the applicable Pricing Supplement, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage equal to the commission applicable to an agency sale of a Note of identical maturity, and may be resold by such Agent to investors or other purchasers at varying prices relating to prevailing market prices at the time of resale to be determined by such Agent. The Company has agreed to indemnify the Agents against certain liabilities, including liabilities under the Securities Act of 1933.

(3) Before deducting estimated expenses of \$ _____ payable by the Company, including \$ _____ of estimated expenses of the Agents to be reimbursed by the Company.

Offers to purchase Notes are being solicited, on a reasonable efforts basis, from time to time by the Agents on behalf of the Company. Notes may be sold to the Agents on their own behalf at negotiated discounts. The Company may also sell Notes to an Agent acting as principal for its own account for resale to one or more investors and other purchasers at varying prices related to prevailing market prices at the time of resale or otherwise, to be determined by such Agent. The Company reserves the right to sell Notes directly on its own behalf. The Company also reserves the right to withdraw, cancel or modify the offering contemplated hereby without notice. No termination date for the offering of the Notes has been established. The Company or the Agents may reject any order as a whole or in part. The Notes are a new issue of securities with no established trading market and will not be listed on any securities exchange. No assurance can be given as to the existence or liquidity of the secondary market for the Notes. See "Supplemental Plan of Distribution."

LAZARD FRERES & CO.

MORGAN STANLEY & CO.
INCORPORATED

SALOMON BROTHERS INC

THE DATE OF THIS PROSPECTUS SUPPLEMENT IS MARCH _____, 1994.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE DEBENTURES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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USE OF PROCEEDS

Except as otherwise provided in the applicable Pricing Supplement, the net proceeds from the sale of the Notes will be added to the Company's general funds and will be used for general corporate purposes, including, but not limited to, additions to working capital and capital expenditures and the repayment of loans under bank credit agreements and other short-term debt. Pending such use, the net proceeds may be used to make short-term investments.

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DESCRIPTION OF NOTES

GENERAL

The following description of the particular terms of the Notes offered hereby supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of Debt Securities set forth in the accompanying Prospectus, to which description reference is hereby made. The following description of the Notes will apply to the Notes unless otherwise specified in the applicable Pricing Supplement.

The Notes will be issued under an Indenture dated September 1, 1992 (the "Indenture") between the Company and Bankers Trust Company, a New York banking corporation (the "Trustee"). The Notes constitute a new series for purposes of the Indenture and are limited in amount as set forth on the cover page hereof, less an amount equal to the aggregate initial offering price of any other Debt Securities (as defined in the Prospectus) issued from time to time after the date of this Prospectus Supplement. For a description of the rights attaching to different series of Debt Securities under the Indenture, see "Description of the Debt Securities" in the Prospectus.

Unless previously redeemed, a Note will mature on a date ("Stated Maturity"), 9 months or more from its date of issue, that is specified on the face thereof and in the applicable Pricing Supplement. As used herein, the term "Market Day" means (a) with respect to any Note (other than any LIBOR Note), any Business Day, and (b) with respect to any LIBOR Note, any such Business Day on which dealings in deposits in U.S. dollars are transacted in the London interbank market. The term "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York generally are authorized or obligated by law or executive order to close. Each Note will be denominated in U.S. dollars.

Purchasers of the Notes are required to pay for them by delivery of the requisite amount of U.S. dollars to an Agent, unless other arrangements have been made. Payments on the Notes will be made in U.S. dollars. See "Payment of Principal and Interest".

Each Note will be represented by either a global security (a "Global Security") registered in the name of a nominee of the Depositary (each such Note represented by a Global Security being herein referred to as a "Book-Entry Note") or a certificate issued in definitive registered form, without coupons (a "Certified Note"), as set forth in the applicable Pricing Supplement. Except as set forth under "Book-Entry System" below, Book-Entry Notes will not be issuable in certificated form. So long as the Depositary or its nominee, as the case may be, is the registered owner of any Global Security, the Depositary or its nominee, as the case may be, will be considered the sole Holder of the Book-Entry Note or Notes represented by such Global Security for all purposes under the Indenture and the Book-Entry Notes. See "Book-Entry System" below.

Certificated Notes may be presented for registration of transfer or exchange at the Corporate Trust and Agency Group of Bankers Trust Company in the Borough of Manhattan, The City of New York.

Unless otherwise specified in the applicable Pricing Supplement, the authorized denominations of any Note will be U.S. \$1,000 and integral multiples of U.S. \$1,000 in excess thereof.

Notes will be sold in individual issues of Notes having such interest rate or interest rate formula, if any, Stated Maturity and date of original issuance as shall be selected by the initial purchasers and agreed to by the Company. Unless otherwise indicated in the applicable Pricing Supplement, each Note will bear interest at either (i) a fixed rate (a "Fixed Rate Note"), which may be zero in the case of Notes issued at a discount from the principal amount payable at maturity thereof (a "Zero Coupon Note") or (ii) a floating rate (a "Floating Rate Note") determined by reference to the interest rate formula which may be adjusted by adding or subtracting the Spread or multiplying by the Spread Multiplier (such terms as defined in "-- Floating Rate Notes" below).

The Notes may be issued as Original Issue Discount Notes. An Original Issue Discount Note is a Note, including any Zero Coupon Note, which is issued at a price lower than the principal amount thereof and which

provides that upon redemption or acceleration of the maturity thereof an amount less than the principal thereof shall become due and payable. In the event of redemption or acceleration of the maturity of an Original Issue Discount Note, the amount payable to the Holder of such Note upon such redemption or acceleration will be determined in accordance with the terms of the Note, but will be an amount less than the amount payable at the Stated Maturity of such Note. In addition, a Note issued at a discount may, for U.S. Federal income tax purposes, be considered an original issue discount note, regardless of the amount payable upon redemption or acceleration of maturity of such Note. See "United States Federal Taxation" below.

Notes may be issued from time to time as Amortizing Notes. "Amortizing Notes" are Notes for which payments of principal and interest are made in installments over the life of the Note. Interest on each Amortizing Note will be, unless otherwise specified in the applicable Pricing Supplement, computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. A table setting forth repayment information in respect of each Amortizing Note will be provided in the applicable Pricing Supplement.

Indexed Notes may be issued with the principal amount payable at maturity, or the amount of interest payable on an interest payment date, to be determined by reference to a currency exchange rate, composite currency, commodity price or other financial or nonfinancial index as set forth in the applicable Pricing Supplement. Holders of Indexed Notes may receive a principal amount at maturity that is greater than, equal to or less than the face amount of such Notes depending upon the value at maturity of the applicable index. Information as to the methods for determining the principal amount payable at maturity or the amount of interest payable on an interest payment date, as the case may be, any currency or commodity market to which principal or interest is indexed, foreign exchange risks and certain additional tax considerations with respect to Indexed Notes will be set forth in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the Notes will not be subject to any sinking fund and, unless a Redemption Commencement Date or a Repayment Date is specified in the applicable Pricing Supplement, will not be redeemable or repayable prior to their Stated Maturity. If a Redemption Commencement Date is so specified with respect to any Note, the applicable Pricing Supplement will also specify one or more redemption prices (expressed as a percentage of the principal amount of such Note) ("Redemption Price") and the redemption period or periods ("Redemption Periods") during which such Redemption Prices shall apply. Unless otherwise specified in the Pricing Supplement, any such Note shall be redeemable at the option of the Company or repayable at the option of the Holder thereof (as specified in such Pricing Supplement) at any time on or after such specified Redemption Commencement Date or Repayment Date, as the case may be, or, with respect to redeemed Notes, for a limited period (as specified in such Pricing Supplement) at the specified Redemption Price applicable to the Redemption Period during which such Note is to be redeemed, together with interest accrued to the redemption date. Notice of redemption shall be given not later than 30 days, and not earlier than 60 days, prior to the date fixed for redemption. With respect to the redemption of Global Securities, the Depository advises that if less than all of the Notes with like tenor and terms are to be redeemed, the particular interests (in integral multiples of \$1,000) in the Book-Entry Notes representing the Notes to be redeemed shall be selected by the Depository's impartial lottery procedures.

The Pricing Supplement relating to each Note will describe the following terms: (i) the price (expressed as a percentage of the aggregate principal amount thereof) at which such Note will be issued; (ii) the date on which such Note will be issued; (iii) the date on which such Note will mature; (iv) whether such Note is a Fixed Rate Note or a Floating Rate Note; (v) if such Note is a Fixed Rate Note, the rate per annum at which such Note will bear interest, if any, and the interest payment date or dates, if different from those set forth below under "Fixed Rate Notes"; (vi) if such Note is a Floating Rate Note, the interest rate basis (the "Interest Rate Basis") for each such Floating Rate Note which will be (a) the Commercial Paper Rate, in which case such Note will be a Commercial Paper Rate Note, (b) the Prime Rate, in which case such Note will be a Prime Rate Note, (c) the London InterBank Offered Rate ("LIBOR"), in which case such Note will be a LIBOR Note, (d) the Treasury Rate, in which case such Note will be a Treasury Rate Note, (e) the CD Rate, in which case such Note will be a CD Rate Note, (f) the Federal Funds Rate, in which case such

Note will be a Federal Funds Rate Note, or (g) such other interest rate formula as is set forth in such Pricing Supplement, and, if applicable, the Calculation Agent, the Index Maturity, the Spread or Spread Multiplier, the Maximum Interest Rate, the Minimum Interest Rate, the Initial Interest Rate, the Floating Rate Note Interest Payment Dates, the Regular Record Dates, the Calculation Date, the Interest Determination Date and the Interest Reset Date (as such terms are defined herein) with respect to such Floating Rate Note; (vii) whether such Note is an Original Issue Discount Note, and, if so, the yield to maturity; (viii) whether such Note is an Indexed Note, and, if so, the principal amount thereof payable at maturity, or the amount of interest payable on an interest payment date, as determined by reference to the applicable index, in addition to certain other information relating to the Indexed Note; (ix) whether such Note may be redeemed at the option of the Company, or repaid at the option of the holder, prior to the Stated Maturity and, if so, the provisions relating to such redemption or repayment; (x) whether such Note will be issued initially as a Book-Entry Note or a Certificated Note; and (xi) any other terms of such Note not inconsistent with the provisions of the Indenture.

FIXED RATE NOTES

Each Fixed Rate Note (except any Zero Coupon Note) will bear interest from its date of issue or from the most recent Interest Payment Date to which interest on such Note has been paid or duly provided for at the fixed rate per annum stated on the face thereof and in the applicable Pricing Supplement until the principal thereof is paid or made available for payment. Unless otherwise specified in the applicable Pricing Supplement, interest on such Fixed Rate Notes will be payable semiannually on each May 15 and November 15 (each an "Interest Payment Date") and at maturity or upon earlier redemption or repayment. Each payment of interest in respect of an Interest Payment Date will include interest accrued to but excluding such Interest Payment Date. Interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months. Interest will be payable on each Interest Payment Date and at maturity as specified below under "-- Payment of Principal and Interest."

FLOATING RATE NOTES

Each Floating Rate Note will bear interest from its date of issue or from the most recent Floating Rate Note Interest Payment Date (as defined herein) to which interest on such Note has been paid or duly provided for, unless the applicable Interest Reset Dates are daily or weekly, in which case from the day following the most recent Regular Record Date to which interest on such Note has been paid or duly provided for, at the rate per annum determined pursuant to the interest rate formula stated therein and in the applicable Pricing Supplement until the principal thereof is paid or made available for payment. Interest will be payable on each Floating Rate Note Interest Payment Date and at maturity as specified below under "-- Payment of Principal and Interest."

The interest rate for each Floating Rate Note will be determined by reference to an interest rate formula which may be adjusted by adding or subtracting the Spread, if any, or multiplying by the Spread Multiplier, if any (both terms as defined below). A Floating Rate Note may also have either or both of the following: (a) a maximum interest rate limitation, or ceiling, on the rate of interest which may accrue during any interest period (a "Maximum Interest Rate"); and (b) a minimum interest rate limitation, or floor, on the rate of interest which may accrue during any interest period (a "Minimum Interest Rate"). The "Spread" is the number of basis points specified in the applicable Pricing Supplement as being applicable to the interest rate for such Note, and the "Spread Multiplier" is the percentage specified in the applicable Pricing Supplement as being applicable to the interest rate for such Note. "Index Maturity" means, with respect to a Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable Pricing Supplement. Unless otherwise provided in the applicable Pricing Supplement, Bankers Trust Company will be the calculation agent (the "Calculation Agent") with respect to the Floating Rate Notes.

Unless otherwise specified in the applicable Pricing Supplement, the rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually (each an "Interest Reset Date"), as specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing

Supplement, the Interest Reset Date will be, in the case of Floating Rate Notes which reset daily, each Business Day; in the case of Floating Rate Notes (other than Treasury Rate Notes) which reset weekly, the Wednesday of each week; in the case of Treasury Rate Notes which reset weekly, the Tuesday of each week; in the case of Floating Rate Notes which reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes which reset quarterly, the third Wednesday of March, June, September and December; in the case of Floating Rate Notes which reset semi-annually, the third Wednesday of two months of each year as specified in the applicable Pricing Supplement; and in the case of Floating Rate Notes which reset annually, the third Wednesday of one month of each year as specified in the applicable Pricing Supplement; provided, however, that (a) the interest rate in effect from the date of issue to the first Interest Reset Date with respect to a Floating Rate Note will be the Initial Interest Rate (as set forth in the applicable Pricing Supplement) and (b) unless otherwise specified in the applicable Pricing Supplement, the interest rate in effect for the ten days immediately prior to maturity of a Note will be that in effect on the tenth day preceding such maturity. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Market Day with respect to such Floating Rate Note, the Interest Reset Date for such Floating Rate Note shall be postponed to the next day that is a Market Day with respect to such Floating Rate Note, except that in the case of a LIBOR Note, if such Market Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Market Day.

The "Interest Determination Date" pertaining to an Interest Reset Date for a Commercial Paper Rate Note (the "Commercial Paper Interest Determination Date"), for a Prime Rate Note (the "Prime Rate Interest Determination Date"), for a LIBOR Note (the "LIBOR Interest Determination Date"), for a CD Rate Note (the "CD Rate Interest Determination Date") and for a Federal Funds Rate Note (the "Federal Funds Rate Interest Determination Date") will be the second Market Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note (the "Treasury Interest Determination Date") will be the day of the week in which such Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any Interest Reset Date for a Treasury Rate Note, then such Interest Reset Date shall instead be the first Market Day immediately following such auction date.

All percentages resulting from any calculations referred to in this Prospectus Supplement will be rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point (e.g., 9.876541% (or .09876541) being rounded to 9.87655% (or .0987655)), and all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent or more being rounded upwards).

In addition to any maximum interest rate which may be applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law the maximum rate of interest is 25% per annum on a simple interest basis, with certain exceptions. The limit may not apply to Floating Rate Notes in which U.S. \$2,500,000 or more has been invested.

The Calculation Agent will calculate the interest rate with respect to each Interest Reset Date on or before the applicable Calculation Date (as defined below). Upon the request of the Holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect, and, if determined, the interest rate which will become effective on the next Interest Reset Date with respect to such Floating Rate Note. The Calculation Agent's determination of any interest rate will be final and binding in the absence of manifest error.

COMMERCIAL PAPER RATE NOTES

Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified on the face of the Commercial Paper Rate Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a Commercial Paper Interest Determination Date will be the tenth day after such Commercial Paper Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Interest Reset Date, the Money Market Yield (calculated as described below) of the per annum rate (quoted on a bank discount basis) for the relevant Commercial Paper Interest Determination Date for commercial paper having the specified Index Maturity as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "Commercial Paper". In the event that such rate is not published at or prior to 9:00 A.M., New York City time, on the relevant Calculation Date, then the Commercial Paper Rate with respect to such Interest Reset Date shall be the Money Market Yield of such rate on such Commercial Paper Interest Determination Date for commercial paper having the specified Index Maturity as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication published by the Federal Reserve Bank of New York ("Composite Quotations") under the heading "Commercial Paper". If by 3:00 P.M., New York City time, on such Calculation Date such rate is not yet published in either H.15(519) or Composite Quotations, the Commercial Paper Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered per annum rates (quoted on a bank discount basis), as of 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date, of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper of the specified Index Maturity placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency; provided, however, that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Commercial Paper Rate with respect to such Interest Reset Date will be the Commercial Paper Rate in effect on such Commercial Paper Interest Determination Date.

"Money Market Yield" shall be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = 100 \times \frac{360 \times D}{360 - (D \times M)}$$

where "D" refers to the per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal calculated to seven decimal places, without rounding; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

PRIME RATE NOTES

Prime Rate Notes will bear interest at the interest rates (calculated with reference to the Prime Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates specified on the face of the Prime Rate Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a Prime Rate Interest Determination Date will be the tenth day after such Prime Rate Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Prime Rate" means, with respect to any Interest Reset Date, the rate set forth for the relevant Prime Rate Interest Determination Date in H.15(519) under the heading "Bank Prime Loan". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the relevant Calculation Date, then the Prime Rate with respect to such

Interest Reset Date will be the arithmetic mean (determined by the Calculation Agent) of the rates of interest publicly announced by each bank that appears on the display designated as page "NYMF" on the Reuters Monitor Money Rates Service (or such other page as may replace the NYMF page on that service for the purpose of displaying prime rates or base lending rates of major United States banks) ("Reuters Screen NYMF Page") as such bank's prime rate or base lending rate as in effect for such Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen NYMF Page on such Prime Rate Interest Determination Date, the Prime Rate with respect to such Interest Reset Date will be the arithmetic mean (determined by the Calculation Agent) of the prime rates or base lending rates (quoted on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on such Prime Rate Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent; provided, however, that if fewer than three banks selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Prime Rate with respect to such Interest Reset Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

LIBOR NOTES

LIBOR Notes will bear interest at the interest rates (calculated with reference to LIBOR and the Spread or Spread Multiplier, if any), and will be payable on the dates specified on the face of the LIBOR Note and in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date" with respect to a LIBOR Interest Determination Date will be the tenth day after such LIBOR Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, LIBOR, with respect to any Interest Reset Date, will be determined by the Calculation Agent in accordance with the following provisions:

(i) On the relevant LIBOR Interest Determination Date, LIBOR will be determined on the basis of the offered rates for deposits of not less than U.S. \$1,000,000 having the specified Index Maturity, commencing on the second Market Day immediately following such LIBOR Interest Determination Date, which appear on the Designated LIBOR Page (as defined herein) as of 11:00 A.M., London time. "Designated LIBOR Page" means "LIBOR Telerate," which shall be the display designated as page "3750" on the Dow Jones Telerate Service (or such other page as may replace page "3570" on such service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying the London interbank offered rates of major banks), unless "LIBOR Reuters" is designated in the applicable Pricing Supplement, in which case "Designated LIBOR Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on such service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates of major banks). If at least two such offered rates appear on the Designated LIBOR Page, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of such offered rates as determined by the Calculation Agent. If fewer than two offered rates appear, LIBOR with respect to such Interest Reset Date will be determined as described in (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates for the applicable Index Maturity appear on the Designated LIBOR Page as described in (i) above, LIBOR will be determined on the basis of the rates at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date at which deposits in U.S. dollars having the specified Index Maturity are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Calculation Agent commencing on the second Market Day immediately following such LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than U.S. \$1,000,000 that in the Calculation Agent's judgment is representative for a single transaction in such market at such time (a "Representative Amount"). The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to such Interest

Reset Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on such LIBOR Interest Determination Date by three major banks in The City of New York, selected by the Calculation Agent, for loans in U.S. dollars to lending European banks having the specified Index Maturity commencing on the Interest Reset Date and in a Representative Amount; provided, however, that if fewer than three banks selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, LIBOR with respect to such Interest Reset Date will be the LIBOR in effect on such LIBOR Interest Determination Date.

TREASURY RATE NOTES

Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread or Spread Multiplier, if any) and will be payable on the dates specified on the face of the Treasury Rate Note and in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date" with respect to a Treasury Interest Determination Date will be the tenth day after such Treasury Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Treasury Rate" means, with respect to any Interest Reset Date, the rate for the auction on the relevant Treasury Interest Determination Date of direct obligations of the United States ("Treasury Bills") having the specified Index Maturity as published in H.15(519) under the heading "U.S. Government Securities/Treasury Bills/Auction Average (Investment)" or, if not so published by 9:00 A.M., New York City time, on the relevant Calculation Date, the auction average rate (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) for such auction as otherwise announced by the United States Department of the Treasury. In the event that the results of such auction of Treasury bills having the specified Index Maturity are not published or reported as provided above by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held by the relevant Interest Determination Date, then the Treasury Rate shall be the rate set forth in H.15(519) for the relevant Treasury Rate Interest Determination Date for the specified Index Maturity under the heading "U.S. Government Securities/Treasury Bills/Secondary Market". In the event such rate is not so published by 3:00 P.M., New York City time, on the relevant Calculation Date, the Treasury Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates as of approximately 3:30 P.M., New York City time, on such Treasury Interest Determination Date, of three leading primary United States government securities dealers in The City of New York selected by the Calculation Agent for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity; provided, however, that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Treasury Rate with respect to such Interest Reset Date will be the Treasury Rate in effect on such Treasury Interest Determination Date.

CD RATE NOTES

CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates specified on the face of the CD Rate Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a CD Rate Interest Determination Date will be the tenth day after such CD Rate Interest Determination Date or, if such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "CD Rate" means, with respect to any Interest Reset Date, the rate for the relevant CD Rate Interest Determination Date for negotiable certificates of deposit having the specified Index Maturity as published in H.15(519) under the heading "CDs (Secondary Market)". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the relevant Calculation Date, then the CD Rate with respect to such Interest Reset Date shall be the rate on such CD Rate Interest Determination Date for negotiable certificates of deposit having the specified Index

Maturity as published in Composite Quotations under the heading "Certificates of Deposit". If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in either H.15(519) or Composite Quotations, the CD Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the secondary market offered rates, as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers of negotiable U.S. dollar certificates of deposit in the City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money center banks with a remaining maturity closest to the specified Index Maturity in a denomination of U.S. \$5,000,000; provided, however, that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the CD Rate with respect to such Interest Reset Date will be the CD Rate in effect on such CD Rate Interest Determination Date.

FEDERAL FUNDS RATE NOTES

Federal Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Federal Funds Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates specified on the face of the Federal Funds Rate Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a Federal Funds Interest Determination Date will be the tenth day after such Federal Funds Interest Determination Date or, if such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Federal Funds Rate" means, with respect to any Interest Reset Date, the rate on the relevant Federal Funds Interest Determination Date for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the relevant Calculation Date, then the Federal Funds Rate with respect to such Interest Reset Date will be the rate on such Federal Funds Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate". If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in either H.15(519) or Composite Quotations, the Federal Funds Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the rates, as of 9:00 A.M., New York City time, on such Federal Funds Interest Determination Date, for the last transaction in overnight Federal Funds arranged by three leading brokers and Federal Funds transactions in The City of New York selected by the Calculation Agent; provided, however, that if fewer than three brokers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Federal Funds Rate with respect to such Interest Reset Date will be the Federal Funds Rate in effect on such Federal Funds Interest Determination Date.

PAYMENT OF PRINCIPAL AND INTEREST

Payments of principal of (and premium, if any) and interest on all Fixed Rate Notes and Floating Rate Notes will be made in U.S. dollars. If specified in the applicable Pricing Supplement, the amount of principal payable on the Notes therein described will be determined by reference to an index or formula described in such Pricing Supplement.

Interest will be payable to the person in whose name a Note is registered (which in the case of Global Securities representing Book-Entry Notes will be the Depository or a nominee of the Depository) at the close of business on the Regular Record Date next preceding each Interest Payment Date; provided, however, that interest payable at maturity will be payable to the person to whom principal shall be payable (which in the case of Global Securities representing Book-Entry Notes will be the Depository or a nominee of the Depository). The first payment of interest on any Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date to the Holder on such next succeeding Regular Record Date. Unless otherwise indicated in the applicable Pricing Supplement, the "Regular Record Date" with respect to any Floating Rate Note shall be the date 15 calendar days prior to each Interest Payment Date, whether or not such date shall be a Business

Day, and the "Regular Record Date" with respect to any Fixed Rate Note shall be the May 1 and November 1 next preceding the May 15 and November 15 Interest Payment Dates.

Unless otherwise indicated in the applicable Pricing Supplement, and except as provided below, interest will be payable, in the case of Floating Rate Notes which reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year (as indicated in the applicable Pricing Supplement); in the case of Floating Rate Notes which reset quarterly, on the third Wednesday of March, June, September and December of each year; in the case of Floating Rate Notes which reset semiannually, on the third Wednesday of the two months of each year specified in the applicable Pricing Supplement; and in the case of Floating Rate Notes which reset annually, on the third Wednesday of the month specified in the applicable Pricing Supplement (each a "Floating Rate Note Interest Payment Date"), and in each case, at maturity.

Payments of interest on any Fixed Rate Note or Floating Rate Note with respect to any Interest Payment Date or Floating Rate Note Interest Payment Date will include interest accrued to but excluding such Interest Payment Date or Floating Rate Note Interest Payment Date; provided, however, that if the Interest Reset Date with respect to any Floating Rate Note are daily or weekly, interest payable on such Note on any Interest Payment Date, unless otherwise specified in the applicable Pricing Supplement, will include interest accrued to and including the next preceding Regular Record Date, except that at maturity or earlier redemption or repayment, the interest payable will include interest accrued to, but excluding, the maturity, redemption or repayment date.

With respect to a Floating Rate Note, accrued interest from the date of issue or from the last date to which interest has been paid is calculated by multiplying the face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the date of issue, or from the last date to which interest has been paid, to but excluding the date for which accrued interest is being calculated. Unless otherwise specified in the applicable Pricing Supplement, the interest factor (expressed as a decimal calculated to seven decimal places) for each such day is computed by dividing the interest rate (expressed as a decimal calculated to seven decimal places) applicable to such date by 360, in the case of Commercial Paper Rate Notes, Prime Rate Notes, LIBOR Notes, CD Rate Notes or Federal Funds Rate Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes. Interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any Interest Payment Date for any Floating Rate Note would otherwise be a day that is not a Market Day, unless such Interest Payment Date is also the date of maturity, such Interest Payment Date shall be the next day that is a Market Day, except that, in the case of a LIBOR Note, if such Market Day is in the next succeeding calendar month, such Interest Payment Date shall be the next preceding Market Day. If the date of maturity for any Fixed Rate Note or Floating Rate Note or any Interest Payment Date for any Fixed Rate Note falls on a day which is not a Market Day, payment of principal and any premium and interest with respect to such Note will be paid on the next succeeding Market Day, with the same force and effect as if made on such date and no interest on such payment will accrue from and after such date.

Unless otherwise specified in the applicable Pricing Supplement, payment of the principal of (and premium, if any) and any interest due with respect to any Certificated Note at maturity will be made in immediately available funds upon surrender of such Note at the Corporate Trust and Agency Group of Bankers Trust Company in the Borough of Manhattan, The City of New York; provided that the Certificated Note is presented to the Paying Agent in time for the Paying Agent to make such payments in such funds in accordance with its normal procedures. Payments of interest with respect to Certificated Notes to be made other than at maturity will be made by check mailed to the address of the person entitled thereto as it appears in the security register (or by wire transfer to those persons holding Notes with an aggregate principal amount of greater than \$5 million) to such account as may have been appropriately designated by such Person in time for the Paying Agent to make such payment in accordance with its normal procedures.

The total amount of any principal, premium, if any, and interest due on any Global Security representing one or more Book-Entry Notes on any Interest Payment Date or at maturity will be made available to the

Trustee on such date. As soon as possible thereafter, the Trustee will make such payments to The Depository Trust Company, New York, New York (the "Depository"). The Depository will allocate such payments to each Book-Entry Note represented by such Global Security and make payments to its participants in accordance with its existing operating procedures. Neither the Company nor the Trustee shall have any responsibility or liability for such payments by the Depository. So long as the Depository or its nominee is the registered owner of any Global Security, the Depository or its nominee, as the case may be, will be considered the sole Holder of the Book-Entry Note or Notes represented by such Global Security for all purposes under the Indenture and the Book-Entry Notes. The Company understands, however, that under existing industry practice, the Depository will authorize the persons on whose behalf it holds a Global Security to exercise certain rights of Holders of Securities. See "--- Book-Entry System."

BOOK-ENTRY SYSTEM

Upon issuance, all Book-Entry Notes bearing interest (if any) at the same rate or pursuant to the same formula, having the same date of issuance, redemption provisions, if any, Stated Maturity and other terms will be represented by a single Global Security. Each Global Security representing Book-Entry Notes will be deposited with, or on behalf of, the Depository located in the Borough of Manhattan, The City of New York, and will be registered in the name of the Depository or a nominee of the Depository. Currently, the Depository accepts deposits of Global Securities denominated in U.S. dollars only.

Upon the issuance of a Global Security, the Depository for such Global Security or its nominee will credit the accounts of its participants held with it with the respective principal or face amounts of the Book-Entry Notes represented by such Global Security. Such accounts shall be designated by the Agents (as defined herein) with respect to Book-Entry Notes or by the Company if such Notes are offered and sold directly by the Company. Ownership of beneficial interests in a Global Security will be limited to participants and to persons that have accounts with the Depository ("Participants") or persons that may hold interests through Participants. Ownership interests in a Global Security will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by the Depository or its nominee (with respect to a Participant's interest) for such Global Security and records maintained by Participants (with respect to interests of persons other than Participants).

Payment of principal of and any premium and interest on Book-Entry Notes represented by any such Global Security will be made to the Depository or its nominee, as the case may be, as the sole registered owner and the sole Holder of the Book-Entry Notes represented thereby for all purposes under the Indenture. Neither the Company or the Trustee, nor any agent of the Company or the Trustee, will have any responsibility or liability for any aspect of the Depository's records relating to or payments made on account of beneficial ownership interests in a Global Security representing any Book-Entry Notes or for maintaining, supervising or reviewing any of the Depository's records relating to such beneficial ownership interests.

The Company has been advised by the Depository that upon receipt of any payment of principal of or any premium or interest on any Global Security, the Depository or its nominee will immediately credit, on its book-entry registration and transfer system, the accounts of Participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Security as shown on the records of the Depository or its nominee. Payments by Participants to owners of beneficial interests in a Global Security held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for customer accounts registered in "street name", and will be the sole responsibility of such Participants.

A Global Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by the Depository or any nominee to a successor Depository or any nominee of such successor. A Global Security representing Book-Entry Notes is exchangeable only if (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time the Depository ceases to be a clearing agency under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Company does not appoint a successor Depository (in any case in which the Company may appoint a

successor Depositary), within 90 days after the Company receives notice or becomes aware of such unwillingness, inability or ineligibility, (ii) the Company executes and delivers to the Trustee a Company Order that all such Global Securities shall be exchangeable for definitive Notes in registered form, or (iii) there shall have occurred and be continuing an Event of Default with respect to the Notes represented by such Global Security. Unless otherwise specified in the applicable Pricing Supplement, any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Certificated Notes issuable in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof and registered in such names as the Depositary holding such Global Security shall direct. Subject to the foregoing, the Global Security is not exchangeable, except for a Global Security of like denomination to be registered in the name of the Depositary or its nominee.

So long as the Depositary for a Global Security, or its nominee, is the registered owner of such Global Security, such Depositary or such nominee, as the case may be, will be considered the sole Holder of Book-Entry Notes represented by such Global Security for the purposes of receiving payment on the Notes, receiving notices and for all other purposes under the Indenture and the Notes. Except as provided above, owners of beneficial interests in a Global Security will not be entitled to receive physical delivery of Notes in definitive form and will not be considered the Holders thereof for any purpose under the Indenture. Accordingly, each person owning a beneficial interest in such a Global Security must rely on the procedures of the Depositary and, if such person is not a Participant, on the procedures of the Participant through which such person owns its interest, to exercise any rights of a Holder under the Indenture. The Company understands that under existing industry practices, in the event that the Company requests any action of Holders or that an owner of a beneficial interest in such a Global Security desires to give or take any action which a Holder is entitled to give or take under the Indenture, the Depositary would authorize the Participants holding the relevant beneficial interests to give or take such action, and such Participants would authorize beneficial owners owning through such Participants to give or take such action or would otherwise act upon the instructions of beneficial owners owning through them.

The Depositary has advised the Company that the Depositary is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered under the Exchange Act. The Depositary was created to hold the securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depositary's participants include securities brokers and dealers (including the Agents), banks, trust companies, clearing corporations, and certain other organizations some of whom (and/or their representatives) own the Depositary. Access to the Depositary's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

UNITED STATES FEDERAL TAXATION

The following is a summary of the principal United States Federal tax consequences resulting from the beneficial ownership of Notes by certain persons. This summary does not purport to consider all the possible tax consequences of the purchase, ownership or disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner. It deals only with Notes held as capital assets. Moreover, except as expressly indicated, it deals only with initial purchasers and not beneficial owners with a special tax status or special tax situations, such as dealers in securities or currencies, Notes held as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Note and one or more other investments, or situations in which the functional currency of the beneficial owner is not the U.S. dollar. Except to the extent discussed below under "Non-U.S. Holders," this summary may not be applicable to non-U.S. persons not subject to United States Federal income tax on their worldwide income. The summary is based upon the United States Federal tax laws and regulations as now in effect and as currently interpreted and does not take into account possible changes in such tax laws or such interpretations, which may be applied

retroactively. It does not include any description of the tax laws of any state, local or foreign governments that may be applicable to the Notes or holders thereof. Persons considering the purchase of Notes should consult their own tax advisors concerning the application of the United States Federal tax laws to their particular situations as well as any consequences to them under the laws of any other taxing jurisdiction.

U.S. HOLDERS

PAYMENTS OF INTEREST

In general, interest on a Note (other than certain payments on a Discount Note, as defined and described below under "Original Issue Discount"), will be taxable to a beneficial owner who or which is (i) a citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof (including the District of Columbia) or (iii) a person otherwise subject to United States Federal income taxation on its worldwide income (a "U.S. Holder") as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes.

ORIGINAL ISSUE DISCOUNT

The following discussion summarizes the United States Federal income tax consequences to holders of Notes issued with original issue discount ("OID"). The basic rules for reporting OID are contained in the Internal Revenue Code of 1986, as amended (the "Code"). On February 4, 1994, the Treasury Department issued final regulations (the "OID Regulations"), which expand and illustrate the rules provided by the Code. The OID Regulations are effective for debt instruments issued on or after April 4, 1994, and the preamble to the OID Regulations provides that a taxpayer generally may rely upon the OID Regulations for debt instruments issued after December 21, 1992.

General. A Note will be treated as issued with OID (a "Discount Note") if the excess of the Note's "stated redemption price at maturity" over its issue price is greater than a de minimis amount (set forth in the Code and the OID Regulations). Generally, the issue price of a Note (or any Note that is part of an issue or Notes) will be the first price at which a substantial amount of Notes that are part of such issue of Notes are sold. Under the OID Regulations, the "stated redemption price at maturity" of a Note is the sum of all payments provided by the Note that are not payments of "qualified stated interest". A "qualified stated interest" payment includes any stated interest payment on a Note that is unconditionally payable at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments. The Pricing Supplement will state whether a particular issue of Notes will constitute Discount Notes.

In general, if the excess of a Note's stated redemption price at maturity over its issue price is de minimis, then such excess constitutes "de minimis OID." Under the OID Regulations, unless the election described below under "Election to Treat All Interest as Original Issue Discount" is made, such a Note will not be treated as issued with OID (in which case the following paragraphs under "Original Issue Discount" will not apply), and a U.S. Holder of such a Note will recognize capital gain with respect to such de minimis OID as stated principal payments on the Note are made. The amount of such gain with respect to each such payment will equal the product of the total amount of the Note's de minimis OID and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Note.

In certain cases, Notes that bear stated interest and are issued at par may be deemed to bear OID for Federal income tax purposes, with the result that the inclusion of interest in income for Federal income tax purposes may vary from the actual cash payments of interest made on such Notes, generally accelerating income for cash method taxpayers. Under the OID Regulations, a Note may be a Discount Note where (i) a Note bearing interest at a floating rate (a "Floating Rate Note") provides for a maximum interest rate or a minimum interest rate that is reasonably expected as of the issue date to cause the yield on the debt instrument to be significantly less, in the case of a maximum rate, or more, in the case of a minimum rate, than the expected yield determined without the maximum or minimum rate, as the case may be; (ii) a Floating Rate Note provides for a significant front-loading or back-loading of interest; or (iii) a Note bears

interest at a floating rate in combination with one or more floating or fixed rates. Notice will be given in the applicable Pricing Supplement if the Company determines that a particular Note will be a Discount Note. Unless specified in the applicable Pricing Supplement, Variable Rate Notes will not be Discount Notes.

The Code and the OID Regulations provide rules that require a U.S. Holder of a Discount Note having a maturity of more than one year from its date of issue to include OID in gross income before the receipt of cash attributable to such income, without regard to the holder's method of accounting for tax purposes. The amount of OID includible in gross income by a U.S. Holder of a Discount Note is the sum of the "daily portions" of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year in which the U.S. Holder holds such Discount Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Under the OID Regulations, accrual periods with respect to a Note may be any set of periods (which may be of varying lengths) selected by the U.S. Holder as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on the first day or final day of an accrual period.

The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any payments of qualified stated interest on the Discount Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of the first accrual period is the issue price and at the beginning of any accrual period thereafter is (x) the sum of the issue price of such Discount Note, the accrued OID for each prior accrual period (determined without regard to the amortization of any acquisition premium or bond premium, which are discussed below), and the amount of any qualified stated interest on the Note that has accrued prior to the beginning of the accrual period but is not payable until a later date, less (y) any prior payments on the Discount Note that were not qualified stated interest payments. If a payment (other than a payment of qualified stated interest) is made on the first day of an accrual period, then the adjusted issue price at the beginning of such accrual period is reduced by the amount of the payment. If a portion of the initial purchase price of a Note is attributable to interest that accrued prior to the Note's issue date, the first stated interest payment on the Note is to be made within one year of the Note's issue date and such payment will equal or exceed the amount of pre-issuance accrued interest, in which case a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note.

The OID Regulations contain certain special rules that generally allow any reasonable method to be used in determining the amount of OID allocable to a short initial accrual period (if all other accrual periods are of equal length) and require that the amount of OID allocable to the final accrual period equal the excess of the amount payable at the maturity of the Note (other than any payment of qualified stated interest) over the Note's adjusted issue price as of the beginning of such final accrual period. In addition, if an interval between payments of qualified stated interest on a Note contains more than one accrual period, then the amount of qualified stated interest payable at the end of such interval is allocated pro rata (on the basis of their relative length) between the accrual periods contained in the interval.

A U.S. Holder of a Discount Note generally will have to include in income increasingly greater amounts of OID over the life of the Note.

Acquisition Premium. A U.S. Holder that purchases a Note at its original issuance for an amount in excess of its issue price but less than its stated redemption price at maturity (any such excess being "acquisition premium"), and that does not make the election described below under "Original Issue Discount -- Election To Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's purchase price for the Note over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest over the Note's issue price. Alternatively, a U.S. Holder may elect to compute OID accruals as described under "Original Issue Discount -- General" above, treating the U.S. Holder's purchase price as the issue price.

Optional Redemption. If the Company has an option to redeem a Note, or the Holder has an option to cause a Note to be repurchased, prior to the Note's stated maturity, such option will be presumed to be exercised if, by utilizing any date on which such Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of such Note (the "redemption price") as the stated redemption price at maturity, the yield on the Note would be (i) in the case of an option of the Company, lower than its yield to stated maturity, or (ii) in the case of an option of the Holder, higher than its yield to state maturity. If such option is not in fact exercised when presumed to be exercised, the Note would be treated solely for OID purposes as if it were redeemed or repurchased, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date.

Short-Term Notes. Under the Code, special rules apply with respect to OID on Notes that mature one year or less from the date of issuance ("Short-Term Notes"). In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID for United States Federal income tax purposes unless such holder elects to do so. Accrual basis U.S. Holders and certain other U.S. Holders, including banks, regulated investment companies, dealers in securities and cash basis U.S. Holders who so elect, are required to accrue original issue discount on Short-Term Notes on either a straight-line basis or under the constant yield method (based on daily compounding), at the election of the U.S. Holder. In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the original issue discount under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

Any U.S. Holder of a Short-Term Note can elect to apply the rules in the preceding paragraph taking into account the amount of "acquisition discount", if any, with respect to the Note (rather than the OID with respect to such Note). Acquisition discount is the excess of the stated redemption price at maturity of the Short-Term Note over the U.S. Holder's purchase price. Acquisition discount will be treated as accruing on a ratable basis or, at the election of the holder, on a constant-yield basis.

For purposes of determining the amount of OID subject to these rules, the OID Regulations provide that no interest payments on a Short-Term Note are qualified stated interest, but instead such interest payments are included in the Short-Term Note's stated redemption price at maturity.

NOTES PURCHASED AT A PREMIUM

Under the Code, a U.S. Holder that purchases a Note for an amount in excess of its principal amount will not be subject to the OID rules and may elect to treat such excess as "amortizable bond premium", in which case the amount of qualified stated interest required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to such year. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludible from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the Internal Revenue Service (the "IRS"). See also "Original Issue Discount -- Election to Treat All Interest as Original Issue Discount".

NOTES PURCHASED AT A MARKET DISCOUNT

A Note, other than a Short-Term Note, will be treated as issued at a market discount (a "Market Discount Note") if the amount for which a U.S. Holder purchased the Note is less than the Note's issue price, subject to a de minimis rule similar to the rule relating to de minimis OID described under "Original Issue Discount -- General".

In general, any gain recognized on the maturity or disposition of a Market Discount Note will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income

currently over the life of the Note. Such an election applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

Market discount accrues on a straight-line basis unless the U.S. Holder elects to accrue such market discount on a constant yield to maturity basis. Such an election shall apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note who does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to such Note in an amount not exceeding the accrued market discount on such Note until the maturity or disposition of such Note.

The market discount rules do not apply to a Short-Term Note.

Election to Treat All Interest as Original Issue Discount. Any U.S. Holder that holds a Note issued after April 4, 1994, may elect to include in gross income all interest that accrues on a Note using the constant yield method described above under the heading "Original Issue Discount -- General," with the modifications described below. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount (described below under "Notes Purchased at a Market Discount"), acquisition discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium (described below under "Notes Purchased at a Premium" or acquisition premium.

In applying the constant yield method to a Note with respect to which this election has been made, the issue price of the Note will equal the electing U.S. Holder's adjusted basis in the Note immediately after its acquisition, the issue date of the Note will be the date of its acquisition by the electing U.S. Holder, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If this election is made with respect to a Note with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludible from gross income) held by such electing U.S. Holder as of the beginning of the taxable year in which the Note with respect to which the election is made or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the IRS.

If the election described above to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, as defined below, then the electing U.S. Holder will be treated as having made the election discussed below under "Notes Purchased at a Market Discount" to include market discount in income currently over the life of all debt instruments held or thereafter acquired by such U.S. Holder.

PURCHASE, SALE, AND RETIREMENT OF THE NOTES

General. A U.S. Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount (or acquisition discount, in the case of a Short-Term Note) included in the U.S. Holder's income with respect to the Note and the amount, if any, or income attributable to de minimis OID included in the U.S. Holder's income with respect to the Note, and reduced by the sum of (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note. A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. Except to the extent described above under "Original Issue Discount -- Short Term Notes" or "Market Discount", and except to the extent attributable to accrued but unpaid interest, gain or loss recognized on the sale or retirement of a Note generally will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year.

INDEXED NOTES

The applicable Pricing Supplement will contain a discussion of any special United States Federal income tax rules with respect to Indexed notes.

NON-U.S. HOLDERS

Under the U.S. Federal income tax laws in effect on the date of this Prospectus Supplement and subject to the discussion of backup withholding below, payments of principal (and premium, if any) and interest, including OID, by the Company or its agent (acting in its capacity as such) to any Non-U.S. Holder will not be subject to U.S. Federal withholding tax; provided, in the case of interest, including OID, that (i) such Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, (ii) such Non-U.S. Holder is not a controlled foreign corporation for U.S. tax purposes that is related to the Company through stock ownership, and (iii) either (A) the beneficial owner of the Note certifies to the Company or its agent, under penalties of perjury, on Form W-8, Certificate of Foreign Status, that it is a Non-U.S. Holder and provides its name and address, or (B) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and that holds the Note certifies to the Company or its agent under penalties of perjury that such statement has been received from the beneficial owner by it or by a financial institution and furnishes the payor with a copy thereof. A certificate described in this paragraph is effective only with respect to payments of interest made to the certifying Non-U.S. Holder in the calendar year of issuance and the two immediately succeeding calendar years.

In the event that the above requirements are not met, certain Non-U.S. Holders of Notes may nevertheless be entitled to a reduced rate of withholding under a bilateral tax treaty with the United States. Any Non-U.S. Holder claiming entitlement to such a reduced rate of withholding must certify to the Company or its agent (i) that such holder is a Non-U.S. Holder and (ii) that such Non-U.S. Holder is entitled to the benefits of a specific bilateral tax treaty, and must provide its name and address.

In no event shall the Company be obligated in any manner to reimburse any Non-U.S. Holder of a Note for any withholding or other tax imposed, including any related interest or penalties, or otherwise gross-up or increase interest payments to take into account any withholding or other tax, including any interest or penalties thereon.

If a Non-U.S. Holder of a Note is engaged in a trade or business in the United States and interest, including OID, on the Note is effectively connected with the conduct of such trade or business, such Non-U.S. Holder, although exempt from the withholding tax discussed in the third preceding paragraph, may be subject to U.S. Federal income tax on such interest, and OID, in the same manner as if it were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits for the taxable year, subject to adjustments. Interest (including OID) on a Note will be included in earnings and profits if such interest (or OID) is effectively connected with the Non-U.S. Holder's U.S. trade or business. In lieu of the certificate described in the third preceding paragraph, such Non-U.S. Holder must provide the payor with a properly executed IRS Form 4224 to claim an exemption from U.S. Federal withholding tax.

Any capital gain or market discount realized upon the sale, exchange, retirement or other disposition of a Note by a Non-U.S. Holder will not be subject to U.S. Federal income or withholding taxes if (i) such gain is not effectively connected with a U.S. trade or business of the Non-U.S. Holder and (ii) in the case of an individual, such Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or disposition.

Notes held by an individual who is neither a citizen nor a resident of the United States for U.S. Federal income tax purposes at the time of such individual's death will not be subject to U.S. Federal estate tax provided that the income from such Notes was not or would not have been effectively connected with a U.S. trade or business of such individual and that such individual qualified for the exemption from U.S. Federal withholding tax (without regard to the certification requirements) that is described above.

BACKUP WITHHOLDING AND INFORMATION REPORTING

For each calendar year in which the Notes are outstanding, the Company is required to provide the IRS with certain information, including the U.S. Holder's name, address and taxpayer identification number

(either the U.S. Holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid (including OID, if any) to that U.S. Holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporation, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts.

In the event that a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required or underreports its tax liability with respect to interest, the Company, its agents or paying agents or a broker may be required to "backup" withhold a tax equal to 31% of each payment of interest (including OID) and principal (and premium, if any) on the Notes. This tax is not an additional tax and may be credited against the U.S. Holder's U.S. Federal income tax liability, provided that the required information is furnished to the IRS.

Under current Treasury regulations, backup withholding and information reporting will not apply to payments made by the Company or any agent thereof (in its capacity as such) to a Non-U.S. Holder of a Note with respect to which the Non-U.S. Holder has provided required certification that it is not a U.S. Holder as set forth in clause (iii) in the first paragraph under "Non-U.S. Holders" above, or has otherwise established an exemption (provided that neither the Company nor such agent has actual knowledge that the holder is a U.S. Holder or that the conditions of any exemption are not in fact satisfied).

Payment of the proceeds from the sale of a Note to or through a foreign office of a broker will not be subject to information reporting or backup withholding, except that if the broker is a U.S. person, a controlled foreign corporation for U.S. tax purposes or a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a U.S. trade or business, information reporting may apply to such payments. Payment of the proceeds from a sale of a Note to or through the U.S. office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification or otherwise establishes an exemption from information reporting and backup withholding.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL OR OTHER TAX LAWS.

SUPPLEMENTAL PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the Distribution Agreement, dated March , 1994, the Notes are being offered on a continuing basis by the Company through Lazard Freres & Co., Morgan Stanley & Co. Incorporated and Salomon Brothers Inc (the "Agents"), who have agreed to use reasonable efforts to solicit purchases of the Notes. The Company will have the sole right to accept offers to purchase Notes and may reject any proposed purchase of Notes as a whole or in part. The Agents shall have the right, in their discretion reasonably exercised, to reject any offer to purchase Notes, as a whole or in part. The Company will pay the Agents a commission of from % to % of the principal amount of Notes, depending upon maturity, for sales made through them as Agents of Notes with a maturity of less than 40 years; the commission to be paid by the Company to the Agents on any sale of Notes with a maturity of 40 years or more will be negotiated at the time of sale.

The Company may also sell Notes to the Agents as principals for their own accounts at a discount to be agreed upon at the time of sale, or the purchasing Agents may receive from the Company a commission or discount equivalent to that set forth on the cover page hereof in the case of any such principal transaction in which no other discount is agreed. Such Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Agents. The Company reserves the right to sell Notes directly on its own behalf. No commission will be payable on any Notes sold directly by the Company.

In addition, the Agents may offer the Notes they have purchased as principal to other dealers. The Agents may sell Notes to any dealer at a discount and, unless otherwise specified in the applicable Pricing Supplement, such discount allowed to any dealer will not be in excess of % of the discount to be received by such Agent from the Company. Unless otherwise indicated in the applicable Pricing Supplement, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage equal to the commission applicable to any agency sale of a Note of identical maturity, and may be resold by the Agent to investors and other purchasers from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale or may be resold to certain dealers as described above. After the initial public offering of Notes to be resold to investors and other purchasers on a fixed public offering price basis, the public offering price, concession and discount may be changed.

In addition, the Company may appoint additional agents from time to time. The name of any such additional agent and details as to the arrangements between such agent and the Company will be set forth in the applicable Pricing Supplement.

The Agents, as agents or principals, may be deemed to be underwriters within the meaning of the Securities Act of 1933 (the "Act"). The Company has agreed to indemnify the Agents against certain liabilities, including liabilities under the Act. The Company had agreed to reimburse the Agents for certain expenses.

Lazard Freres & Co., Morgan Stanley & Co. Incorporated and Salomon Brothers Inc have performed various investment banking services for the Company and may perform such services in the future.

Notes may also be sold at the price to the public set forth herein to dealers who may resell to investors. Such dealers may be deemed to be Underwriters within the meaning of the Act.

The Company does not intend to apply for the listing of the Notes on a national securities exchange, but has been advised by the Agents that the Agents intend to make a market in the Notes, as permitted by applicable laws and regulations. The Agents are not obligated to do so, however, and the Agents may discontinue making a market at any time without notice. No assurance can be given as to the existence or liquidity of any trading market for the Notes.

VALIDITY OF NOTES

The validity of the Notes will be passed upon for the Company by John B. Canning, Corporate Secretary and Associate General Counsel of the Company, and for the Agents by Cravath, Swaine & Moore, 825 Eighth Avenue, New York, New York 10019. The opinions of John B. Canning and Cravath, Swaine & Moore will be conditioned upon, and subject to certain assumptions regarding, future actions required to be taken by the Company and the Trustee in connection with the issuance and sale of any particular Note, the specific terms of Notes and other matters which may affect the validity of Notes but which cannot be ascertained on the date of such opinion.

 NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE COMPANY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT OR THE PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT AND THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT AND THE PROSPECTUS NOR ANY SALE MADE HEREUNDER AND THEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THEREOF. THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY STATE IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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 \$174,000,000

RAYONIER INC.
 SERIES B MEDIUM-TERM NOTES

 PROSPECTUS SUPPLEMENT

LAZARD FRERES & CO.
 MORGAN STANLEY & CO.
 INCORPORATED
 SALOMON BROTHERS INC

PROSPECTUS

\$274,000,000
 RAYONIER INC.
 DEBT SECURITIES
 - - - - -

Rayonier Inc. ("Rayonier" or the "Company") may offer or issue from time to time its unsecured debt securities consisting of notes, debentures or other evidences of indebtedness (the "Debt Securities") in an aggregate principal amount of up to \$274,000,000 (or, if Debt Securities are issued at an original issue discount, such greater amount as shall result in aggregate proceeds of \$274,000,000 to the Company). The Debt Securities may be offered as separate series in amounts, at prices and on terms to be determined in light of market conditions at the time of sale and set forth in an accompanying supplement to this Prospectus (each a "Prospectus Supplement").

The terms of each series of Debt Securities, including, where applicable, the specific designation, aggregate principal amount, authorized denominations, maturity, interest rate or rates (which may be fixed or variable) and time or times of payment of any interest, any terms for optional or mandatory redemption or payment of additional amounts or any sinking fund provisions, any initial public offering price, the proceeds to the Company and any other specific terms in connection with the offering and sale of such series (the "Offered Securities") will be set forth in a Prospectus Supplement.

The Debt Securities may be sold directly by the Company, through agents designated from time to time or to or through underwriters or dealers. See "Plan of Distribution." If agents, dealers or underwriters are involved in the sale of the Debt Securities, the names of such agents, dealers or underwriters and any applicable agents' commissions, dealers' purchase price or underwriters' discounts will be set forth in a Prospectus Supplement. The net proceeds to the Company from such sale will also be set forth in a Prospectus Supplement.

Each Prospectus Supplement will state whether the Offered Securities will be listed on any securities exchange. If the Offered Securities are not listed on any national securities exchange, there can be no assurance that there will be a secondary market for the Offered Securities.

The Debt Securities may be issued only in registered form, and may be issued in temporary or definitive global form.

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 THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.
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This Prospectus may not be used to consummate sales of Debt Securities unless accompanied by a Prospectus Supplement.

March , 1994

NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION NOT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS AND A PROSPECTUS SUPPLEMENT AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER, AGENT OR DEALER. THIS PROSPECTUS AND A PROSPECTUS SUPPLEMENT DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS AND/OR A PROSPECTUS SUPPLEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN OR THEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

AVAILABLE INFORMATION

Rayonier is subject to the reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549; Seven World Trade Center, New York, New York 10048; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material may also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, copies of such material and the information about the Company are available for inspection at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Rayonier has filed with the Commission a registration statement (together with all amendments and exhibits thereto, the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"), with respect to the Debt Securities. This Prospectus does not contain all the information set forth in the Registration Statement and reference is hereby made to the Registration Statement for further information with respect to the Company and the Debt Securities.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

There is hereby incorporated in this Prospectus by reference the following document filed by Rayonier with the Commission under the Exchange Act:

Annual Report on Form 10-K for the year ended December 31, 1993.

All documents filed by Rayonier pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and before the termination of the offering of the Debt Securities offered hereby shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or in the accompanying Prospectus Supplement, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference herein, or in an accompanying Prospectus Supplement, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Rayonier will furnish without charge to each person to whom a copy of this Prospectus is delivered, upon request, a copy of any of the documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference in such documents). Requests should be directed to Corporate Secretary, Rayonier Inc., 1177 Summer Street, Stamford, Connecticut 06905-5529. Telephone requests may be directed to (203) 348-7000.

RAYONIER INC.

Rayonier Inc. ("Rayonier" or the "Company") is a leading international forest products company primarily engaged in the trading, merchandising and manufacture of logs, timber and wood products, and in the production and sale of high value added specialty pulps. Rayonier owns, leases or controls approximately 1.5 million acres of timberland in the United States and New Zealand. In addition, Rayonier operates three pulp mills and two lumber manufacturing facilities in the United States.

Rayonier traces its origin to the founding of Rainier Pulp and Paper Company in Shelton, Washington, in 1926. With the consolidation of several pulp companies in 1937, the Company became "Rayonier Incorporated," a corporation whose stock was publicly traded on the New York Stock Exchange until Rayonier became a wholly owned subsidiary of ITT Corporation ("ITT") in 1968. On February 28, 1994, ITT distributed, as a special dividend, all of the Common Shares of Rayonier to the holders of ITT Common Stock and Series N Preferred Stock. In connection with the distribution, the Company changed its name from ITT Rayonier Incorporated to Rayonier Inc. and became a publicly traded company listed on the New York Stock Exchange under the symbol "RYN."

The principal subsidiaries of the Company are Rayonier Timberlands, L.P. ("RTLPL"), Rayonier Timberlands Operating Company, L.P. ("RTOC") and Rayonier New Zealand Limited ("RNZ").

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

TIMBER AND WOOD PRODUCTS

Rayonier owns, buys and harvests timber stumpage, and purchases delivered logs, in North America and New Zealand for subsequent sale into export markets (primarily to Japan, Korea and China), as well as to domestic lumber and pulp mills. Rayonier also produces dimension and specialty lumber products for residential construction and industrial uses.

Rayonier participates in the worldwide timber and wood products business in three specific ways:

Log Trading and Merchandising -- The Company harvests logs from Company owned parcels and from third party parcels on which the Company has acquired cutting rights and purchases logs on the open market. The Company then subsequently packages and sells these logs throughout the world.

Timberlands Management and Stumpage (Standing Timber) Sales -- The Company manages owned, leased and otherwise controlled timber properties and, after scientifically growing and nurturing the trees to their economic peak, sells the cutting rights to the timber on these properties at market prices through auction or negotiation.

Wood Products Sales -- The Company manufactures and sells lumber products for construction and other uses both domestically and in international markets.

In the United States, the Company manages timberlands and sells timber stumpage (cutting rights to standing timber) directly through RTLPL, a publicly traded master limited partnership. Rayonier and Rayonier Forest Resources Company ("RFR"), a wholly owned subsidiary, are the general partners of RTLPL. Rayonier also owns 74.7% of the Class A Limited Partnership Units, the remaining 25.3% being publicly held. Class A Units participate principally in the revenues, expenses and cash flow associated with RTLPL's sales of timber through December 31, 2000 and to a significantly lesser extent in subsequent periods. RTLPL's sales of timber after that date as well as cash flow associated with land management activities before and after that date are principally allocable to the Class B Limited Partnership Units, all of which have been retained by Rayonier. RTLPL, through RTOC owns, leases and manages timberlands in the Southeastern and Northwestern United States previously owned or leased by the Company, sells timber stumpage from such timberlands and from time to time purchases and sells timberlands. RTLPL's timberlands provide a major source of wood used in the Company's other businesses.

On May 15, 1992, the Company, through RNZ, purchased for approximately \$197 million from the New Zealand government forest assets consisting primarily of Crown Forest licenses providing the right to utilize approximately 250,000 acres of New Zealand plantation forests for a minimum period of 35 years. Most of these timberlands consist of radiata pine trees, with a planting-to-harvesting time of approximately 27 years, well-suited for the highest quality lumber and panel products. These trees typically produce up to twice as much fiber per acre, per year as the most productive commercial tree species in the United States. Rayonier intends to grow and harvest the New Zealand timber for both domestic New Zealand uses and for export primarily to Pacific Rim markets.

SPECIALTY PULP PRODUCTS

The Company is a leading specialty manufacturer of chemical cellulose, often called dissolving pulp, from which customers produce a wide variety of products, principally textile, industrial and filtration fibers, plastics and other chemical intermediate industrial products. Rayonier believes that it is one of the world's largest manufacturers of high grade chemical cellulose. The Company also manufactures fluff pulps that customers use to produce diapers and other sanitary products, and specialty paper pulps used in the manufacture of products such as filters and decorative laminates.

Rayonier manufactures its specialty pulp products to customers' specifications. Approximately half of Rayonier's pulp sales are to export customers, with the more important overseas markets being Western Europe and Japan.

The Company manufactures more than 25 different grades of pulp. The Company owns and operates three wood pulp mills which have an aggregate annual capacity of approximately 826,000 metric tons. Rayonier's wood pulp production facilities are able to manufacture a broad mix of products to meet customers' needs. The Company owns wood pulp production facilities in Jesup, Georgia; Fernandina Beach, Florida; and Port Angeles, Washington. The Jesup facility, a kraft mill that began operations in 1954 and was subsequently significantly expanded and modernized, today accounts for approximately 530,000 metric tons of annual wood pulp production capacity, or 64 percent of Rayonier's current total. The Fernandina Beach facility began operations in 1939 and accounts for approximately 146,000 metric tons of annual wood pulp production capacity, or 18 percent of Rayonier's current total. The Port Angeles facility began operations in 1929 and accounts for approximately 150,000 metric tons of annual wood pulp production capacity, or 18 percent of Rayonier's current total.

USE OF PROCEEDS

The net proceeds to be received by the Company from the sale of the Debt Securities will be used as set forth in the applicable Prospectus Supplement.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the Company's consolidated ratios of earnings to fixed charges for the periods indicated.

YEAR ENDED DECEMBER 31,

1993	1992	1991	1990	1989
5.25x	*	5.37x	13.04x	11.52x

* Earnings were inadequate to cover total fixed charges and preferred dividend requirement by \$106 million. For the year ended December 31, 1992, the Company's loss from continuing operations before the cumulative effect of accounting changes was \$81 million, including a provision of \$180 million, pre-tax (\$115 million net of tax), for the loss on disposal of assets along with the costs for severance, demolition and other closedown items associated with the disposition of the Grays Harbor pulp mill and vanillin plant, and the associated Grays Harbor Paper Company (the "Grays Harbor Complex"). Excluding the effects of such provision, the ratio of earnings to fixed charges would have been 3.98x.

For the purpose of computing the ratio of earnings to fixed charges, earnings consist of income from continuing operations before cumulative effect of accounting changes, adjusted to eliminate undistributed earnings or losses of a joint venture accounted for under the equity method, minority interest in consolidated partnerships, amortization of capitalized interest, the provision for income taxes and fixed charges. Fixed charges comprise interest on long-term and short-term debt, amortization of debt discount and debt expense, and the portion of rentals deemed representative of the interest factor and preferred dividends.

DESCRIPTION OF THE DEBT SECURITIES

As specified in the Prospectus Supplement, the Debt Securities will be issued under either an indenture, dated as of September 1, 1992, as supplemented and amended, between Rayonier and Bankers Trust Company, a New York banking corporation, as Trustee, or an indenture to be dated as of April 1, 1994, between Rayonier and Chemical Bank, a New York banking corporation, as Trustee, copies of which indentures are filed as exhibits to the Registration Statement of which this Prospectus is a part. The indentures are hereafter referred to respectively as the "Indenture," and Bankers Trust Company and Chemical Bank are hereafter referred to respectively as the "Trustee." The Indentures are the same in all material respects. The statements under this caption are brief summaries of certain provisions of the Indenture, do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Indenture, including the definitions therein of certain terms. Whenever particular sections of the Indenture or terms that are defined in the Indenture are referred to herein or in a Prospectus Supplement, it is intended that such sections or defined terms shall be incorporated by reference herein or therein, as the case may be.

The Debt Securities may be issued by Rayonier from time to time in one or more series. The particular terms of each series of Offered Securities will be described in the Prospectus Supplement or Prospectus Supplements relating to such series.

GENERAL

The Debt Securities offered pursuant to this Prospectus will be limited to \$274,000,000 aggregate principal amount (or, if any Debt Securities are issued at original issue discount, such greater amount as shall result in proceeds of \$274,000,000 to the Company). Debt Securities may be issued under the Indenture from time to time in separate series up to the aggregate amount from time to time authorized by the Company for each series.

The applicable Prospectus Supplement or Prospectus Supplements will describe the following terms of the Offered Securities: (1) the title of the Offered Securities; (2) the aggregate principal amount of the Offered Securities; (3) the date on which the principal of the Offered Securities will mature; (4) the rate or rates (or, if subject to adjustment, the manner for determining such rates) at which the Offered Securities shall bear interest, if any, the date or dates from which any such interest shall accrue, the Interest Payment Dates on which any such interest shall be payable, and the Regular Record Date for any interest payable on any Interest Payment Date; (5) the place or places where, subject to the terms of the Indenture as described below under "Payment and Paying Agents," the principal of (and premium, if any) and interest on the Offered Securities will be payable and where, subject to the terms of the Indenture as described below under "Denominations, Registration and Transfer," the Offered Securities may be presented for registration of transfer or exchange and the place or places where notices and demands to or upon the Company in respect of the Offered Securities and the Indenture may be made ("Place of Payment"); (6) any period or periods within or date or dates on which, the price or prices at which and the terms and conditions upon which Offered Securities may be redeemed, in whole or in part, at the option of the Company; (7) the obligation or the right, if any, of the Company to redeem, purchase or repay the Offered Securities prior to the Stated Maturity pursuant to any sinking fund, amortization or analogous provisions or at the option of a Holder thereof or of the Company and the date or dates on which, the period or periods within which, the price or prices at which and the terms and conditions upon which the Offered Securities shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation; (8) the denominations in which any Offered Securities shall be issued if other than

\$1,000 or any integral multiple thereof; (9) any addition to, or modification or deletion of, any Event of Default or any covenant of the Company specified in the Indenture with respect to the Offered Securities; (10) if other than the principal amount thereof, the portion of the principal amount of the Offered Securities which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to the Indenture; (11) any index or indices used to determine the amount of payments of principal of and premium, if any, on the Offered Securities and the manner in which such amounts will be determined; and (12) any other terms of the Offered Securities not inconsistent with the provisions of the Indenture. (Section 3.01.)

DENOMINATIONS, REGISTRATION AND TRANSFER

Unless otherwise set forth in the Prospectus Supplement for the Offered Securities, the Debt Securities will be issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. Debt Securities of any series will be exchangeable for other Debt Securities of the same issue and series, of any authorized denominations, of a like aggregate principal amount, of the same Original Issue Date and Stated Maturity and bearing the same interest rate. (Section 3.05.)

Debt Securities may be presented for exchange as provided above, and may be presented for registration of transfer (with the form of transfer endorsed thereon, or a satisfactory written instrument of transfer, duly executed), at the office of the Securities Registrar or at the office of any transfer agent designated by the Company for such purpose with respect to any series of Debt Securities and referred to in an applicable Prospectus Supplement, without service charge and upon payment of any taxes and other governmental charges as described in the Indenture. The Company has appointed the Trustee as Securities Registrar. (Section 3.05.) If a Prospectus Supplement refers to any transfer agents (in addition to the Securities Registrar) initially designated by the Company with respect to any series of Debt Securities, the Company may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, provided that the Company maintains a transfer agent in each Place of Payment for such series. The Company may at any time designate additional transfer agents with respect to any series of Debt Securities. (Section 10.02.)

In the event of any redemption, neither the Company nor the Trustee shall be required to (i) issue, register the transfer of, or exchange Debt Securities of any series during a period beginning at the opening of business 15 days before the day of selection for redemption of Debt Securities of that series and ending at the close of business on the day of mailing of the relevant notice of redemption or (ii) transfer or exchange any Debt Security so selected for redemption, except, in the case of any Debt Security being redeemed in part, any portion thereof not to be redeemed. (Section 3.05.)

GLOBAL SECURITIES

The Debt Securities of a series may be issued in whole or in part in the form of one or more global securities (a "Global Security") that will be deposited with, or on behalf of, a depository (the "Depository") identified in the Prospectus Supplement relating to such series. Global Securities may be issued only in fully registered form and in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual Debt Securities represented thereby, a Global Security may not be transferred except as a whole by the Depository for such Global Security to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by the Depository or any nominee to a successor Depository or any nominee of such successor.

The specific terms of the depository arrangement with respect to a series of Debt Securities will be described in the Prospectus Supplement relating to such series. The Company anticipates that the following provisions will generally apply to depository arrangements.

Upon the issuance of a Global Security, the Depository for such Global Security or its nominee will credit, on its book-entry registration and transfer system, the respective principal amounts of the individual Debt Securities represented by such Global Security to the accounts of persons that have accounts with such Depository ("Participants"). Such accounts shall be designated by the agents,

underwriters or dealers with respect to such Debt Securities or by the Company if such Debt Securities are offered and sold directly by the Company. Ownership of beneficial interests in a Global Security will be limited to Participants or persons that may hold interests through Participants. Ownership of beneficial interests in such Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable Depository or its nominee (with respect to interests of Participants) and the records of Participants (with respect to interests of persons who hold through Participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Security.

So long as the Depository for a Global Security, or its nominee, is the registered owner of such Global Security, such Depository or such nominee, as the case may be, will be considered the sole owner or holder of the Debt Securities represented by such Global Security for all purposes under the Indenture governing such Debt Securities. Except as provided below, owners of beneficial interests in a Global Security will not be entitled to have any of the individual Debt Securities of the series represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of any such Debt Securities of such series in definitive form and will not be considered the owners or holders thereof under the Indenture governing such Debt Securities.

Payments of principal of (and premium, if any) and interest on individual Debt Securities represented by a Global Security registered in the name of a Depository or its nominee will be made to the Depository or its nominee, as the case may be, as the registered owner of the Global Security representing such Debt Securities. None of the Company, the Trustee for such Debt Securities, any Paying Agent, or the Securities Registrar for such Debt Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interest of the Global Security for such Debt Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that the Depository for a series of Debt Securities or its nominee, upon receipt of any payment of principal, premium or interest in respect of a permanent Global Security representing any of such Debt Securities, immediately will credit Participants' accounts with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Security for such Debt Securities as shown on the records of such Depository or its nominee. The Company also expects that payments by Participants to owners of beneficial interests in such Global Security held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name." Such payments will be the responsibility of such Participants.

If a Depository for a series of Debt Securities is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by the Company within 90 days, the Company will issue individual Debt Securities of such series in exchange for the Global Security representing such series of Debt Securities. In addition, the Company may at any time and in its sole discretion, subject to any limitations described in the Prospectus Supplement relating to such Debt Securities, determine not to have any Debt Securities of such series represented by one or more Global Securities and, in such event, will issue individual Debt Securities of such series in exchange for the Global Security or Securities representing such series of Debt Securities. Further, if the Company so specifies with respect to the Debt Securities of a series, an owner of a beneficial interest in a Global Security representing Debt Securities of such series may, on terms acceptable to the Company, the Trustee and the Depository for such Global Security, receive individual Debt Securities of such series in exchange for such beneficial interests, subject to any limitations described in the Prospectus Supplement relating to such Debt Securities. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of individual Debt Securities of the series represented by such Global Security equal in principal amount to such beneficial interest and to have such Debt Securities registered in its name. Individual Debt Securities of such series so issued will be issued in denominations, unless otherwise specified by the Company, of \$1,000 and integral multiples thereof.

PAYMENT AND PAYING AGENTS

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of (and premium, if any) and any interest on Debt Securities will be made at the office of the Trustee in the City of New York or at the office of such Paying Agent or Paying Agents as the Company may designate from time to time in an applicable Prospectus Supplement, except that at the option of the Company payment of any interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register or (ii) by transfer to an account maintained by the Person entitled thereto as specified in the Securities Register, provided that proper transfer instructions have been received by the Trustee or any Paying Agent, as the case may be, by the Regular Record Date. Unless otherwise indicated in an applicable Prospectus Supplement, payment of any interest on Debt Securities will be made to the Person in whose name such Debt Security is registered at the close of business on the Regular Record Date for such interest, except in the case of Defaulted Interest. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agent; however, the Company will at all times be required to maintain a Paying Agent in each Place of Payment for each series of Debt Securities. (Sections 3.01, 3.07 and 10.02.)

Any moneys deposited with the Trustee or any Paying Agent, or then held by the Company in trust, for the payment of the principal of (and premium, if any) or interest on any Debt Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall, at the request of the Company, be repaid to the Company, and the Holder of such Debt Security shall thereafter look, as a general unsecured creditor, only to the Company for payment thereof. (Section 10.03.)

REDEMPTION

Unless otherwise indicated in an applicable Prospectus Supplement, Debt Securities will not be subject to any sinking fund and will not be redeemable prior to their Stated Maturity.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and no Person shall consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless (i) in case the Company consolidates with or merges into another corporation or conveys, transfers or leases its properties and assets substantially as an entirety to any Person, the successor corporation is organized under the laws of the United States of America or any state or the District of Columbia, and such successor corporation expressly assumes the Company's obligations on the Debt Securities issued under the Indenture; (ii) immediately after giving effect thereto, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (iii) certain other conditions as prescribed in the Indenture are met.

The Indenture provides that in the event of any conveyance, transfer or lease in accordance with the preceding paragraph, the Company shall be discharged from all obligations and covenants under the Indenture and the Debt Securities and may be dissolved and liquidated.

The Indenture also provides that if, upon any consolidation or merger of the Company with or into any other corporation, or upon any conveyance, transfer or lease of its properties and assets substantially as an entirety to any Person, any of the property or assets of the Company or of any Restricted Subsidiary would thereupon become subject to any mortgage, lien or pledge, the Company, prior to or simultaneously with such consolidation, merger, conveyance, transfer or lease will secure the Debt Securities equally and ratably with any other obligations of the Company or any Restricted Subsidiary then entitled thereto, by a direct lien on all such property and assets prior to all liens other than any theretofore existing thereon.

COVENANTS

The Indenture contains covenants including, among others, the following:

Limitations on Liens

The Indenture provides that the Company will not, nor will it permit any Restricted Subsidiary to, issue, assume or guarantee any indebtedness for money borrowed if such indebtedness is secured by a Lien upon any Principal Property of the Company or any Restricted Subsidiary or on any shares of stock of any Restricted Subsidiary (whether such Principal Property or shares of stock are now owned or hereafter acquired) without in any such case effectively providing that the Debt Securities of any series Outstanding which are entitled to the benefits of such provision of the Indenture (together with, if the Company shall so determine, any other Indebtedness of or guaranteed by the Company or such Restricted Subsidiary entitled thereto, subject to applicable priority of payment) shall be secured equally and ratably with or prior to such Indebtedness, except that the foregoing restriction shall not apply to

(i) Liens on property or shares of stock of any corporation existing at the time such corporation becomes a Restricted Subsidiary;

(ii) Liens on property existing at the time of acquisition thereof, or Liens on property which secure the payment of the purchase price of such property, or Liens on property which secure indebtedness incurred or guaranteed for the purpose of financing the purchase price of such property or the construction of such property (including improvements to existing property), which indebtedness is incurred or guaranteed within 180 days after the latest of such acquisition or completion of such construction or commencement of operation of such property; provided that such Lien shall not extend to or cover any property of the Company or any Restricted Subsidiary other than such property hereafter acquired or previously unimproved property theretofore owned and the principal amount of Funded Debt secured by such Lien shall not exceed (a) in the case of any timberlands or pollution control facility, 100% of the lesser of (i) the cost of such acquisition, construction or improvement of such property to the Company or such Restricted Subsidiary or (ii) the fair value of such acquisition, construction or improvement of such property at the time of such acquisition, construction or improvement, and (b) in the case of any other type of property, 75% of the lesser of (i) the cost of such acquisition, construction or improvement of such property to the Company or such Restricted Subsidiary or (ii) the fair value of such acquisition, construction or improvement of such property at the time of such acquisition, construction or improvement;

(iii) Liens securing indebtedness owing by any Restricted Subsidiary to the Company or a wholly owned Restricted Subsidiary;

(iv) Liens on property of a corporation existing at the time such corporation is merged into or consolidated with the Company or a Restricted Subsidiary or at the time of a purchase, lease or other acquisition of the properties of a corporation or other Person as an entirety or substantially as an entirety by the Company or a Restricted Subsidiary;

(v) Liens on property of the Company or a Restricted Subsidiary in favor of the United States of America or any State thereof or any agency, instrumentality or political subdivision thereof, or in favor of any other country, or any political subdivision thereof, to secure any indebtedness incurred or guaranteed for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such Liens within 180 days after the latest of the acquisition, completion of construction or commencement of operation of such property; and

(vi) any extension renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (i) to (v), inclusive, provided however, that the principal amount of such indebtedness secured thereby shall not exceed the principal amount of such indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the

property which secured the Lien so extended, renewed or replaced (plus improvements and construction on such property).

Notwithstanding the above, the Company and one or more Restricted Subsidiaries may, without securing the Debt Securities, issue, assume or guarantee secured indebtedness which would otherwise be subject to the foregoing restrictions, provided that after giving effect thereto the aggregate amount of such indebtedness issued pursuant to such exception at such time and the aggregate Value of Sale and Lease-Back Transactions (other than those in connection with which the Company has voluntarily retired Funded Debt in compliance with the provisions described below under "Limitation on Sale and Lease-Back Transactions") does not at any one time exceed 10% of Consolidated Net Tangible Assets. In computing the aggregate amount of indebtedness outstanding for purposes of the foregoing sentence, there shall not be included in the calculation any indebtedness issued, assumed or guaranteed pursuant to clauses (i) through (vi) above. (Section 10.08.)

Limitation on Sale and Lease-Back Transactions

The Indenture provides that the Company shall not and, shall not permit any Restricted Subsidiary to, enter into any Sale and Lease-Back Transaction with respect to any Principal Property with any person (other than the Company or a Restricted Subsidiary) unless either (a) the Company or such Restricted Subsidiary would be entitled, pursuant to the provisions set forth above under "Limitation on Liens," to incur Funded Debt in a principal amount equal to or exceeding the Value of such Sale and Lease-Back Transaction secured by a Lien on the Principal Property to be leased without equally and ratably securing the Debt Securities, or (b) the Company, during the four-month period after the effective date of such transaction, applies to the voluntary retirement of its Funded Debt an amount equal to the greater of: (1) the net proceeds of the sale of the Principal Property leased in such transaction or (2) the fair market value in the good faith opinion of the Board of Directors of the Company of the Principal Property at the time such transaction was entered into. (Section 10.09.)

Certain Definitions

"Consolidated Net Tangible Assets" means the total amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all current liabilities (excluding any thereof which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed) and (ii) all segregated goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and prepared in accordance with generally accepted accounting principles.

"Funded Debt" means all indebtedness for borrowed money having a maturity of more than 12 months from the date as of which the amount thereof is to be determined or having a maturity of less than 12 months but by its terms being renewable or extendible beyond 12 months from such date at the option of the borrower.

"Lien" means any mortgage, pledge, lien, encumbrance or security interest of any kind.

"Principal Property" means all timberlands, land, buildings, machinery and equipment, and leasehold interests and improvements in respect of the foregoing, which would be reflected on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles, excluding all such tangible property located outside the United States, Canada and New Zealand (including their respective territories and possessions) and excluding any such property which, in the opinion of the Board of Directors set forth in a Board Resolution, is not material to the Company and its Subsidiaries taken as a whole.

"Restricted Subsidiary" is defined as any Subsidiary (a) substantially all of the property of which is located in the United States, Canada or New Zealand (including their respective territories and possessions) and which owns a Principal Property; provided, however, that no Subsidiary shall be a

Restricted Subsidiary if pursuant to this clause (a) (i) the total assets of such Subsidiary are less than 10% of the total assets of the Company and its consolidated Subsidiaries (including such Subsidiary) in each case as set forth on the most recent fiscal year-end balance sheets of such Subsidiary and the Company and its consolidated Subsidiaries, respectively, and computed in accordance with generally accepted accounting principles, or (ii) in the judgment of the Board of Directors, as evidenced by a Board Resolution, the Company determines that such Subsidiary is not material to the financial condition of the Company and its Subsidiaries taken as a whole or (b) that is designated as a Restricted Subsidiary by the Board of Directors, as evidenced by a Board Resolution. As of the date of this Prospectus the subsidiaries of Rayonier which meet the definition of Restricted Subsidiaries are RTLP, RTOC and RNZ.

"Sale and Lease-Back Transaction" means any arrangement with any bank, insurance company or other lender or investor, or to which any such lender or investor is a party, providing for the leasing by the Company or a Restricted Subsidiary for a period, including renewals, in excess of three years of any Principal Property of the Company or a Restricted Subsidiary which has been or is to be sold or transferred by the Company or a Restricted Subsidiary to such lender or investor or to any person to which funds have been or are to be advanced by such lender or investor on the security of such Principal Property.

"Subsidiary" means (i) any corporation of which at the time of determination the Company and/or one or more Subsidiaries owns or controls directly or indirectly more than 50% of the outstanding shares of voting stock or (ii) any other Person (other than a corporation) in which the Company or one or more Subsidiaries directly or indirectly owns or controls more than 50% of the voting interests therein or otherwise has the power to direct the policies, management and affairs thereof.

"Value" means, with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale or transfer of the Principal Property leased pursuant to such Sale and Lease-Back Transaction and (ii) the fair market value, in the good faith opinion of the Board of Directors, of such Principal Property at the time of entering into such Sale and Lease-Back Transaction, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

MODIFICATION AND WAIVER

Modification and amendments of the Indenture may be made by the Company and the Trustee with the consent of the holders of a majority in aggregate principal amount of the Outstanding Debt Securities of each series affected thereby; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Debt Security affected thereby, (i) change the Stated Maturity of the principal of, or any installment of interest on, any Outstanding Debt Security; (ii) reduce the principal amount of, or the rate of interest on or any premium payable upon the redemption of, or the amount of principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity of, any Outstanding Debt Security; (iii) change the Place of Payment, or the coin or currency in which any Outstanding Debt Security or the interest thereon is payable; (iv) impair the right to institute suit for the enforcement of any payment on or with respect to any Outstanding Debt Security after the Stated Maturity; or (v) change the provisions of the Indenture relating to amendments of the Indenture requiring the consent of the affected Holders for waiver of compliance with certain provisions of the Indenture or waiver of past defaults. (Section 9.02.)

The Holders of a majority in principal amount of the Outstanding Debt Securities of each series may on behalf of the Holders of all Debt Securities of that series waive, insofar as the series is concerned, compliance by the Company with certain restrictive covenants of the Indenture. (Section 10.10.) The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series may on behalf of the Holders of that series waive any past default under the Indenture with respect to that series of Debt Securities, except a default in the payment of the principal of (or premium, if any), or any

interest on, or payment into any sinking fund on, any Debt Security of that series or in respect of a provision which under the Indenture cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security of that series affected. (Section 5.13.)

EVENTS OF DEFAULT

The Indenture provides that the following shall constitute Events of Default with respect to any series of Debt Securities: (i) default for 30 days in the payment of any interest when due; (ii) default in the payment of principal (or premium, if any) at Maturity; (iii) default in the payment of any sinking fund or analogous payments; (iv) default in the performance of any other covenant in the Indenture for 60 days after written notice thereof; (v) certain events in bankruptcy, insolvency or reorganization; (vi) acceleration of indebtedness for borrowed money in excess of \$10,000,000, which acceleration shall not have been rescinded or annulled within 30 days after notice; or (vii) any other Event of Default provided in the applicable Board Resolution or supplemental indenture under which such series of Debt Securities is issued. (Section 5.01.) The Company is required to furnish the Trustee annually with a statement as to the fulfillment by the Company of its obligations under the Indenture. (Section 10.06.) The Indenture provides that the Trustee may withhold notice to the Holders of the Debt Securities of any default (except in respect of the payment of principal or interest on the Debt Securities) if it considers it in the interest of the Holders to do so. (Section 6.02.)

If an Event of Default with respect to Outstanding Debt Securities of any series occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of that series may declare the principal amount (or, if the Debt Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Debt Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal shall become immediately due and payable. However, at any time after a declaration or acceleration with respect to Debt Securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained, the Holders of a majority in principal amount of Outstanding Debt Securities of that series may, subject to certain conditions, rescind and annul such declaration. (Section 5.02.)

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable security or indemnity. (Section 6.03.) Subject to such provisions for the security or indemnification of the Trustee, the Holders of a majority in principal amount of the Outstanding Debt Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Debt Securities of that series. (Section 5.12.)

No Holder of any Debt Security of any series will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to Debt Securities of that series and unless the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and, within 60 days following the receipt of such notice, the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding Debt Securities of that series a direction inconsistent with such request, and the Trustee shall have failed to institute such proceeding. (Section 5.07.) However, the Holder of any Debt Security will have an absolute right to receive payment of the principal of (and premium, if any) and interest on such Debt Security on or after the due dates expressed in such Debt Security and to institute a suit for the enforcement of any such payment. (Section 5.08.)

DEFEASANCE OF DEBT SECURITIES AND CERTAIN COVENANTS

The Company, at its option, either (a) will be discharged from any and all obligations with respect to any series of Debt Securities (except for certain obligations to register the transfer or exchange of Debt Securities, replace stolen, lost or mutilated Debt Securities, maintain paying agencies and hold moneys for payment in trust) or (b) will cease to be under any obligation to comply with certain restrictive covenants of the Indenture with respect to any Debt Securities, upon the deposit with the Trustee, in trust, of money or U.S. government securities or securities of U.S. government agencies backed by the full faith and credit of the U.S. government, or a combination thereof, which through the payment of interest thereon and principal thereof in accordance with their terms will provide money in an amount sufficient to pay all the principal and interest on such series of Debt Securities on the dates such payments are due in accordance with the terms of the Debt Securities. To exercise any such option, no Event of Default or event which with notice or lapse of time would become an Event of Default with respect to such series of Debt Securities shall have occurred and be continuing. The Company is required to deliver to the Trustee an opinion of counsel (i) to the effect that the deposit and related defeasance would not cause the holders of the Debt Securities to recognize income, gain or loss for Federal income tax purposes and, in the case of a discharge pursuant to clause (a), accompanied by a ruling to such effect from the United States Internal Revenue Service and (ii) with respect to certain other matters. (Sections 4.01 and 4.03.)

CHANGES IN CONTROL AND HIGHLY LEVERAGED TRANSACTIONS

The Indenture does not contain provisions requiring redemption of the Debt Securities by the Company, or adjustment to any terms of the Debt Securities, upon any change in control of the Company.

Other than restrictions on Liens and Sale and Lease-Back Transactions described under "Covenants" above, the Indenture does not contain any covenants or other provisions designed to afford holders of the Debt Securities protection in the event of a highly leveraged transaction involving the Company.

CONCERNING THE TRUSTEE

Bankers Trust Company and Chemical Bank, each a New York banking corporation, will act as trustee for the Debt Securities issued under the respective Indenture, and each acts as depository for funds of, makes loans to, and performs other services for, the Company and its subsidiaries in the normal course of business.

PLAN OF DISTRIBUTION

The Company may sell the Debt Securities (i) through underwriters or dealers; (ii) directly to one or more purchasers; or (iii) through agents. The Prospectus Supplement with respect to the Debt Securities being offered thereby sets forth the terms of the offering of such Debt Securities, including the name or names of any underwriters, the purchase price of such Debt Securities and the proceeds to the Company from such sale, any underwriting discounts and other items constituting underwriters' compensation, any initial public offering price, any discounts or concessions allowed or reallocated or paid to dealers and any securities exchange on which such Debt Securities may be listed. Only underwriters so named in the Prospectus Supplement are deemed to be underwriters in connection with the Debt Securities offered thereby.

If underwriters are used in the sale, the Debt Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase such Debt Securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the Debt Securities of the series offered by the Company's Prospectus Supplement if any of such Debt Securities are purchased. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

Debt Securities may also be sold directly by the Company or through agents designated by the Company from time to time. Any agent involved in the offering and sale of the Debt Securities will be named, and any commissions payable by the Company to such agent will be set forth, in the Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, any such agent is acting on a best efforts basis for the period of its appointment.

If so indicated in the Prospectus Supplement, the Company will authorize agents, underwriters or dealers to solicit offers by certain institutional investors to purchase Debt Securities providing for payment and delivery on a future date specified in the Prospectus Supplement. There may be limitations on the minimum amount which may be purchased by any such institutional investor or on the portion of the aggregate principal amount of the particular Debt Securities which may be sold pursuant to such arrangements. Institutional investors to which such offers may be made, when authorized, include commercial and savings banks, insurance companies, pension funds, investment companies, education and charitable institutions and such other institutions as may be approved by the Company. The obligations of any such purchasers pursuant to such delayed delivery and payment arrangements will not be subject to any conditions except (i) the purchase by an institution of the particular Debt Securities shall not at any time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject and (ii) if the particular Debt Securities are being sold to underwriters, the Company shall have sold to such underwriters the total principal amount of such Debt Securities less the principal amount thereof covered by such arrangements. The agents, underwriters or dealers soliciting such offers will not have any responsibility with respect to the validity of such arrangements or the performance of the Company or such institutional investors thereunder.

Underwriters, dealers and agents that participate in the distribution of the Debt Securities may be deemed to be underwriters, and any discounts or commissions received by them from the Company and any profit on the resale of Debt Securities by them may be deemed to be underwriting discounts and commissions, under the Act. Under agreements which may be entered into by the Company, underwriters, dealers and agents who participate in the distribution of Debt Securities may be entitled to indemnification by the Company against certain civil liabilities, including liabilities under the Act, or to contribution with respect to payments which the underwriters, dealers or agents may be required to make with respect thereto. Underwriters, dealers and agents may engage in transactions with, or perform services for, the Company or its subsidiaries in the ordinary course of their respective businesses.

Underwriters may offer and sell the Offered Securities at a fixed price or prices, which may be changed, or from time to time at market prices prevailing at the time of sales, at prices related to such prevailing market prices or at negotiated prices.

The Prospectus Supplement with respect to the Offered Securities will state whether the Offered Securities will be listed on any securities exchange. If the Offered Securities are not listed on any national securities exchange, there can be no assurance that there will be a secondary market for the Offered Securities.

LEGAL MATTERS

Unless otherwise indicated in the Prospectus Supplement, the validity of the Offered Securities will be passed upon for the Company by John B. Canning, Esq., Corporate Secretary and Associate General Counsel of the Company, and for the underwriters or agents, as the case may be, by Cravath, Swaine & Moore, 825 Eighth Avenue, New York, New York 10019.

EXPERTS

The audited financial statements and schedules incorporated by reference in this Prospectus and elsewhere in the Registration Statement, which have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their report with respect thereto, are included herein upon the authority of said firm as experts in giving said report.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Estimated expenses payable by Rayonier in connection with the offering herein described are as follows:

Securities and Exchange Commission registration fee.....	\$ 51,724
Printing registration statement, prospectus and other documents.....	90,000
Printing and engraving securities.....	1,000
Trustee's fees and expenses.....	15,000
NYSE listing fees.....	0
Legal fees.....	90,000
Accountants' fees.....	25,000
Fees and expenses relating to Blue Sky qualifications and legality for investment.....	15,000
Rating agencies' fees.....	75,000
Miscellaneous.....	12,276

Total.....	\$ 375,000

All amounts are estimates except for the registration fee payable to the Securities and Exchange Commission.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The North Carolina Business Corporation Act provides that the registrant may indemnify officers and directors who are parties in actual or threatened lawsuits and other proceedings against reasonable expenses, judgments, penalties, fines and amounts paid in settlement. North Carolina law further provides that a corporation may purchase insurance, providing for the indemnification of officers and directors whether or not the corporation would have the power to indemnify them against such liability under the provisions of the North Carolina law.

Reference is made to Article VI of the Amended and Restated Articles of Incorporation of the Company filed as an exhibit to Rayonier's Registration Statement on Form S-8 filed on February 28, 1994 (Registration No. 33-52437).

The Company has in effect insurance policies indemnifying the directors and officers of Rayonier and its subsidiaries, against civil liabilities of such directors and officers.

Reference is made to the form of indemnification agreement between Rayonier and each of its directors and officers, filed as an exhibit to Rayonier's Form 10-K for the year ended December 31, 1993.

Any underwriters, dealers or agents who execute any of the Underwriting Agreements referred to in Exhibit 1 to this Registration Statement will agree to indemnify Rayonier's directors and its officers who signed the Registration Statement against certain liabilities which might arise under the Act from information furnished to Rayonier by or on behalf of any such indemnifying party.

ITEM 16. EXHIBITS.

EXHIBIT NO.	DESCRIPTION	LOCATION
1.1	Form of Underwriting Agreement	Filed herewith
1.2	Form of Distribution Agreement	Filed herewith
4.1	Indenture dated as of September 1, 1992 between the Company and Bankers Trust Company, as Trustee, with respect to certain debt securities of the Company.	Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1993 (the Form "10-K")
4.2	First Supplemental Indenture, dated as of December 13, 1993	Incorporated by reference to Exhibit 4.2 to the Company's Form 10-K
4.3	Form of Indenture dated as of April 1, 1994 between the Company and Chemical Bank, as Trustee, with respect to certain debt securities of the Company.	Filed herewith
4.4	Specimen Form of Debenture	Filed herewith
4.5	Specimen Form of Series B Medium-Term Fixed Rate Note	Filed herewith
4.6	Specimen Form of Series B Medium-Term Floating Rate Note	Filed herewith
5	Opinion of John B. Canning, Esq. with respect to the legality of the securities registered hereby.	Filed herewith
23.1	Consent of independent accountants.	Filed herewith
23.2	Consent of John B. Canning, Esq. (See Exhibit 5)	Filed herewith
24	Powers of Attorney.	Filed herewith
25	Statement as to eligibility of Trustee.	Filed herewith

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made of the securities registered hereby, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that the undertakings set forth in paragraph (i) and (ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Exchange Act that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(5) Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described under Item 15 above, or otherwise (but that term shall not extend to the insurance policies referred to in said Item 15), the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(6) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act, as amended (the "Trust Indenture Act") in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.

(7) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1), 424(b)(4), or 479(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(8) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Stamford, State of Connecticut on the 29th day of March 1994.

RAYONIER INC.

By: /s/ RONALD M. GROSS

 Name Ronald M. Gross
 Title Chairman of the Board,
 President and Chief
 Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
----- /s/ RONALD M. GROSS ----- Ronald M. Gross (Principal Executive Officer)	Chairman of the Board, President, Chief Executive Officer and Director	March 29, 1994
----- /s/ GERALD J. POLLACK ----- Gerald J. Pollack (Principal Financial Officer)	Senior Vice President and Chief Financial Officer	March 29, 1994
----- /s/ GEORGE S. ARESON ----- George S. Areson (Principal Accounting Officer)	Acting Corporate Controller	March 29, 1994
----- * ----- William J. Alley	Director	
----- * ----- Rand V. Araskog	Director	
----- * ----- Donald W. Griffin	Director	
----- * ----- Paul G. Kirk	Director	
----- * ----- Katherine D. Ortega	Director	
----- * ----- Burnell R. Roberts	Director	
----- * ----- Gordon I. Ulmer	Director	
*By: /s/ GERALD J. POLLACK Attorney-in-fact		March 29, 1994

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[Draft--3/28/94]

Rayonier Inc.

Underwriting Agreement

New York, New York

To the Representatives
named in Schedule I
hereto of the Under-
writers named in
Schedule II hereto

Dear Sirs:

Rayonier Inc., a North Carolina corporation (the "Company"), proposes to sell to the underwriters named in Schedule II hereto (the "Underwriters"), for whom you (the "Representatives") are acting as representatives, the principal amount of its securities identified in Schedule I hereto (the "Securities"), to be issued under an indenture (the "Indenture") dated as of April 1, 1994, between the Company and Chemical Bank, as trustee (the "Trustee"). If the firm or firms listed in Schedule II hereto include only the firm or firms listed in Schedule I hereto, then the terms "Underwriters" and "Representatives", as used herein, shall each be deemed to refer to such firm or firms.

1. Representations and Warranties. The Company represents and warrants to, and agrees with, each Underwriter as set forth below in this Section 1. Certain terms used in this Section 1 are defined in paragraph (c) hereof.

(a) If the offering of the Securities is a Delayed Offering (as specified in Schedule I hereto), paragraph (i) below is applicable and, if the offering of the Securities is a Non-Delayed Offering (as so specified), paragraph (ii) below is applicable.

(i) The Company meets the requirements for the use of Form S-3 under the Securities Act of

1933 (the "Act") and has filed with the Securities and Exchange Commission (the "Commission") a registration statement which is both a post-effective amendment to an earlier registration statement covering debt obligations and a new registration statement for additional debt obligations (the file numbers of which are set forth in Schedule I hereto) on such Form, including a basic prospectus, for registration under the Act of the offering and sale of the Securities. The Company may have filed one or more amendments thereto, and may have used a Preliminary Final Prospectus, each of which has previously been furnished to you. Such registration statement, as so amended, has become effective. The offering of the Securities is a Delayed Offering and, although the Basic Prospectus may not include all the information with respect to the Securities and the offering thereof required by the Act and the rules thereunder to be included in the Final Prospectus, the Basic Prospectus includes all such information required by the Act and the rules thereunder to be included therein as of the Effective Date. The Company will next file with the Commission pursuant to Rules 415 and 424(b)(2) or (5) a final supplement to the form of prospectus included in such registration statement relating to the Securities and the offering thereof. As filed, such final prospectus supplement shall include all required information with respect to the Securities and the offering thereof and, except to the extent the Representatives shall agree in writing to a modification, shall be in all substantive respects in the form furnished to you prior to the Execution Time or, to the extent not completed at the Execution Time, shall contain only such specific additional information and other changes (beyond that contained in the Basic Prospectus and any Preliminary Final Prospectus) as the Company has advised you, prior to the Execution Time, will be included or made therein.

(ii) The Company meets the requirements for the use of Form S-3 under the Act and has filed with the Commission a registration statement which is both a post-effective amendment to an earlier registration statement covering debt obligations

and a new registration statement for additional debt obligations (the file numbers of which are set forth in Schedule I hereto) on such Form, including a basic prospectus, for registration under the Act of the offering and sale of the Securities. The Company may have filed one or more amendments thereto, including a Preliminary Final Prospectus, each of which has previously been furnished to you. The Company will next file with the Commission either (x) a final prospectus supplement relating to the Securities in accordance with Rules 430A and 424(b)(1) or (4), or (y) prior to the effectiveness of such registration statement, an amendment to such registration statement, including the form of final prospectus supplement. In the case of clause (x), the Company has included in such registration statement, as amended at the Effective Date, all information (other than Rule 430A Information) required by the Act and the rules thereunder to be included in the Final Prospectus with respect to the Securities and the offering thereof. As filed, such final prospectus supplement or such amendment and form of final prospectus supplement shall contain all Rule 430A Information, together with all other such required information, with respect to the Securities and the offering thereof and, except to the extent the Representatives shall agree in writing to a modification, shall be in all substantive respects in the form furnished to you prior to the Execution Time or, to the extent not completed at the Execution Time, shall contain only such specific additional information and other changes (beyond that contained in the Basic Prospectus and any Preliminary Final Prospectus) as the Company has advised you, prior to the Execution Time, will be included or made therein.

(b) On the Effective Date, the Registration Statement did or will, and when the Final Prospectus is first filed (if required) in accordance with Rule 424(b) and on the Closing Date, the Final Prospectus (and any supplement thereto) will, comply in all material respects with the applicable requirements of the Act, the Securities Exchange Act of 1934 (the "Exchange Act") and the Trust Indenture Act of 1939 (the "Trust Indenture Act") and the respective rules

thereunder; on the Effective Date, the Registration Statement did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; on the Effective Date and on the Closing Date the Indenture did or will comply in all material respects with the requirements of the Trust Indenture Act and the rules thereunder; and, on the Effective Date, the Final Prospectus, if not filed pursuant to Rule 424(b), did not or will not, and on the date of any filing pursuant to Rule 424(b) and on the Closing Date, the Final Prospectus (together with any supplement thereto) will not, include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to (i) that part of the Registration Statement which shall constitute the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of the Trustee or (ii) the information contained in or omitted from the Registration Statement or the Final Prospectus (or any supplement thereto) in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion in the Registration Statement or the Final Prospectus (or any supplement thereto).

(c) The terms which follow, when used in this Agreement, shall have the meanings indicated. The term "the Effective Date" shall mean each date that the Registration Statement and any post-effective amendment or amendments thereto became or become effective and each date after the date hereof on which a document incorporated by reference in the Registration Statement is filed. "Execution Time" shall mean the date and time that this Agreement is executed and delivered by the parties hereto. "Basic Prospectus" shall mean the prospectus referred to in paragraph (a) above contained in the Registration Statement at the Effective Date including, in the case of a Non-Delayed Offering, any Preliminary Final Prospectus. "Preliminary Final Prospectus" shall mean any preliminary prospectus supplement to the Basic Prospectus which describes the Securities and the offering thereof and is used prior

to filing of the Final Prospectus. "Final Prospectus" shall mean the prospectus supplement relating to the Securities that is first filed pursuant to Rule 424(b) after the Execution Time, together with the Basic Prospectus or, if, in the case of a Non-Delayed Offering, no filing pursuant to Rule 424(b) is required, shall mean the form of final prospectus relating to the Securities, including the Basic Prospectus, included in the Registration Statement at the Effective Date. "Registration Statement" shall mean the registration statement referred to in paragraph (a) above, including incorporated documents, exhibits and financial statements, as amended at the Execution Time (or, if not effective at the Execution Time, in the form in which it shall become effective) and, in the event any post-effective amendment thereto becomes effective prior to the Closing Date (as hereinafter defined), shall also mean such registration statement as so amended. Such term shall include any Rule 430A Information deemed to be included therein at the Effective Date as provided by Rule 430A. "Rule 415", "Rule 424", "Rule 430A" and "Regulation S-K" refer to such rules or regulation under the Act. "Rule 430A Information" means information with respect to the Securities and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A. Any reference herein to the Registration Statement, the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 which were filed under the Exchange Act on or before the Effective Date of the Registration Statement or the issue date of the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus, as the case may be; and any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus shall be deemed to refer to and include the filing of any document under the Exchange Act after the Effective Date of the Registration Statement or the issue date of the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus, as the case may be, deemed to be incorporated therein by reference. A "Non-Delayed Offering" shall mean an offering of securities which is intended to commence promptly after the effective date

of a registration statement, with the result that, pursuant to Rules 415 and 430A, all information (other than Rule 430A Information) with respect to the securities so offered must be included in such registration statement at the effective date thereof. A "Delayed Offering" shall mean an offering of securities pursuant to Rule 415 which does not commence promptly after the effective date of a registration statement, with the result that only information required pursuant to Rule 415 need be included in such registration statement at the effective date thereof with respect to the securities so offered. Whether the offering of the Securities is a Non-Delayed Offering or a Delayed Offering shall be set forth in Schedule I hereto.

2. Purchase and Sale. Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company agrees to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at the purchase price set forth in Schedule I hereto the principal amount of the Securities set forth opposite such Underwriter's name in Schedule II hereto, except that, if Schedule I hereto provides for the sale of Securities pursuant to delayed delivery arrangements, the respective principal amounts of Securities to be purchased by the Underwriters shall be as set forth in Schedule II hereto less the respective amounts of Contract Securities determined as provided below. Securities to be purchased by the Underwriters are herein sometimes called the "Underwriters' Securities" and Securities to be purchased pursuant to Delayed Delivery Contracts as hereinafter provided are herein called "Contract Securities".

If so provided in Schedule I hereto, the Underwriters are authorized to solicit offers to purchase Securities from the Company pursuant to delayed delivery contracts ("Delayed Delivery Contracts"), substantially in the form of Schedule III hereto but with such changes therein as the Company may authorize or approve. The Underwriters will endeavor to make such arrangements and, as compensation therefor, the Company will pay to the Representatives, for the account of the Underwriters, on the Closing Date, the percentage set forth in Schedule I hereto of the principal amount of the Securities for which Delayed Delivery Contracts are made. Delayed Delivery Contracts are to be with institutional investors, including commercial and savings banks, insurance companies, pension funds, investment

companies and educational and charitable institutions. The Company will enter into Delayed Delivery Contracts in all cases where sales of Contract Securities arranged by the Underwriters have been approved by the Company but, except as the Company may otherwise agree, each such Delayed Delivery Contract must be for not less than the minimum principal amount set forth in Schedule I hereto and the aggregate principal amount of Contract Securities may not exceed the maximum aggregate principal amount set forth in Schedule I hereto. The Underwriters will not have any responsibility in respect of the validity or performance of Delayed Delivery Contracts. The principal amount of Securities to be purchased by each Underwriter as set forth in Schedule II hereto shall be reduced by an amount which shall bear the same proportion to the total principal amount of Contract Securities as the principal amount of Securities set forth opposite the name of such Underwriter bears to the aggregate principal amount set forth in Schedule II hereto, except to the extent that you determine that such reduction shall be otherwise than in such proportion and so advise the Company in writing; provided, however, that the total principal amount of Securities to be purchased by all Underwriters shall be the aggregate principal amount set forth in Schedule II hereto less the aggregate principal amount of Contract Securities.

3. Delivery and Payment. Delivery of and payment for the Underwriters' Securities shall be made on the date and at the time specified in Schedule I hereto (or such later date not later than five business days after such specified date as the Representatives shall designate), which date and time may be postponed by agreement between the Representatives and the Company or as provided in Section 8 hereof (such date and time of delivery and payment for the Underwriters' Securities being herein called the "Closing Date"). Delivery of the Underwriters' Securities shall be made to the Representatives for the respective accounts of the several Underwriters against payment by the several Underwriters through the Representatives of the purchase price thereof to or upon the order of the Company by certified or official bank check or checks drawn on or by a New York Clearing House bank and payable in next day funds. Delivery of the Underwriters' Securities shall be made at such location as the Representatives shall reasonably designate at least one business day in advance of the Closing Date and payment for the Securities shall be made at the office specified in Schedule I hereto. Certificates for the Underwriters' Securities shall be registered in such

names and in such denominations as the Representatives may request not less than three full business days in advance of the Closing Date.

The Company agrees to have the Underwriters' Securities available for inspection, checking and packaging by the Representatives in New York, New York, not later than 1:00 PM on the business day prior to the Closing Date.

4. Agreements. The Company agrees with the several Underwriters that:

(a) The Company will use its best efforts to cause the Registration Statement, if not effective at the Execution Time, and any amendment thereto, to become effective. Prior to the termination of the offering of the Securities, the Company will not file any amendment of the Registration Statement or supplement (including the Final Prospectus or any Preliminary Final Prospectus) to the Basic Prospectus unless the Company has furnished you a copy for your review prior to filing and will not file any such proposed amendment or supplement to which you reasonably object. Subject to the foregoing sentence, the Company will cause the Final Prospectus, properly completed, and any supplement thereto to be filed with the Commission pursuant to the applicable paragraph of Rule 424(b) within the time period prescribed and will provide evidence satisfactory to the Representatives of such timely filing. The Company will promptly advise the Representatives (i) when the Registration Statement, if not effective at the Execution Time, and any amendment thereto, shall have become effective, (ii) when the Final Prospectus, and any supplement thereto, shall have been filed with the Commission pursuant to Rule 424(b), (iii) when, prior to termination of the offering of the Securities, any amendment to the Registration Statement shall have been filed or become effective, (iv) of any request by the Commission for any amendment of the Registration Statement or supplement to the Final Prospectus or for any additional information, (v) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution or threatening of any proceeding for that purpose and (vi) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or

threatening of any proceeding for such purpose. The Company will use its best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof.

(b) If, at any time when a prospectus relating to the Securities is required to be delivered under the Act, any event occurs as a result of which the Final Prospectus as then supplemented would include any untrue statement of a material fact or omit to state any material fact necessary to make the statement therein in the light of the circumstances under which they were made not misleading, or if it shall be necessary to amend the Registration Statement or supplement the Final Prospectus to comply with the Act or the Exchange Act or the respective rules thereunder, the Company promptly will (i) prepare and file with the Commission, subject to the second sentence of paragraph (a) of this Section 4, an amendment or supplement which will correct such statement or omission or effect such compliance and (ii) supply any supplemented Prospectus to you in such quantities as you may reasonably request.

(c) As soon as practicable, the Company will make generally available to its security holders and to the Representatives an earnings statement or statements of the Company and its subsidiaries which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act.

(d) The Company will furnish to the Representatives and counsel for the Underwriters, without charge, copies of the Registration Statement (including exhibits thereto) and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Act, as many copies of any Preliminary Final Prospectus and the Final Prospectus and any supplement thereto as the Representatives may reasonably request. The Company will pay the expenses of printing or other production of all documents relating to the offering.

(e) The Company will arrange for the qualification of the Securities for sale under the laws of such jurisdictions as the Representatives may designate, will maintain such qualifications in effect so long as required for the distribution of the Securities, will arrange for the determination of the legality of the

Securities for purchase by institutional investors and will pay the fee of the National Association of Securities Dealers, Inc., in connection with its review of the offering.

(f) Until the business date set forth on Schedule I hereto, the Company will not, without the consent of the Representatives, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by the Company (other than the Securities and any proposed bank loans or commercial paper programs that have been disclosed to the Underwriters prior to the date of this Agreement).

(g) The Company confirms as of the date hereof that it is in compliance with all provisions of Section 1 of Laws of Florida, Chapter 92-198, An Act Relating to Disclosure of Doing Business with Cuba, and the Company further agrees that if it commences engaging in business with the government of Cuba or with any person or affiliate located in Cuba after the date the Registration Statement becomes or has become effective with the Securities and Exchange Commission or with the Florida Department of Banking and Finance (the "Department"), whichever date is later, or if the information reported in the Prospectus, if any, concerning the Company's business with Cuba or with any person or affiliate located in Cuba changes in any material way, the Company will provide the Department notice of such business or change, as appropriate, in a form acceptable to the Department.

5. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Underwriters' Securities shall be subject to the accuracy of the representations and warranties on the part of the Company contained herein as of the Execution Time and the Closing Date, to the accuracy of the statements of the Company made in any certificates pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) If the Registration Statement has not become effective prior to the Execution Time, unless the Representatives agree in writing to a later time, the Registration Statement will become effective not later than (i) 6:00 PM New York City time, on the date of

determination of the public offering price, if such determination occurred at or prior to 3:00 PM New York City time on such date or (ii) 12:00 Noon New York City time on the business day following the day on which the public offering price was determined, if such determination occurred after 3:00 PM New York City time on such date; if filing of the Final Prospectus, or any supplement thereto, is required pursuant to Rule 424(b), the Final Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424(b); and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or threatened.

(b) The Company shall have furnished to the Representatives the opinion of John B. Canning, Corporate Secretary and Associate General Counsel for the Company, dated the Closing Date, to the effect that:

(i) the Company and each Restricted Subsidiary (as defined in the Indenture and hereafter referred to as a "Significant Subsidiary") has been duly incorporated or organized and is validly existing as a corporation or partnership in good standing under the laws of the jurisdiction in which it is chartered or organized, with full power and authority to own its properties and conduct its business as described in the Final Prospectus, and is duly qualified to do business as a foreign corporation or partnership and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties or conducts material business, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(ii) all the outstanding shares of capital stock of each Significant Subsidiary that is a corporation have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise set forth in the Final Prospectus, all outstanding shares of capital

stock or partnership interests of the Significant Subsidiaries are owned by the Company either directly or through wholly owned subsidiaries or partnerships free and clear of any perfected security interest and, to the knowledge of such counsel, after due inquiry, any other security interests, claims, liens or encumbrances;

(iii) the Company's authorized equity capitalization is as set forth in the Final Prospectus; the Securities conform to the description thereof contained in the Final Prospectus; and, if the Securities are to be listed on any securities exchange, authorization therefor has been given, subject to official notice of issuance and evidence of satisfactory distribution, or the Company has filed a preliminary listing application and all required supporting documents with respect to the Securities with such securities exchange and such counsel has no reason to believe that the Securities will not be authorized for listing, subject to official notice of issuance and evidence of satisfactory distribution;

(iv) the Indenture has been duly authorized, executed and delivered, has been duly qualified under the Trust Indenture Act, and constitutes a legal, valid and binding instrument enforceable against the Company in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and, as to rights of acceleration and the availability of equitable remedies, to equitable principles of general applicability); and the Securities have been duly authorized and, when executed and authenticated in accordance with the provisions of the Indenture, issued and delivered to and paid for by the Underwriters pursuant to this Agreement, in the case of the Underwriters' Securities, or by the purchasers thereof pursuant to Delayed Delivery Contracts, in the case of any Contract Securities, will constitute legal, valid and binding obligations of the Company entitled to the benefits of the Indenture;

(v) to the best knowledge of such counsel, there is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries, of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Final Prospectus, and there is no franchise, contract or other document of a character required to be described in the Registration Statement or Final Prospectus, or to be filed as an exhibit, which is not described or filed as required; and the statements included or incorporated in the Final Prospectus describing any legal proceedings or material contracts or agreements relating to the Company fairly summarize such matters;

(vi) the Registration Statement has become effective under the Act; any required filing of the Basic Prospectus, any Preliminary Final Prospectus and the Final Prospectus, and any supplements thereto, pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued, no proceedings for that purpose have been instituted or threatened, and the Registration Statement and the Final Prospectus (other than the financial statements and other financial and statistical information, as to which such counsel need express no opinion) comply as to form in all material respects with the applicable requirements of the Act, the Exchange Act and the Trust Indenture Act and the respective rules thereunder; and such counsel has no reason to believe that at the Effective Date the Registration Statement (other than that part of the Registration Statement that constitutes the Form T-1 heretofore referred to, as to which such counsel need express no belief) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Final Prospectus includes any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in

the light of the circumstances under which they were made, not misleading;

(vii) this Agreement and any Delayed Delivery Contracts have been duly authorized, executed and delivered by the Company;

(viii) no consent, approval, authorization or order of any court or governmental agency or body is required for the consummation of the transactions contemplated herein or in any Delayed Delivery Contracts or the Indenture, except such as have been obtained under the Act, the rules and regulations thereunder and the Trust Indenture Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters and such other approvals (specified in such opinion) as have been obtained;

(ix) neither the execution and delivery of the Indenture, the issue and sale of the Securities, nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof or of any Delayed Delivery Contracts will conflict with, result in a breach or violation of, or constitute a default under any law or the charter or by-laws of the Company or the terms of any indenture or other agreement or instrument known to such counsel and to which the Company or any of its subsidiaries is a party or bound and which is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree known to such counsel to be applicable to the Company or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over the Company or any of its subsidiaries;

(x) except as set forth, or incorporated by reference, in the Final Prospectus, as amended or supplemented, there is not pending or, to the knowledge of such counsel, threatened, any action, suit or proceeding (including arbitration), to which the Company or any of its subsidiaries is a party before or by any court or governmental agency or body or arbitrator, which would result

in any material adverse change in the condition, financial or otherwise, earnings, operations or business prospects of the Company and its subsidiaries, considered as a whole;

(xi) except as set forth, or incorporated by reference in the Prospectus, as amended or supplemented, the Company holds all necessary licenses, permits and authorizations from regulatory authorities required in its operations and for the marketing of its products, failure to hold which would have a material adverse effect on the condition, financial or otherwise, earnings, operations or business prospects of the Company and its subsidiaries, considered as a whole;

(xii) no holders of securities of the Company have rights to the registration of such securities under the Registration Statement; and

(xiii) the Company is not an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

With respect to paragraphs (i) and (ii) above, such counsel may rely on an opinion of counsel reasonably satisfactory to counsel for the Underwriters as to the due incorporation or organization (as the case may be), good standing, power and authority, capital stock or partnership interests (as the case may be) and such other matters as counsel for the Underwriters agrees with regard to any Significant Subsidiary which is incorporated or organized in any jurisdiction other than the United States of America (or any political subdivision thereof). With respect to paragraph (vi) above, such counsel may state that his opinion and belief are based upon his participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and documents incorporated therein by reference and review and discussion of the contents thereof, but are without independent check or verification, except as specified. References to the Final Prospectus in this paragraph (b) include any supplements thereto at the Closing Date.

(c) The Representatives shall have received from Cravath, Swaine & Moore, counsel for the Underwriters, such opinion or opinions, dated the Closing Date, with respect to the issuance and sale of the Securities, the Indenture, any Delayed Delivery Contracts, the Registration Statement, the Final Prospectus (together with any supplement thereto) and other related matters as the Representatives may reasonably require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(d) The Company shall have furnished to the Representatives a certificate of the Company, signed by the Chairman of the Board or the President and the principal financial or accounting officer of the Company, dated the Closing Date, to the effect that the signers of such certificate have carefully examined the Registration Statement, the Final Prospectus, any supplement to the Final Prospectus and this Agreement and that:

(i) the representations and warranties of the Company in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or, to the Company's knowledge, threatened; and

(iii) since the date of the most recent financial statements included in the Final Prospectus (exclusive of any supplement thereto), there has been no material adverse change in the condition (financial or other), earnings, business or properties of the Company and its subsidiaries, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Final Prospectus (exclusive of any supplement thereto).

(e) At the Closing Date, Arthur Andersen & Co. shall have furnished to the Representatives a letter or letters (which may refer to letters previously delivered to one or more of the Representatives), dated as of the Closing Date, in form and substance satisfactory to the Representatives, confirming that they are independent accountants within the meaning of the Act and the Exchange Act and the respective applicable published rules and regulations thereunder and stating in effect that:

(i) in their opinion the audited financial statements and financial statement schedules included or incorporated in the Registration Statement and the Final Prospectus and reported on by them comply in form in all material respects with the applicable accounting requirements of the Act and the Exchange Act and the related published rules and regulations;

(ii) on the basis of a reading of the latest unaudited financial statements made available by the Company and its subsidiaries; carrying out certain specified procedures (but not an examination in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter; a reading of the minutes of the meetings of the stockholders, directors and committees of the boards of directors of the Company and the Significant Subsidiaries; and inquiries of certain officials of the Company who have responsibility for financial and accounting matters of the Company and its subsidiaries as to transactions and events subsequent to the date of the most recent audited financial statements in or incorporated in the Final Prospectus, nothing came to their attention which caused them to believe that:

(1) any unaudited financial statements included or incorporated in the Registration Statement and the Final Prospectus do not comply in form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect to financial statements included or incorporated in quarterly

reports on Form 10-Q under the Exchange Act; and said unaudited financial statements are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements included or incorporated in the Registration Statement and the Final Prospectus; or

(2) with respect to the period subsequent to the date of the most recent financial statements (other than any capsule information), audited or unaudited, in or incorporated in the Registration Statement and the Final Prospectus, there were any changes, at a specified date not more than five business days prior to the date of the letter, in the short-term bank debt and current maturities of long-term debt or long-term debt of the Company and its subsidiaries or capital stock of the Company or decreases in the shareholder equity or total assets of the Company as compared with the amounts shown on the most recent consolidated balance sheet included or incorporated in the Registration Statement and the Final Prospectus, or for the period from the date of the most recent financial statements included or incorporated in the Registration Statement and the Final Prospectus to such specified date there were any decreases, as compared with the corresponding period in the preceding year, in sales, operating income, operating income before provision for dispositions, income from continuing operations or net income of the Company and its subsidiaries, except in all instances for changes or decreases set forth in such letter, in which case the letter shall be accompanied by an explanation by the Company as to the significance thereof unless said explanation is not deemed necessary by the Representatives; and

(iii) they have performed certain other specified procedures as a result of which they determined that certain information of an accounting, financial or statistical nature (which is limited

to accounting, financial or statistical information derived from the general accounting records of the Company and its subsidiaries) set forth in the Registration Statement and the Final Prospectus and in Exhibit 12 to the Registration Statement, including the information included or incorporated in Items 1, 2, 6, 7, 11 and 13 of the Company's Annual Report on Form 10-K, incorporated in the Registration Statement and the Prospectus, agrees with the accounting records of the Company and its subsidiaries, excluding any questions of legal interpretation.

References to the Final Prospectus in this paragraph (e) include any supplement thereto at the date of the letter.

In addition, except as provided in Schedule I hereto, at the Execution Time, Arthur Andersen & Co. shall have furnished to the Representatives a letter or letters, dated as of the Execution Time, in form and substance satisfactory to the Representatives, to the effect set forth above.

(f) Subsequent to the Execution Time or, if earlier, the dates as of which information is given in the Registration Statement (exclusive of any amendment thereof) and the Final Prospectus (exclusive of any supplement thereto), there shall not have been (i) any change or decrease specified in the letter or letters referred to in paragraph (e) of this Section 5 or (ii) any change, or any development involving a prospective change, in or affecting the business or properties of the Company and its subsidiaries the effect of which, in any case referred to in clause (i) or (ii) above, is, in the judgment of the Representatives, so material and adverse as to make it impractical or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Registration Statement (exclusive of any amendment thereof) and the Final Prospectus (exclusive of any supplement thereto).

(g) Subsequent to the Execution Time, there shall not have been any decrease in the rating of any of the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purpose of Rule 436(g) under the Act) or any notice

given of any intended or potential decrease in any such rating or of a possible change in any such rating that does not indicate the direction of the possible change.

(h) Prior to the Closing Date, the Company shall have furnished to the Representatives such further information, certificates and documents as the Representatives may reasonably request.

(i) The Company shall have accepted Delayed Delivery Contracts in any case where sales of Contract Securities arranged by the Underwriters have been approved by the Company.

If any of the conditions specified in this Section 5 shall not have been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be in all material respects reasonably satisfactory in form and substance to the Representatives and counsel for the Underwriters, this Agreement and all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancellation shall be given to the Company in writing or by telephone or telegraph confirmed in writing.

The documents required to be delivered by this Section 5 shall be delivered at the office of Cravath, Swaine & Moore, counsel for the Underwriters, at Worldwide Plaza, 825 Eighth Avenue, New York, New York, on the Closing Date.

6. Reimbursement of Underwriters' Expenses. If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 5 hereof is not satisfied, because of any termination pursuant to Section 9 hereof or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally upon demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities.

7. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless each Underwriter, the directors, officers, employees and agents of each Underwriter and each person who controls any Underwriter within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement for the registration of the Securities as originally filed or in any amendment thereof, or in the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion therein. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Underwriter severally agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Registration Statement, and each person who controls the Company within the meaning of either the Act or the Exchange Act, to the same extent as the foregoing indemnity from the Company to each Underwriter, but only with reference to written information relating to such Underwriter furnished to the Company by or on behalf of such Underwriter through the Representatives specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any Underwriter may otherwise have. The Company acknowledges that the state-

ments set forth in the last paragraph of the cover page, under the heading "Underwriting" and, if Schedule I hereto provides for sales of Securities pursuant to delayed delivery arrangements, in the last sentence under the heading "Delayed Delivery Arrangements" in any Preliminary Final Prospectus or the Final Prospectus constitute the only information furnished in writing by or on behalf of the several Underwriters for inclusion in the documents referred to in the foregoing indemnity, and you, as the Representatives, confirm that such statements are correct.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 7, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying

party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 7 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the Company and the Underwriters agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which the Company and one or more of the Underwriters may be subject in such proportion as is appropriate to reflect the relative benefits received by the Company and by the Underwriters from the offering of the Securities; provided, however, that in no case shall any Underwriter (except as may be provided in any agreement among underwriters relating to the offering of the Securities) be responsible for any amount in excess of the underwriting discount or commission applicable to the Securities purchased by such Underwriter hereunder. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Company and the Underwriters shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and of the Underwriters in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses), and benefits received by the Underwriters shall be deemed to be equal to the total underwriting discounts and commissions, in each case as set forth on the cover page of the Final Prospectus. Relative fault shall be determined by reference to whether any alleged untrue

statement or omission relates to information provided by the Company or the Underwriters. The Company and the Underwriters agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 7, each person who controls an Underwriter within the meaning of either the Act or the Exchange Act and each director, officer, employee and agent of an Underwriter shall have the same rights to contribution as such Underwriter, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

8. Default by an Underwriter. If any one or more Underwriters shall fail to purchase and pay for any of the Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Underwriters shall be obligated severally to take up and pay for (in the respective proportions which the amount of Securities set forth opposite their names in Schedule II hereto bears to the aggregate amount of Securities set forth opposite the names of all the remaining Underwriters) the Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase; provided, however, that in the event that the aggregate amount of Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate amount of Securities set forth in Schedule II hereto, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such nondefaulting Underwriters do not purchase all the Securities, this Agreement will terminate without liability to any nondefaulting Underwriter or the Company. In the event of a default by any Underwriter as set forth in this Section 8, the Closing Date shall be postponed for such period, not exceeding seven days, as the Representatives shall determine in order that the required changes in the

Registration Statement and the Final Prospectus or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Underwriter of its liability, if any, to the Company and any nondefaulting Underwriter for damages occasioned by its default hereunder.

9. Termination. This Agreement shall be subject to termination in the absolute discretion of the Representatives, by notice given to the Company prior to delivery of and payment for the Securities, if prior to such time (i) trading in the Company's Common Stock shall have been suspended by the Commission or the New York Stock Exchange or trading in securities generally on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange, (ii) a banking moratorium shall have been declared either by Federal or New York State authorities or (iii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Final Prospectus (exclusive of any supplement thereto).

10. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of the officers, directors or controlling persons referred to in Section 7 hereof, and will survive delivery of and payment for the Securities. The provisions of Sections 6 and 7 hereof shall survive the termination or cancelation of this Agreement.

11. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Representatives, will be mailed, delivered or telegraphed and confirmed to them, at the address specified in Schedule I hereto; or, if sent to the Company, will be mailed, delivered or telegraphed and confirmed to it at 1177 Summer Street, Stamford, Connecticut 06904, attention of the legal department.

12. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 7 hereof, and no other person will have any right or obligation hereunder.

13. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company and the several Underwriters.

Very truly yours,

RAYONIER INC.

By:

[Title]

The foregoing Agreement is hereby confirmed and accepted as of the date specified in Schedule I hereto.

Salomon Brothers Inc

By: Salomon Brothers Inc

By: -----
Vice President

For themselves and the other several Underwriters, if any, named in Schedule II to the foregoing Agreement.

or

Salomon Brothers Inc

By: -----
Vice President

For itself and the other several Underwriters, if any, named in Schedule II to the foregoing Agreement.

RAYONIER INC.

\$174,000,000

Series B Medium-Term Notes

Distribution Agreement

March , 1994

Lazard Freres & Co.
One Rockefeller Plaza
New York, NY 10020

Morgan Stanley & Co.
Incorporated
1221 Avenue of the Americas
New York, NY 10020

Salomon Brothers Inc
Seven World Trade Center
New York, NY 10048

Dear Sirs:

Rayonier Inc., a North Carolina corporation (the "Company"), proposes to issue and sell from time to time its Series B Medium-Term Notes (the "Securities") in an aggregate amount up to \$174,000,000 and agrees with each of you (individually, an "Agent", and collectively, the "Agents") as set forth in this Agreement.

Subject to the terms and conditions stated herein and to the reservation by the Company of the right to sell Securities directly on its own behalf and to offer Securities for sale otherwise than through an Agent (in accordance with Section 2(a) hereof), the Company hereby (i) appoints each Agent as an agent of the Company for the purpose of soliciting and receiving offers to purchase Securities from the Company pursuant to Section 2(a) hereof and (ii) agrees that, except as otherwise contemplated herein, whenever it determines to sell Securities directly to any Agent as principal, it will enter into a separate Terms Agreement (as defined in Section 2(b) hereof),

relating to such sale in accordance with Section 2(b) hereof.

The Securities will be issued under an indenture, dated as of September 1, 1992 (the "Indenture"), between the Company and Bankers Trust Company, as Trustee (the "Trustee"). The Securities shall have the maturity ranges, interest rates, if any, redemption provisions and other terms set forth in the Prospectus referred to below as it may be amended or supplemented from time to time. The Securities will be issued, and the terms and rights thereof established, from time to time by the Company in accordance with the Indenture.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 which is both a post-effective amendment to an earlier registration statement covering debt securities and a new registration statement for additional debt securities of the Company, including the Securities. Any preliminary prospectus included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Securities Act of 1933, as amended (the "Act"), is hereinafter called a "Preliminary Prospectus". The various parts of such registration statement, including all exhibits thereto and the documents incorporated by reference in the prospectus contained in the registration statement at the time such part of the registration statement became effective but excluding Form T-1 and, if applicable, including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act, each as amended at the time such part of the registration statement became effective, is hereinafter collectively called the "Registration Statement". The prospectus (including, if applicable, any prospectus supplement) relating to the Securities, in the form in which it has most recently been filed, or transmitted for filing, with the Commission on or prior to the date of this Agreement, being hereinafter called the "Prospectus". Any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to the applicable form under the Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be. Any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus, including any supplement to the Prospectus that sets forth only the terms

of a particular issue of the Securities (a "Pricing Supplement"), shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated therein by reference. Any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement. Any reference to the Prospectus as amended or supplemented shall be deemed to refer to and include the Prospectus as amended or supplemented (including by the applicable Pricing Supplement filed in accordance with Section 4(a) hereof) in relation to Securities sold pursuant to this Agreement, in the form filed with the Commission pursuant to Rule 424(b) under the Act and in accordance with Section 4(a) hereof, including any documents incorporated by reference therein as of the date of such filing.

1. Representations and Warranties. The Company represents and warrants to, and agrees with, each Agent as of the Execution Date (as defined in Section 3 hereof), on each day of an Offering Period (as defined in Section 2(a) hereof), as of the date of any Terms Agreement, as of each of the times referred to in Section 4(g) and Section 4(h) hereof and as of the date of delivery by the Company of any Securities sold hereunder (each such time being hereinafter sometimes referred to as a "Representation Date") that:

(a) The Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to such Agent, excluding exhibits to such Registration Statement but including all documents incorporated by reference in the prospectus included therein, have been declared effective by the Commission in such form; no other document with respect to such Registration Statement or document incorporated by reference therein has heretofore been filed or transmitted for filing with the Commission; and no stop order suspending the effectiveness of such Registration Statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission.

(b) The Registration Statement and the Prospectus, as amended or supplemented as of such

Representation Date, conform in all material respects with the requirements of the Act, the rules and regulations (the "Rules and Regulations") of the Commission thereunder and The Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the Registration Statement and Prospectus, as amended or supplemented as of such Representation Date, do not as of such Representation Date, and do not as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; except that the foregoing does not apply to (i) that part of the Registration Statement that constitutes the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act, of the Trustee, and (ii) to statements or omissions in the Registration Statement or the Prospectus, as amended or supplemented, if applicable, based upon written information furnished to the Company by any Agent specifically for use therein.

(c) The documents incorporated by reference in the Prospectus, as amended or supplemented as of such Representation Date, at the time they became effective or were filed with the Commission, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, not misleading.

(d) The consolidated financial statements included or incorporated by reference in the Registration Statement and Prospectus, as amended or supplemented as of such Representation Date, present fairly the consolidated financial position of the Company and its consolidated subsidiaries as at the dates indicated and the results of their operations and the changes in their consolidated financial position for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved, except as indicated therein; and the supporting schedules included or incorporated by reference in the Registration Statement present fairly the information required to be stated therein.

(e) Each Restricted Subsidiary (as defined in the Indenture and hereafter referred to as a "Significant Subsidiary") of the Company has been duly incorporated or organized and is validly existing in good standing under the laws of the jurisdiction of its incorporation or organization, has power and authority to own, lease and operate its properties and conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which it owns or leases properties or in which the conduct of its business requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries considered as a whole.

(f) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of North Carolina with corporate power and authority to own, lease and operate its properties and conduct its business as described in the Prospectus; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which it owns or leases properties or in which the conduct of its business requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries considered as a whole.

(g) Neither the Company nor any of its Significant Subsidiaries is in violation of its or any of their charters (or equivalent documents) or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any material contract, indenture, mortgage, loan agreement, note, lease or other instrument to which it or any of them is a party or by which it or any of them or their properties may be bound except for such violations or defaults which taken in the aggregate would not have a material adverse effect on the Company and its subsidiaries taken as a whole; no consent, approval, authorization or order of any court or governmental authority or agency is required for the consummation by the Company of the transactions contemplated by this Agreement, except such as may be required under the Act, the Trust Indenture Act, the Rules and Regulations or state securities or Blue Sky laws; and the execution and delivery of this Agreement and the Indenture and the consummation of the transactions contemplated in the Securities, the Indenture

and this Agreement will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any material contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of the charter or By-laws of the Company or any law, administrative regulation or administrative or court decree, except, in each case, where such conflict, breach, default, lien, charge or other encumbrance or violation would not have a material adverse effect on (i) the condition, financial or otherwise, earnings, affairs or business prospects of the Company and its subsidiaries considered as a whole and (ii) the Company's ability to perform its obligations under this Agreement, the Indenture or the Securities.

(h) Since the respective dates as of which information is given in the Registration Statement and the Prospectus as amended or supplemented as of such Representation Date and except as otherwise stated therein, (i) there has been no material adverse change in the condition, financial or otherwise, earnings, operations or business prospects of the Company and its subsidiaries considered as a whole, whether or not arising in the ordinary course of business and (ii) there have been no material transactions entered into by the Company or any of its subsidiaries other than those in the ordinary course of business.

(i) Except as set forth, or incorporated by reference, in the Prospectus as amended or supplemented as of such Representation Date, the Company's operations and products, including its marketing thereof, are in compliance in all material respects with the requirements, regulations and procedures established by all Federal, state and foreign regulatory authorities having jurisdiction, failure to comply with which would have a material adverse effect on the condition, financial or otherwise, earnings, operations, or business prospects of the Company and its subsidiaries considered as a whole.

(j) Except as set forth, or incorporated by reference, in the Prospectus as or supplemented as

of such Representation Date, there is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened against or affecting, the Company or any of its subsidiaries, which might result in any material adverse change in the condition, financial or otherwise, earnings, operations or business prospects of the Company and its subsidiaries considered as a whole, or might materially and adversely affect the properties or assets thereof or might materially and adversely affect the offering of the Securities; and there are no material contracts or other documents which are required to be filed as exhibits to the Registration Statement by the Act or by the Rules and Regulations which have not been so filed.

(k) This Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company, except as rights to indemnity hereunder may be limited by applicable law.

(l) The Indenture has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company and has been duly qualified under the Trust Indenture Act.

(m) The series of Securities has been duly authorized, and, when issued and delivered pursuant to such authorization, this Agreement and any Terms Agreement, each of the Securities will have been duly authorized, completed, executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Company entitled to the benefits provided by the Indenture, which will be substantially in the form filed as an exhibit to the Registration Statement.

(n) The Company is in compliance with all provisions of Section 1 of Laws of Florida, Chapter 92-198, An Act Relating to Disclosure of Doing Business with Cuba, and if the Company, or any of its affiliates commences engaging in business with the government of Cuba or with any person or affiliate located in Cuba after the Execution Date (as defined in Section 3), or if the information reported in the Prospectus, if any, concerning the business of the Company or any of its affiliates with Cuba or with any person or affiliate located in Cuba changes in any material way, the Company will provide the Florida Department of Banking and Finance (the "Department") notice of such

business or change, as appropriate, in a form acceptable to the Department.

2. Appointment of Agents. (a) On the basis of the representations and warranties, and subject to the terms and conditions herein set forth, each of the Agents hereby severally and not jointly agrees, as agent of the Company, to use its reasonable efforts to solicit and receive offers to purchase the Securities during each Offering Period (as defined below) from the Company upon the terms and conditions set forth in the Prospectus as amended or supplemented from time to time. So long as this Agreement shall remain in effect with respect to any Agent, the Company (except as provided in the penultimate sentence of this paragraph) shall not, without the consent of such Agent, solicit or accept offers to purchase, or sell, any medium-term notes through any agent other than an Agent. However, the Company reserves the right to sell, and may solicit and accept offers to purchase, Securities directly on its own behalf, and, in the case of any such sale not resulting from a solicitation made by any Agent, no commission will be payable with respect to such sale. The Company may solicit or accept offers to purchase Securities through an agent other than an Agent; provided, however, that, (i) in the case of a continuous offering by such agent, (A) the Company and such agent execute an agreement having terms and conditions (including, without limitation, commission rates) substantially identical to this Agreement (which may be accomplished by incorporating by reference in such agreement the terms and conditions of this Agreement) and (B) the Company, promptly after entering into such agreement, shall notify the Agents that it has done so and provide the Agents with a copy of such agreement or (ii) in the case of a specific purchase of Securities by such agent, (w) the Company did not solicit such offer, (x) the Company and such agent execute an agreement with respect to such purchase having terms and conditions (including, without limitation, commission rates) with respect to such purchase substantially identical to the terms and conditions that would apply to such purchase under this Agreement if such agent was an Agent (which may be accomplished by incorporating by reference in such agreement the terms and conditions of this Agreement), (y) such agreement shall not provide for further offers or purchases and (z) the Company, promptly following such purchase, shall notify the Agents of such agreement. These provisions shall not limit Section 4(f) hereof or any similar provision included in any Terms Agreement.

Procedural details relating to the issue and delivery of Securities, the solicitation of offers to purchase Securities and the payment in each case therefor shall be as set forth in the Administrative Procedure attached hereto as Annex II as it may be amended from time to time by written agreement between the Agents and the Company (the "Administrative Procedure"). The provisions of the Administrative Procedure shall apply to all transactions contemplated hereunder other than those made pursuant to a Terms Agreement. Each Agent and the Company agree to perform the respective duties and obligations specifically provided to be performed by each of them in the Administrative Procedure. The Company will furnish to the Trustee a copy of the Administrative Procedure as from time to time in effect.

The Company shall notify each Agent in writing from time to time as to the commencement of a period during which the Securities may be offered and sold by such Agents (each period, commencing with such notification and ending at such time as the authorization for offers and sales through the Agents shall have been suspended by the Company or the Agents as provided hereunder, being referred to as an "Offering Period").

The Company reserves the right, in its sole discretion, to instruct the Agents to suspend at any time, for any period of time or permanently, the solicitation of offers to purchase the Securities. As soon as practicable, but in any event no later than one business day in New York City, after receipt of notice from the Company, the Agents will suspend solicitation of offers to purchase Securities from the Company until such time as the Company has advised the Agents that such solicitation may be resumed. For the purpose of the foregoing sentence, "business day" shall mean any day which is not a Saturday or Sunday or a legal holiday and which is not a day on which banking institutions are authorized or required by law or regulation to close in New York, New York. Any suspension of solicitation of offers to purchase the Securities by the Company after the Commencement Date shall likewise suspend until the next Offering Period, the representations and warranties set forth in Section 1 and the agreements and covenants set forth in Sections 4(h), 4(i) and 6(d); provided, however, that if any event referred to in Sections 4(h), 4(i) or 6(d) hereof occurs during the period of suspension, no Agent shall be required to resume soliciting offers to purchase Securities until the Company has delivered the opinions,

certificates and letters which would have been required to be delivered pursuant to Sections 4(h), 4(i) or 6(d) hereof.

The Company agrees to pay each Agent a commission, at the time of settlement of any sale of a Security by the Company as a result of a solicitation made by such Agent, in an amount equal to the following applicable percentage of the principal amount of such Security sold:

Range of Maturities -----	Commission (percentage of aggregate principal amount of Securities sold) -----
From 9 months to less than 1 year . . . . .	.125%
From 1 year to less than 18 months . . . . .	.150%
From 18 months to less than 2 years . . . . .	.200%
From 2 years to less than 3 years . . . . .	.250%
From 3 years to less than 4 years . . . . .	.350%
From 4 years to less than 5 years . . . . .	.450%
From 5 years to less than 6 years . . . . .	.500%
From 6 years to less than 7 years . . . . .	.550%
From 7 years to less than 10 years . . . . .	.600%
From 10 years to less than 15 years . . . . .	.625%
From 15 years to less than 20 years . . . . .	.675%
From 20 years to less than 30 years . . . . .	.750%
30 years to less than 40 years . . . . .	.875%
40 years or greater	negotiated at the time of sale

(b) Each sale of Securities to any Agent as principal shall be made in accordance with the terms of this Agreement and (unless the Company and such Agent shall otherwise agree) a supplemental agreement which will provide for the sale of such Securities to, and the purchase thereof by, such Agent at such discount as shall be agreed upon by the Company and such Agent. Each such supplemental agreement is herein referred to as a "Terms Agreement". Each Terms Agreement will take the form of either (i) a written agreement substantially in the form of Annex I hereto or (ii) an oral agreement confirmed in writing. A Terms Agreement may also specify certain provisions relating to the reoffering of such Securities by such Agent. The commitment of any Agent to purchase Securities as principal, whether pursuant to any Terms Agreement or otherwise, shall be deemed to have been made on the basis of the representations and warranties of the Company herein contained and shall be subject to the terms and conditions herein set forth. Each Terms Agreement shall specify the

principal amount of Securities to be purchased by any Agent pursuant thereto, the maturity date of such Securities, the price to be paid to the Company for such Securities, the interest rate and interest rate formula, if any, applicable to such Securities, the time and date and place of delivery of and payment for such Securities and any other terms of such Securities. Such Terms Agreement may also specify any requirements for opinions of counsel, accountants' letters and officers' certificates pursuant to Sections 4(h), 6(d) and 4(i), respectively, hereof.

For each sale of Securities to an Agent as principal, the procedural details relating to the issue and delivery of such Securities and payment therefor shall be as set forth in the Administrative Procedure, except to the extent otherwise agreed in any applicable Terms Agreement. For each such sale of Securities to an Agent as principal, the Company agrees to pay such Agent a commission (or grant an equivalent discount) as provided in Section 2(a) hereof and in accordance with the schedule set forth in Section 2(a) hereof, unless a different commission or discount is agreed to in any applicable Terms Agreement.

Each time and date of delivery of and payment for Securities to be purchased by an Agent as principal, whether set forth in a Terms Agreement or in accordance with the Administrative Procedure, is referred to herein as a "Time of Delivery".

Unless otherwise specified in a Terms Agreement, if any Agent is purchasing Securities as principal, such Agent may resell such Securities to other dealers. Any such sales may be at a discount, and, unless otherwise specified in the applicable Pricing Supplement, such discount will not be in excess of 66-2/3% of the discount to be received by such Agent from the Company.

3. Delivery of Documents on Execution Date. The documents required to be delivered pursuant to Section 6 hereof on the Execution Date (as defined below) shall be delivered to the Agents at the offices of Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, New York, at 11:00 a.m., New York City time, on the date of this Agreement, which date and time of such delivery may be postponed by agreement between the Agents and the Company but in no event shall be later than the day prior to the date on which solicitation of offers to purchase Securities is commenced or on which a Terms Agreement is executed.

"Execution Date" shall mean the date and time that this Agreement is executed and delivered by the parties hereto.

4. Certain Agreements and Covenants of the Company. The Company covenants and agrees with each Agent:

(a) (i) to make no amendment or supplement to the Registration Statement or the Prospectus (except for periodic or current reports filed under the Exchange Act) after the date of any Terms Agreement or other agreement by an Agent to purchase Securities as principal and prior to the related Time of Delivery which shall be disapproved by any Agent which is a party to such Terms Agreement or so purchasing as principal promptly after reasonable notice thereof; (ii) to prepare, with respect to any Securities to be sold through or to such Agent pursuant to this Agreement, a Pricing Supplement with respect to such Securities in a form previously approved by such Agent and to file such Pricing Supplement pursuant to the applicable paragraph of Rule 424(b) under the Act within the time period prescribed therein; (iii) to make no amendment or supplement to the Registration Statement or Prospectus (except for periodic or current reports filed under the Exchange Act), other than any Pricing Supplement, any supplement relating to debt securities other than the Securities or the filing of a proxy statement under the Exchange Act, at any time prior to having afforded each Agent a reasonable opportunity to review and comment thereon; (iv) to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act for so long as the delivery of a prospectus is required in connection with the offering or sale of the Securities, and during such same period to advise such Agent, promptly after the Company receives notice thereof, of the time when any amendment to the Registration Statement has been filed or has become effective or any supplement to the Prospectus or any amended Prospectus (other than any Pricing Supplement that relates to Securities not purchased through or by such Agent) has been filed with the Commission, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus relating to the Securities, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amendment or supplement of the Registration Statement or Prospectus or for additional

information; and (v) in the event of the issuance of any such stop order or of any such order preventing or suspending the use of any such prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) promptly from time to time to take such action as such Agent may reasonably request to qualify the Securities for offering and sale under the securities laws of such jurisdiction as such Agent may request and to comply with such laws so as to permit the continuance of sales and dealings therein for as long as may be necessary to complete the distribution or sale of the Securities; provided, however, that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) to furnish such Agent with copies of the Registration Statement and each amendment thereto, with copies of the Prospectus as each time amended or supplemented, other than any Pricing Supplement (except as provided in the Administrative Procedure), in the form in which it is filed with the Commission pursuant to Rule 424 under the Act, and with copies of the documents incorporated by reference therein, all in such quantities as such Agent may reasonably request from time to time; and, if the delivery of a prospectus is required at any time in connection with the offering or sale of the Securities (including Securities purchased from the Company by such Agent as principal) and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus in order to comply with the Act, the Exchange Act or the Trust Indenture Act, to notify such Agent and request such Agent, in its capacity as agent of the Company, to suspend solicitation of offers to purchase Securities from the Company (and, if so notified, such Agent shall cease such solicitations as soon as practicable, but in any event not later than one business day later); and if the Company shall decide to amend or supplement the Registration Statement or the Prospectus as then amended or supplemented, to so advise such Agent promptly by telephone (with confirmation in writing) and to

prepare and cause to be filed promptly with the Commission an amendment or supplement to the Registration Statement or the Prospectus as then amended or supplemented that will correct such statement or omission or effect such compliance; provided, however, that if during such same period such Agent continues to own Securities purchased from the Company by such Agent as principal or such Agent is otherwise required to deliver a prospectus in respect of transactions in the Securities, the Company shall promptly prepare and file with the Commission such an amendment or supplement;

(d) to make generally available to its security holders as soon as practicable, but in any event no later than 18 months after the "effective date of the Registration Statement" (as defined in Rule 158(c)), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e) so long as the Company's common stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act and any Securities sold to such Agent as principal or by such Agent hereunder are outstanding, to furnish to such Agent copies of all reports or other communications with respect to the financial position, earnings, business operations or business prospects of the Company (financial or other) furnished to its stockholders generally or to the Commission, and deliver to such Agent (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information concerning the business and financial condition of the Company as such Agent may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission);

(f) that, from the date of any Terms Agreement with such Agent or other agreement of such Agent to purchase Securities as principal and continuing to and including the earlier of (i) the date such Agent notified the Company that the restrictions imposed by this subsection (f) are terminated and (ii) the related Time of Delivery, not to offer, sell, contract to sell or otherwise dispose of any

debt securities of the Company which both mature more than nine months after such Time of Delivery and are substantially similar to the Securities, without the prior written consent of such Agent;

(g) that each request by the Company to any Agent to solicit offers to purchase Securities from the Company, each acceptance by the Company of an offer to purchase Securities hereunder (including any purchase by such Agent as principal not pursuant to a Terms Agreement), and each execution and delivery by the Company of a Terms Agreement with such Agent, shall be deemed to be an affirmation to such Agent that the representations and warranties of the Company contained in this Agreement are true and correct as of the date of such request, acceptance or of such Terms Agreement, as the case may be, as though made at and as of such date, and an undertaking that such representations and warranties will be true and correct as of the settlement date for the Securities relating to such acceptance or as of the Time of Delivery relating to such sale, as the case may be, as though made at and as of such date (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented relating to such Securities to such date);

(h) that each time the Registration Statement or the Prospectus shall be amended or supplemented (other than by a Pricing Supplement, a supplement relating to debt securities other than the Securities or for a change that the Agents deem to be immaterial), each time a document filed under the Act or the Exchange Act is incorporated by reference into the Prospectus (other than (i) a proxy statement which, if incorporated by reference into an Annual Report on Form 10-K, is filed with the Commission on or prior to the date such Annual Report on Form 10-K is filed, (ii) an Annual Report of employee stock purchase, savings and similar plans on Form 11-K or (iii) a Current Report on Form 8-K filed solely for the purpose of incorporating a press release announcing the Company's quarterly or annual results of operations, unless an Agent otherwise reasonably requests an opinion in connection with such Current Report), and each time the Company sells Securities to such Agent as principal pursuant to a Terms Agreement and such Terms Agreement specifies the delivery of an opinion under this Section 4(h) as a condition to the purchase of Securities pursuant to such Terms Agreement, the Company shall furnish or cause to be furnished forthwith to such Agent a written opinion of its General Counsel, or at the Company's election

such other counsel acceptable to such Agent, dated the date of such amendment, supplement, incorporation or Time of Delivery relating to such sale, as the case may be, in form satisfactory to such Agent to the effect of the opinion set forth in Section 6(c), or in lieu of such opinion, an opinion to the effect that such Agent may rely on the opinion of such counsel to the effect of the opinion referred to in Section 6(c) hereof which was last furnished to such Agent to the same extent as though it were dated the date of such letter authorizing reliance (except that the statements in such last opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such date); provided, however, that if at the time of such amendment, supplement, incorporation or Time of Delivery relating to such sale, as the case may be, the Company is not accepting offers to purchase the Securities or has instructed the Agents to suspend their solicitation of offers to purchase Securities, then the opinion required to be delivered pursuant to this Section 4(h) shall not be required until the commencement of the next Offering Period;

(i) that each time the Registration Statement or the Prospectus shall be amended or supplemented (other than by a Pricing Supplement, a supplement relating to debt securities other than the Securities or for a change that the Agents deem to be immaterial), each time a document filed under the Act or the Exchange Act is incorporated by reference into the Prospectus (other than (i) a proxy statement which, if incorporated by reference into an Annual Report on Form 10-K, is filed with the Commission on or prior to the date such Annual Report on Form 10-K is filed, (ii) an Annual Report of employee stock purchase, savings and similar plans on Form 11-K or (iii) a Current Report on Form 8-K filed solely for the purpose of incorporating a press release announcing the Company's quarterly or annual results of operations, unless the Agent otherwise reasonably requests a certificate), and each time the Company sells Securities to an Agent as principal and the applicable Terms Agreement specifies the delivery of a certificate under this Section 4(i) as a condition to the purchase of Securities pursuant to such Terms Agreement, the Company shall furnish or cause to be furnished forthwith to the Agent a certificate, dated the date of such supplement, amendment, incorporation or Time of Delivery relating to such sale, as the case may be, in such form and executed by such officers of the Company as shall be reasonably satisfactory to such Agent, to the effect that the statements contained in the

certificate referred to in Section 6(f) hereof which was last furnished to such Agent are true and correct at such date as though made at and as of such date (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such date) or, in lieu of such certificate, certificates of the same tenor as the certificates referred to in said Section 6(f) but modified to relate to the Registration Statement and the Prospectus as amended and supplemented to such date; provided, however, that if at the time of such amendment, supplement, incorporation or Time of Delivery relating to such sale, as the case may be, the Company is not accepting offers to purchase the Securities or has instructed the Agents to suspend their solicitation of offers to purchase Securities, then the certificate required to be delivered pursuant to this Section 4(i) shall not be required until the commencement of the next Offering Period; and

(j) to offer to any person who has agreed to purchase Securities as the result of an offer to purchase solicited by such Agent the right to refuse to purchase and pay for such Securities if, on the related settlement date fixed pursuant to the Administrative Procedure, any condition set forth in Section 6(a), 6(e) or 10(b) hereof shall not have been satisfied (it being understood that the judgment of such person with respect to the impracticability or inadvisability of such purchase of Securities shall be substituted, for purposes of this Section 4(j), for the respective judgments of an Agent with respect to certain matters referred to in such Sections 6(a), 6(e) and 10(b), and that such Agent shall have no duty or obligation whatsoever to exercise the judgment permitted under such Sections 6(a), 6(e) and 10(b) on behalf of any such person).

5. Expenses. The Company covenants and agrees with each Agent that the Company will pay or cause to be paid the following: (a) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Securities under the Act; and (b) provided that such expenses have been authorized and approved in advance by the Company, (i) the fees, disbursements and expenses of counsel for the Agents in connection with the establishment of the program contemplated hereby, any opinions to be rendered by such counsel hereunder and under any Terms Agreement and the transactions contemplated hereunder and under any Terms Agreement; (ii) all other expenses in connection with the

preparation, printing and filing of the Registration Statement, any Preliminary Prospectus, the Prospectus and any Pricing Supplements and all other amendments and supplements thereto and the mailing and delivering of copies thereof to such Agent; (iii) the cost of printing or reproducing this Agreement, any Terms Agreement, any Indenture, any Blue Sky and Legal Investment Memoranda and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iv) all expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 4(b) hereof, including the fees and disbursements of counsel for the Agents in connection with such qualification and in connection with the Blue Sky and legal investment surveys; (v) any fees charged by securities rating services for rating the Securities; (vi) any filing fees incident to any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Securities; (vii) the cost of printing the Securities; (viii) the fees and expenses of the Trustee and any agent of the Trustee and any transfer or paying agent of the Company and the fees and disbursements of counsel for the Trustee or such agent in connection with the Indenture and the Securities; (ix) any advertising expenses connected with the solicitation of offers to purchase and the sale of Securities; and (x) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. Except as provided in Sections 7 and 8 hereof, each Agent shall pay all other expenses it incurs.

6. Conditions. The obligation of any Agent, as agent of the Company, at any time ("Solicitation Time") to solicit offers to purchase the Securities and the obligation of any Agent to purchase Securities as principal, pursuant to any Terms Agreement or otherwise, shall in each case be subject, in such Agent's discretion, to the condition that all representations and warranties and other statements of the Company herein (and, in the case of an obligation of an Agent under a Terms Agreement, in or incorporated in such Terms Agreement by reference) are true and correct at and as of the Execution Date and any applicable date referred to in Section 4(h) hereof that is prior to such Solicitation Time or Time of Delivery, as the case may be, and at and as of such Solicitation Time or Time of Delivery, as the case may be, the condition that prior to such Solicitation Time or

Time of Delivery, as the case may be, the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) (i) with respect to any Securities sold at or prior to such Solicitation Time or Time of Delivery, as the case may be, if the Prospectus or any amendment or supplement thereto (including the Pricing Supplement) is required to be filed with the Commission pursuant to Rule 424(b) under the Act, the Prospectus and any such amendment or supplement shall have been filed in the manner and within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 4(a) hereof; (ii) no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and (iii) all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of such Agent.

(b) Cravath, Swaine & Moore, counsel to the Agents, shall have furnished to such Agent (i) such opinion or opinions, dated the Execution Date, with respect to the incorporation of the Company, the validity of the Indenture, the Securities, the Registration Statement, the Prospectus as amended or supplemented and other related matters as such Agent may reasonably request, and (ii) if required pursuant to any Terms Agreement to which such Agent is a party, or if and to the extent requested by such Agent, on each applicable date that is on or prior to such Solicitation Time or Time of Delivery referred to in Section 4(h) hereof with respect to the opinion of the General Counsel of the Company, if in the reasonable judgment of such Agent, such amendment or supplement contains information of such a nature that an opinion of counsel to the Agents should be furnished, an opinion or opinions, dated such applicable date, to the effect that such Agent may rely on the opinion or opinions which were last furnished to such Agent pursuant to this Section 6(b) to the same extent as though it or they were dated the date of such letter authorizing reliance (except that the statements in such last opinion or opinions shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such date) or, in any case, in lieu of such an opinion or opinions, an opinion or opinions of the same tenor as the opinion or opinions referred to in clause (i) but modified to relate to the Registration Statement and the Prospectus as amended and

supplemented to such date; and in each case such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

(c) John B. Canning, Corporate Secretary and Associate General Counsel of the Company (or such other counsel as provided in Section 4(h) hereof), shall have furnished to such Agent a written opinion, dated the Execution Date and each applicable date referred to in Section 4(h) hereof that is on or prior to such Solicitation Time or Time of Delivery, as the case may be, in form and substance satisfactory to such Agent, to the effect that:

(i) the Company and each of its Significant Subsidiaries has been duly incorporated or organized and is validly existing in good standing under the laws of the jurisdiction of its incorporation or organization, has power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and the Prospectus as amended or supplemented, and, to the best of such counsel's knowledge and information after reasonable investigation, is duly qualified to transact business and is in good standing in each jurisdiction in which it owns or leases properties or in which the conduct of its business requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries considered as a whole;

(ii) all the outstanding shares of capital stock of each Significant Subsidiary that is a corporation have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise set forth in the Prospectus, all outstanding shares of capital stock or partnership interests of the Significant Subsidiaries are owned by the Company either directly or through wholly owned subsidiaries or partnerships free and clear of any perfected security interest and, to the knowledge of such counsel, after due inquiry, any other security interests, claims, liens or encumbrances;

(iii) the Company's authorized equity capitalization is as set forth in the Prospectus; the Securities conform to the description thereof contained in the Prospectus; and, if the Securities are to be listed on

any securities exchange, authorization therefor has been given, subject to official notice of issuance and evidence of satisfactory distribution, or the Company has filed a preliminary listing application and all required supporting documents with respect to the Securities with such securities exchange and such counsel has no reason to believe that the Securities will not be authorized for listing, subject to official notice of issuance and evidence of satisfactory distribution;

(iv) the Securities have been duly authorized and, when duly executed, authenticated, issued and delivered by the Company in accordance with the Indenture and such authorization, and paid for by the purchaser thereof, will constitute valid and legally binding obligations of the Company entitled to the benefits provided by the Indenture;

(v) the Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding agreement, enforceable against the Company in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles, and the Indenture has been duly qualified under the Trust Indenture Act;

(vi) except as set forth, or incorporated by reference, in the Prospectus, as amended or supplemented as of the date of such opinion, there is not pending or, to the knowledge of such counsel, threatened, any action, suit or proceeding (including arbitration), to which the Company or any of its subsidiaries is a party before or by any court or governmental agency or body or arbitrator, which would result in any material adverse change in the condition, financial or otherwise, earnings, operations or business prospects of the Company and its subsidiaries, considered as a whole;

(vii) except as set forth, or incorporated by reference in the Prospectus, as amended or supplemented as of the date of such opinion, the Company holds all necessary licenses, permits and authorizations from regulatory authorities required in its operations and for the marketing of its products, failure to hold

which would have a material adverse effect on the condition, financial or otherwise, earnings, operations or business prospects of the Company and its subsidiaries, considered as a whole;

(viii) no consent, approval, authorization or order of any court or governmental agency or body is required in connection with the transactions contemplated by this Agreement, any applicable Terms Agreement, or the Indenture, except such as may be required under the Act, the Trust Indenture Act, the Rules and Regulations or state securities or Blue Sky laws; and, to the best of such Counsel's knowledge and information, the execution and delivery of this Agreement, the Securities and the Indenture, and the consummation of the transactions contemplated herein, will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any material contract, indenture, mortgage, loan agreement, note, lease or other instrument binding upon the Company or any of its subsidiaries, nor will such action result in any violation of the provisions of the charter or by-laws of the Company, or any law, administrative regulation or administrative or court decree;

(ix) the descriptions in the Registration Statement and Prospectus of statutes, legal and governmental proceedings, contracts and other documents are accurate and fairly present the information required to be shown; and such counsel does not know of any statutes or legal or governmental proceedings required to be described in the Prospectus that are not described in the Registration Statement or Prospectus (or required to be filed under the Exchange Act if upon such filing they would be incorporated therein, in whole or in part, by reference) or to be filed as exhibits to the Registration Statement that are not described and filed as required;

(x) the Registration Statement has become effective under the Securities Act; any required filing of any Preliminary Prospectus and the Prospectus, and any Supplements thereto, pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and the Company has not

received notification that any stop order suspending the effectiveness of the Registration Statement has been issued or that any proceedings for that purpose have been instituted or are pending before or threatened by the Commission, and, to the best of my knowledge, no such stop order or proceedings have been issued, instituted or threatened by the Commission;

(xi) statements set forth in the Prospectus under the headings "Description of the Debt Securities" and "Plan of Distribution" and in the Prospectus Supplement under the headings "Description of Notes" and "Supplemental Plan of Distribution" and in the Registration Statement under Item 15 insofar as such statements constitute a summary of the legal matters or documents referred to therein are an accurate summary of such legal matters or documents;

(xii) such counsel (1) is of the opinion that the Registration Statement and the Prospectus as amended or supplemented (other than the financial statements and related schedules and other financial information therein and the statements set forth in the Prospectus under the heading "United States Federal Taxation", as to which such counsel need express no opinion), comply as to form in all material respects with the applicable requirements of the Act, the Exchange Act and the Trust Indenture Act and the respective rules and regulations thereunder and (2) such counsel has no reason to believe that the Registration Statement or any further amendment or supplement thereto made by the Company prior to the date of such opinion (other than the statements set forth in the Prospectus under the heading "United States Federal Taxation" and except for that part of the Registration Statement that constitutes the Form T-1 hereinafter referred to, as to which such counsel need express no belief), at the time it became effective contained and as of the date of such opinion contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of the date of such opinion, the Prospectus as amended or supplemented (other than the statements set forth under the heading "United States Federal Taxation", as to which such counsel need express no belief) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein,

in light of the circumstances in which they were made, not misleading;

(xiii) this Agreement and any Terms Agreement have been duly authorized, executed and delivered by the Company;

(xiv) no holders of securities of the Company have rights to the registration of such securities under the Registration Statement; and

(xv) the Company is not an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940; as amended.

With respect to paragraphs (i) and (ii) above, such counsel may rely on an opinion of counsel reasonably satisfactory to Cravath, Swaine & Moore as to the due incorporation or organization (as the case may be), good standing, power and authority, capital stock or partnership interests (as the case may be) and such other matters as Cravath, Swaine & Moore agrees with regard to any Significant Subsidiary which is incorporated or organized in any jurisdiction other than the United States of America (or any political subdivision thereof). With respect to paragraph (xii) above, John B. Canning (or such other counsel as provided in Section 4(h) hereof) may state that his opinion and belief are based upon his participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and documents incorporated therein by reference and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

(d) Day, Berry & Howard, counsel to the Company (or such other counsel as provided in Section 4(h) hereof), shall have furnished to such Agent a written opinion, dated the Execution Date and each applicable date referred to in Section 4(h) hereof that is on or prior to such Solicitation Time or Time of Delivery, as the case may be, in form and substance satisfactory to such Agent, to the effect that the statements in the Final Prospectus under the caption "United States Federal Taxation", insofar as such statements constitute a summary of the principal United States Federal income tax consequences to holders of the Securities, provide a fair and accurate summary thereof.

(e) On the Execution Date and each time the Registration Statement or the Prospectus has been amended or supplemented (other than by a Pricing Supplement, a supplement relating to debt securities other than the Securities or for a change that the Agents deem to be immaterial), and each time that a document filed under the Act or the Exchange Act has been incorporated by reference into the Prospectus, in either case to set forth financial information included in or derived from the Company's consolidated financial statements or accounting records (other than (i) a proxy statement which, if incorporated by reference into an Annual Report on Form 10-K, was filed with the Commission on or prior to the date such Annual Report on Form 10-K was filed, (ii) an Annual Report of employee stock purchase, savings and similar plans on Form 11-K or (iii) a Current Report on Form 8-K filed solely for the purpose of incorporating a press release announcing the Company's quarterly or annual results or operations, unless an Agent otherwise reasonably requested a letter from the independent accountants in connection with such Current Report), on the date of such amendment or supplement or on the date of such filing, and each time the Company sells Securities to an Agent as principal pursuant to a Terms Agreement and such Terms Agreement specifies the delivery of a letter under this Section 6(d) as a condition to the purchase of Securities pursuant to such Terms Agreement, at the Time of Delivery with respect to such Securities, the independent public accountants who have certified the financial statements of the Company and its subsidiaries included in or incorporated by reference in the Registration Statement shall have furnished to such Agent a letter, dated the Execution Date or dated the date of such amendment, supplement, filing or Time of Delivery, as the case may be, in form and substance reasonably satisfactory to such Agent containing statements and information of the type ordinarily included in accountant's "comfort letters" to underwriters in similar circumstances with respect to the financial statements and certain financial information contained in or incorporated by reference in the Registration Statement or Prospectus and confirming that they are independent accountants within the meaning of the Act and the Exchange Act and the respective applicable published rules and regulations thereunder; provided, however, that if at the time of such amendment, supplement, incorporation or Time of Delivery relating to such sale, as the case may be, the Company is not accepting offers to purchase the Securities or has instructed the Agents to suspend their solicitation of offers to purchase Securities, then the letter required

to be delivered pursuant to this Section 4(h) shall not be required until the commencement of the next Offering Period.

(f) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, as amended or supplemented, there shall not have been a material adverse change in the condition, financial or otherwise, earnings, operations or business prospects of the Company and its subsidiaries considered as a whole, whether or not arising in the ordinary course of business, the effect of which is in the judgment of such Agent so material and adverse as to make it impracticable or inadvisable to proceed with the solicitation by such Agent of offers to purchase Securities from the Company or the purchase by such Agent of Securities from the Company as principal, as the case may be, on the terms and in the manner contemplated in the Prospectus as amended or supplemented.

(g) The Company shall have furnished or caused to be furnished to such Agent certificates of officers of the Company dated the Execution Date and each applicable date referred to in Section 4(i) hereof that is on or prior to such Solicitation Time or Time of Delivery, as the case may be, in such form and executed by such officers of the Company as shall be reasonably satisfactory to such Agent, as to the accuracy of the representations and warranties of the Company herein at and as of the Execution Date or such applicable date, as the case may be, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to the Execution Date or such applicable date, as the case may be, as to the matters set forth in subsections (a) and (e) of this Section 6, and as to such other matters as such Agent may reasonably request.

7. (a) Indemnification and Contribution. The Company agrees to indemnify and hold harmless each Agent and each person, if any, who controls any Agent within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages, liabilities or judgments (including without limiting the foregoing the reasonable legal and other expenses incurred in connection with any action, suit or proceeding or any claim asserted) arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus, as amended or supplemented, or caused by any omission or alleged omission to state therein a material fact required

to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information furnished in writing to the Company by such Agent expressly for use therein. This indemnity agreement will be in addition to any liability which the Company may otherwise have to the persons referred to above in this subsection.

(b) Each Agent agrees, severally and not jointly, to indemnify and hold harmless the Company, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus, as amended or supplemented, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Agent furnished to the Company in writing by such Agent expressly for use in the Registration Statement, the Prospectus, any amendment or supplement thereto, or any preliminary prospectus.

(c) In case any action or proceeding (including any governmental or regulatory investigation or proceeding) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either of the two preceding paragraphs, such person (hereinafter called the indemnified party) shall promptly notify the person against whom such indemnity may be sought (hereinafter called the indemnifying party) in writing and the indemnifying party, upon request of the indemnified party, shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate and shall pay the fees and disbursements of such counsel related to such proceeding. In any such action or proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any

such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (a) the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for all Agents and all persons, if any, who control Agents within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and (b) the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Agents and such control persons of the Agents, such firm shall be designated in writing by the Agents. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) If the indemnification provided for in this Section 7 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to herein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand

and each Agent on the other from the offering of the Securities to which such losses, claims, damage or liability relates or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and each Agent on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and each Agent on the other shall be deemed to be in the same proportion as the total net proceeds from the sale of Securities (before deducting expenses) received by the Company bear to the total commissions or discounts received by such Agent in respect thereof. The relative fault of the Company on the one hand and each Agent on the other shall be determined by the reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading relates to information supplied by the Company or by such Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The Company and each Agent agree that it would not be just and equitable if contribution pursuant to Section 7 (d) were determined by per capita allocation (even if all Agents were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of the immediately preceding paragraph, an Agent shall not be required to contribute any amount in excess of the amount by which the total public offering price at which the Securities purchased by or through such Agent were sold exceeds the amount of any damages which such Agent has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the

meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of each of the Agents to contribute pursuant to Section 7(d) are several in proportion to the respective purchases made by or through it to which such loss, claim, damage or liability relates and are not joint.

8. Acting Solely as Agents. Each Agent, in soliciting offers to purchase Securities from the Company and in performing the other obligations of such Agent hereunder (other than in respect of any purchase by an Agent as principal, pursuant to a Terms Agreement or otherwise), is acting solely as agent for the Company and not as principal. Each Agent will make reasonable efforts in good faith to assist the Company in obtaining performance by each purchaser whose offer to purchase Securities from the Company was solicited by such Agent and has been accepted by the Company, but such Agent shall not have any liability to the Company in the event such purchase is not consummated for any reason. If the Company shall default on its obligation to deliver Securities to a purchaser whose offer it has accepted, the Company shall (i) hold each Agent harmless against any loss, claim or damage arising from or as a result of such default by the Company and (ii) notwithstanding such default, pay to the Agent that solicited such offer any commission to which it would be entitled in connection with such sale.

9. Survival. The respective indemnities, agreements, representations, warranties and other statements by any Agent and the Company set forth in or made pursuant to this Agreement shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Agent or any controlling person of any Agent, or the Company, or any officer or director or any controlling person of the Company, and shall survive each delivery of and payment for any of the Securities.

10. Termination. (a) The provisions of this Agreement relating to the solicitation of offers to purchase Securities from the Company may be suspended or terminated at any time by the Company as to any Agent or by any Agent as to such Agent upon the giving of written notice of such suspension or termination to such Agent or the Company, as the case may be. In the event of such suspension or termination with respect to any Agent, (x) this Agreement

shall remain in full force and effect with respect to any Agent as to which such suspension or termination has not occurred, (y) this Agreement shall remain in full force and effect with respect to the rights and obligations of any party which have previously accrued or which relate to Securities which are already issued, agreed to be issued or the subject of a pending offer at the time of such suspension or termination and (z) in any event, this Agreement shall remain in full force and effect insofar as the fifth paragraph of Section 2(a), Section 4(d), Section 4(e), Section 5, Section 7, Section 8, Section 9 and Section 10(b) hereof are concerned.

(b) Any agreement by an Agent to purchase Securities as principal, whether pursuant to a Terms Agreement or otherwise, may be terminated by such Agent if, since the date of the acceptance of any offer to purchase Securities or the date of the relevant Terms Agreement, there shall have occurred any of the following: (i) any outbreak or escalation of hostilities or other calamity or crisis or material change in existing financial, political, economic or securities market conditions, the effect of which is such as to make it, in the reasonable judgment of such Agent, impracticable or inadvisable in the manner contemplated in the Prospectus to proceed with the solicitation of the offer to purchase the Securities or to purchase Securities from the Company as principal, pursuant to the applicable Terms agreement or otherwise, as the case may be, or enforce contracts for the sale of the Securities, (ii) trading generally on either the American Stock Exchange or the New York Stock Exchange has been suspended, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required, by either of said exchanges or by order of the Commission or any other governmental authority, or if a banking moratorium has been declared by either Federal or New York authorities or, if the Company's common stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, trading in the Company's common stock shall have been suspended by the Commission or an Exchange (as defined in Section 3(a)(i) of the Exchange Act) which lists or reports such common stock; (iii) any material adverse change in the condition, financial or otherwise, earnings, operations or business prospects of the Company and its subsidiaries considered as a whole, whether or not arising in the ordinary course of business; (iv) any downgrading in the rating accorded the Company's debt securities by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or their successors); or

(v) any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities.

11. Notices. Except as otherwise specifically provided herein or in the Administrative Procedure, all statements, requests, notices and advices hereunder shall be in writing, or by telephone if promptly confirmed in writing, and if to Lazard Freres & Co. shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to One Rockefeller Plaza, New York, New York 10020, Facsimile Transmission No. (212) 632-6984, Attention: Head of Syndicate Department; if to Morgan Stanley & Co. Incorporated shall be sufficient in all respects when delivered or sent by telex, facsimile transmission or registered mail to 1221 Avenue of the Americas, New York, New York 10020, Facsimile Transmission No. (212) 764-7490, Attention: Continuously Offered Products and Morgan Stanley & Co. Incorporated, 1251 Avenue of the Americas, New York, New York 10020, Facsimile Transmission No. (212) 703-6476, Attention: Peter Cooper - Investment Banking Information Center, if to Salomon Brothers Inc shall be sufficient in all respects when delivered or sent by telex, facsimile transmission or registered mail to Seven World Trade Center, New York, New York 10048, Facsimile Transmission No. (212) 783-2274, Attention: Medium-Term Note Department, and if to the Company shall be sufficient in all respects when delivered or sent by facsimile transmission (provided that the original of such facsimile transmission is promptly delivered or sent to the Company by mail) or registered mail to Rayonier Inc., 1177 Summer Street, Stamford, Connecticut 06904, Facsimile Transmission No. (203) 964-4333, Attention: Corporate Secretary.

12. Successors. This Agreement and any Terms Agreement shall be binding upon, and inure solely to the benefit of, each Agent and the Company, and to the extent provided in Section 7, Section 8 and Section 9 hereof, the officers and directors of the Company and any person who controls any Agent or the Company, and their respective personal representatives, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement or any Terms Agreement. No purchaser of any of the Securities through or from any Agent hereunder shall be deemed a successor or assign by reason merely of such purchase.

13. Time of Essence. Time shall be of the essence in this Agreement and any Terms Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

14. GOVERNING LAW. THIS AGREEMENT AND ANY TERMS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

15. Counterparts. This Agreement and any Terms Agreement may be executed by any one or more of the parties hereto and thereto in any number of counterparts, each of which shall be an original, but all of such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us ten counterparts hereof, whereupon this letter and the acceptance by each of you thereof shall constitute a binding agreement between the Company and each of you in accordance with its terms.

Very truly yours,

RAYONIER INC.,

by -----

Name:
Title:

Accepted in New York, New York,
as of the date hereof:

(Lazard Freres & Co.)

Morgan Stanley & Co. Incorporated,

by -----

Name:
Title:

Salomon Brothers Inc,

by -----

Name:
Title:

INDENTURE

RAYONIER INC.

to

CHEMICAL BANK
as Trustee

Dated as of April 1, 1994

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Reconciliation and tie between Trust Indenture Act of 1939 (including cross-references to provisions of Sections 310 to 318(a) which, pursuant to Section 318(c) of the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, are a part of and govern the Indenture whether or not physically contained therein) and Indenture, dated as of April 1, 1994

Trust Indenture Act Section	Indenture Section
Sect.310(a)(1), (2) and (5)	6.09
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	6.08
	6.10
(c)	Not Applicable
Sect.311(a)	6.13(a)
(b)	6.13(b)
(b)(2)	7.03(a)(2)
	7.03(b)
Sect.312(a)	7.01
	7.02(a)
(b)	7.02(b)
(c)	7.02(c)
Sect.313(a)	7.03(a)
(b)	7.03(b)
(c)	7.03(a), 7.03(b)
(d)	7.03(c)
Sect.314(a)(1), (2) and (3)	7.04
(a)(4)	10.06
(b)	Not Applicable
(c)(1)	1.02
(c)(2)	1.02
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	1.02
(f)	Not Applicable
Sect.315(a)	6.01(a)
(b)	6.02
	7.03(a)(6)
(c)	6.01(b)
(d)	6.01(c)
(d)(1)	6.01(a)(1)

	(d)(2)	6.01(c)(2)
	(d)(3)	6.01(c)(3)
	(e)	5.14
Sect.316	(a)	1.01
	(a)(1)(A)	5.12
	(a)(1)(B)	5.13
	(a)(2)	Not Applicable
	(b)	5.08
	(c)	1.04(f)
Sect.317	(a)(1)	5.03
	(a)(2)	5.04
	(b)	10.03
Sect.318	(a)	1.07

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

INDENTURE, dated as of April 1, 1994, between RAYONIER INC., a North Carolina corporation (hereinafter called the "Company") having its principal office at 1177 Summer Street, Stamford, Connecticut 06904, and CHEMICAL BANK, a New York banking corporation, as Trustee (hereinafter called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debt securities in series (hereinafter called the "Securities") of substantially the tenor hereinafter provided, and to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered.

All things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE I

Definitions and Other Provisions of General Application

SECTION 1.01. Definitions. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles which are generally accepted at the date or time of such computation; provided, that when two or more principles are so generally accepted, it shall mean that set of principles consistent with those in use by the Company; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act" when used with respect to any Holder has the meaning specified in Section 1.04.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Board of Directors" means either the board of directors of the Company or any committee of that board duly authorized to act hereunder.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, or such committee of the Board of Directors or officers of the Company to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means every day except a day on which banking institutions in The City of New York are authorized or required by law or executive order to close.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or if at any time after the execution of this instrument such

Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request" and "Company Order" mean, respectively, the written request or order signed in the name of the Company by the President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Consolidated Net Tangible Assets" means the total amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all current liabilities (excluding any thereof which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed), and (ii) all segregated goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and prepared in accordance with generally accepted accounting principles.

"Corporate Trust Office" means the office of the Trustee in The City of New York, Borough of Manhattan, at which at any particular time its corporate trust business shall be principally administered, which as of the date of execution of this Indenture is located at 450 West 33rd Street, New York, New York 10001, Attention: Corporate Trustee Administration.

"Corporation" includes corporations, associations, companies and business trusts.

"Defaulted Interest" has the meaning specified in Section 3.07.

"Depository" means, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depository by the Company pursuant to Section 3.01 with respect to such series (or any successor thereto).

"Dollars" or the use of "\$" shall mean United States dollars.

"Event of Default" unless otherwise specified in the Board Resolution or supplemental indenture creating a series of Securities, has the meaning specified in Article V.

"Funded Debt" means all indebtedness for borrowed money having a maturity of more than 12 months from the date as of which the amount thereof is to be determined or having a maturity of less than 12 months but by its terms being renewable or extendible beyond 12 months from such date at the option of the borrower.

"Global Security" means a Security in the form prescribed in Section 2.04 evidencing all or part of a series of Securities, issued to the Depository or its nominee for such series, and registered in the name of such Depository or nominee.

"Government Obligations" means, with respect to the Securities of any series, securities which are (i) direct obligations of the United States of America or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed by the United States of America and which in either case, are full faith and credit obligations of the United States of America and are not callable or redeemable at the option of the issuer thereof and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of such depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of the Government Obligation evidenced by such depository receipt.

"Holder" means a Person in whose name a Security is registered in the Securities Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable

provisions hereof and shall include the terms of each particular series of Securities established as contemplated by Section 3.01.

"Interest Payment Date" means as to each series of Securities the Stated Maturity of an installment of interest on such Securities.

"Interest Rate" means the rate of interest specified or determined as specified in each Security as being the rate of interest payable on such Security.

"Lien" means any mortgage, pledge, lien, security interest or other encumbrance.

"Maturity" when used with respect to any Security means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Mortgage" means any mortgage, pledge, lien, encumbrance, charge or security interest of any kind.

"Officers' Certificate" means a certificate signed by the President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company.

"Original Issue Date" means the date of issuance specified as such in each Security.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.02.

"Outstanding" means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancelation;

(ii) Securities for whose payment money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; and

(iii) Securities in substitution for or in lieu of which other Securities have been authenticated and delivered or which have been paid pursuant to Section 3.06, unless proof satisfactory to the Trustee is presented that any such Securities are held by Holders in whose hands such Securities are valid, binding and legal obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of the Company, or any other obligor on the Securities or any Affiliate of the Company or such obligor, and, subject to the provisions of Section 6.01, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

"Paying Agent" means the Trustee or any Person authorized by the Company to pay the principal of or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment" means, with respect to the Securities of any series, the place or places where the principal of (and premium, if any) and interest on the Securities of such series are payable pursuant to Section 3.01.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.06 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

"Principal Property" means all timberlands, land, buildings, machinery and equipment, and leasehold interests and improvements in respect of the foregoing, which would be reflected on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles, excluding all such tangible property located outside the United States, Canada or New Zealand (including their respective territories and possessions) and excluding any such property which, in the opinion of the Board of Directors set forth in a Board Resolution, is not material to the Company and its consolidated Subsidiaries taken as a whole.

"Regular Record Date" for the interest payable on any Interest Payment Date with respect to the Securities of a series means, unless otherwise provided pursuant to Section 3.01 with respect to Securities of a series, the date which is 15 days next preceding such Interest Payment Date (whether or not a Business Day).

"Responsible Officer" when used with respect to the Trustee means any officer within the Corporate Trustee Administration Department (or any successor group) of the Trustee including without limitation any vice president, any assistant vice president, any assistant secretary, any senior trust officer, any trust officer or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means a Subsidiary (a) substantially all of the property of which is located in the United States, Canada or New Zealand (including their respective territories and possessions) and which owns a Principal Property, provided that no such Subsidiary shall be a Restricted Subsidiary if pursuant to this clause (a) (i) the total assets of such Subsidiary are less than 10% of the total assets of the Company and its consolidated Subsidiaries (including such Subsidiary) in each case as set forth on the most recent fiscal year-end balance sheets of such Subsidiary and the Company and its consolidated Subsidiaries, respectively, and computed in accordance with generally accepted accounting principles, or (ii) in the judgment of the Board of Directors, as evidenced by a Board Resolution, such Subsidiary is not material to the financial condition of the Company and its consolidated Subsidiaries taken as a whole or (b) that is designated as a Restricted Subsidiary by the Board of Directors, as evidenced by a Board Resolution.

"SaleandLease-BackTransactions" means any arrangement with any bank, insurance company or other lender or investor, or to which any such lender or investor is a party, providing for the leasing by the Company or a Restricted Subsidiary for a period, including renewals, in excess of three years of any Principal Property of the Company or a Restricted Subsidiary which has been or is to be sold or transferred by the Company or a Restricted Subsidiary to such lender or investor or to any Person to which funds have been or are to be advanced by such lender or investor on the security of such Principal Property.

"Securities" or "Security" means any debt securities or debt security, as the case may be, authenticated and delivered under this Indenture.

"Securities Register" and "Securities Registrar" have the respective meanings specified in Section 3.05.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.07.

"Stated Maturity" when used with respect to any Security or any installment of principal thereof or interest thereon means the date specified in such Security as the fixed date on which the principal of such Security or such installment of interest is due and payable.

"Subsidiary" means (i) any corporation of which at the time of determination the Company and/or one or more Subsidiaries owns or controls directly or indirectly more than 50% of the outstanding shares of voting stock or (ii) any other Person (other than a corporation) in which the Company or one or more Subsidiaries directly or indirectly owns or controls more than 50% of the voting interests therein or otherwise has the power to direct the policies, management and affairs thereof.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, and as in force at the date as of which this instrument was executed, except as provided in Section 9.05.

"Value" means with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale or transfer of the Principal Property leased pursuant to such Sale and Lease-Back Transaction or (ii) the fair market value, in the good faith opinion of the Board of Directors, of such Principal Property at the time of entering into such Sale and Lease-Back Transaction, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

"Vice President" when used with respect to the Company, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

SECTION 1.02. Compliance Certificate and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent (including covenants compliance with which constitute a condition precedent), if any, provided for in this Indenture relating to the proposed

action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent (including covenants compliance with which constitute a condition precedent), if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates provided pursuant to Section 10.06) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.03. Forms of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to matters upon which his certificate or

opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.04. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given to or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee and the Company and any agent of the Trustee or the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a Person acting in other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The fact and date of the execution by any Person of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems

sufficient and in accordance with such reasonable rules as the Trustee may determine.

(d) The ownership of Securities shall be proved by the Securities Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to take any action under this Indenture by vote or consent. Except as otherwise provided herein, such record date shall be the later of 30 days prior to the first solicitation of such consent or vote or the date of the most recent list of Securityholders furnished to the Trustee pursuant to Section 7.01 prior to such solicitation. If a record date is fixed, those persons who were Securityholders at such record date (or their duly designated proxies) and only those persons, shall be entitled to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such persons continue to be Holders after such record date; provided, however, that unless such vote or consent is obtained from the Holders (or their duly designated proxies) of the requisite principal amount of Outstanding Securities prior to the date which is the 120th day after such record date, any such vote or consent previously given shall automatically and without further action by any Holder be canceled and of no further effect.

SECTION 1.05. Notices, Etc. to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trustee Administration or, if given to the Trustee by the Company by facsimile communications at the

Trustee's facsimile number which on the date of execution of this Indenture is (212) 971-8567 or (212) 971-8568, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose (except as otherwise provided in Section 5.01 hereof) hereunder if in writing and mailed, first class, postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument and to the attention of the Corporate Secretary or at any other address previously furnished in writing to the Trustee by the Company or, if given to the Company by the Trustee by facsimile communications at the Company's facsimile number which on the date of execution of this Indenture is (203) 964-4335.

SECTION 1.06. Notice to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Holder affected by such event, at his address as it appears in the Securities Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.07. Conflict With Trust Indenture Act. If, and to the extent that, any provision of this Indenture limits, qualifies or conflicts with the duties imposed by any of, or with another provision (an "incorporated provision") included in this Indenture by operation of, Sections 310 to 318, inclusive, of the Trust Indenture Act such imposed duties or incorporated provision shall control.

SECTION 1.08. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.09. Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.10. Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11. Benefits of Indenture. Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto, any Paying Agent and their successors and assigns and the Holders of the Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.12. Governing Law. This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 1.13. Nonbusiness Days. In any case where any Interest Payment Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or the Securities) payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or at the Stated Maturity, and no interest shall accrue for the period from and after such Interest Payment Date or Stated Maturity, as the case may be.

ARTICLE II

Security Forms

SECTION 2.01. Forms Generally. The Securities of each series and the Trustee's certificate of authentication shall be in substantially the forms set forth in this Article, or in such other form or forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as

may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. Any such legends or endorsements shall be furnished to the Trustee in writing. If the form of Securities of any series is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.03 with respect to the authentication and delivery of such Securities.

The Trustee's certificates of authentication shall be substantially in the form set forth in this Article.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods, if required by any securities exchange on which the Securities may be listed, on a steel engraved border or steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 2.02. Form of Face of Security. [If the Security is an Original Issue Discount Security, insert: For purposes of Section 1271 of the United States Internal Revenue Code of 1986, as amended, the issue price of this Security is ___% of its principal amount and the Issue Date is _____, 19__].

RAYONIER INC.
[Title of Security]

No. _____
\$ _____

RAYONIER INC., a corporation organized and existing under the laws of North Carolina (hereinafter called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on _____ [If the Security is to bear interest prior to Maturity insert: and to pay interest thereon from _____ or from the most recent Interest Payment Date to which interest has been paid or duly

provided for, semiannually on _____ and _____ in each year, commencing _____ at the rate of ___ per annum, on the basis of a 360-day year consisting of twelve 30-day months, until the principal hereof is paid or duly provided for or made available for payment [If applicable insert: and (to the extent that the payment of such interest shall be legally enforceable) at the rate of ___% per annum on any overdue principal and premium and on any overdue instalment of interest]. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the _____ or _____ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for on any Interest Payment Date (or within any grace period related to such interest payment set forth in such Indenture) will forthwith cease to be payable to the Holder and may either be paid to the person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee (notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date) or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture].

[If the Security is not to bear interest prior to Maturity insert: The principal of this Security shall not bear interest except in the case of a default in payment of principal upon acceleration, upon redemption or at Stated Maturity and in such case the overdue principal of this Security shall bear interest at the rate of ___% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such default in payment to the date payment of such principal has been made or duly provided for. Interest on any overdue principal shall be payable on demand. Any such interest on any overdue principal that is not so paid on demand shall bear interest at the rate of ___% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such demand for payment to the date payment of such interest has been made or duly provided for, and such interest shall also be payable on demand.]

Payment of the principal of (and premium, if any) and [if applicable, insert: any such] interest on this Security will be made at the office or agency of the Company maintained for that purpose in _____, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts [if applicable, insert: ; provided, however, that at the option of the Company payment of interest may be made by (i) check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register or (ii) wire transfer upon terms established from time to time by the Company reasonably satisfactory to the Paying Agent.]

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: RAYONIER INC.

by _____ President

Attest:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

Chemical Bank,
as Trustee

By _____
 Authorized Officer

SECTION 2.03. Form of Reverse of Security. This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of April 1, 1994 (herein called the "Indenture"), between the Company and Chemical Bank, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof [, limited in aggregate principal amount to \$_____]. The Securities are general unsecured obligations of the Company and will rank pari passu with all other Securities issued under the Indenture.

[If applicable, insert: The Securities of this series are not redeemable prior to the stated maturity of the principal hereof and will not be subject to any sinking fund.]

[If applicable, insert: The Securities of this series are subject to redemption upon not less than 30 days' and not more than 60 days' notice by mail, [if applicable, insert: (1) on _____ in any year commencing with the year ____ and ending with the year ____ through operation of the sinking fund for this series at a Redemption Price equal to 100% of the principal amount, and (2)] at any time [on or after _____ 19__], as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before _____, ____ % and if redeemed] during the 12-month period beginning _____ of the years indicated,

Year	Redemption Price	Year	Redemption Price
------	------------------	------	------------------

and thereafter at a Redemption Price equal to ___% of the principal amount, together in the case of any such redemption [if applicable, insert: (whether through operation of the sinking fund or otherwise)] with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Date referred to on the face hereof, all as provided in the Indenture.]

[If applicable, insert: The Securities of this series are subject to redemption upon not less than 30 days' and not more than 60 days' notice by mail, (1) on _____ in any year commencing with the year ___ and ending with the year _____ through operation of the sinking fund for this series at the Redemption Prices for redemption through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below, and (2) at any time [on or after _____], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning _____ of the years indicated,

Year	Redemption Price For Redemption Through Operation of the Sinking Fund	Redemption Price For Redemption Otherwise Than Through Operation of the Sinking Fund
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and thereafter at a Redemption Price equal to ___% of the principal amount, together in the case of any such redemption (whether through operation of the sinking fund or otherwise) with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.]

[If applicable, insert: The sinking fund for this series provides for the redemption on _____ in each year beginning with the year _____ and ending with the year ____ of [not less than] \$_____ [("mandatory sinking fund") and not more than \$_____] aggregate principal amount of Securities of this series. [Securities of this series acquired or redeemed by the Company otherwise than through [mandatory] sinking fund payments may be credited against subsequent [mandatory] sinking fund payments otherwise required to be made] [in the inverse order in which they become due.]

In the event of redemption of this Security in part only, a new Security or Securities of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancelation hereof.

The Indenture contains provisions for satisfaction, discharge and defeasance of the entire indebtedness on this Security, upon compliance by the Company with certain conditions set forth therein.

[If the Security is not an Original Issue Discount Security, insert: If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.]

[If the Security is an Original Issue Discount Security, insert: If an Event of Default with respect to Securities of this series shall occur and be continuing, an amount of principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Such amounts shall be equal to [INSERT FORMULA FOR DETERMINING THE AMOUNT].

Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest, if any, on the Securities of this series shall terminate.]

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of

specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Securities Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$_____ and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum

sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

A director, officer, employee or stockholder, as such, of the Company or the Trustee shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder waives and releases all such liability. This waiver and release are part of the consideration for the issue of the Securities.

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identification numbers placed thereon.

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture. Requests may be made to:

Rayonier Inc.
1177 Summer Street
Stamford, Connecticut 06904
Attention of Corporate Secretary

SECTION 2.04. Additional Provisions Required in Global Security. Any Global Security issued hereunder shall, in addition to the provisions contained in Sections 2.02 and 2.03 bear a legend in substantially the following form:

"Unless this certificate is presented by an authorized representative of the Depositary to the Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of the nominee of the Depositary or in such other name as is requested by an authorized representative of the Depositary (and any payment is made to the nominee of the Depositary or to such other entity as is requested by an authorized representative of the Depositary), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, the nominee of the Depositary, has an interest herein."

SECTION 2.05. Form of Trustee's Certificate of Authentication. This is one of the Securities referred to in the within mentioned Indenture.

Chemical Bank,
as Trustee

by

Authorized Officer

ARTICLE III

The Securities

SECTION 3.01. Title and Terms. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series up to an aggregate principal amount of Securities as from time to time may be authorized by the Board of Directors. All Securities of each series under this Indenture shall in all respects be equally and ratably entitled to the benefits hereof with respect to such series without preference, priority or distinction on account of the actual time of the authentication and delivery or Stated Maturity of the Securities of such series. There shall be established in or pursuant to a Board Resolution, and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of a series:

(a) the title of the Securities of such series, which shall distinguish the Securities of the series from all other Securities;

(b) the limit, if any, upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.04, 3.05, 3.06, 9.06 or 11.06); provided, however, that the authorized aggregate principal amount of such series may be increased above such amount by a Board Resolution to such effect;

(c) the Stated Maturity or Maturities on which the principal of the Securities of such series is payable;

(d) the rate or rates, if any, at which the Securities of such series shall bear interest, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date for the interest payable on any Interest Payment Date;

(e) the place or places where the principal of and interest on the Securities of such series shall be payable, the place or places where the Securities of such series may be presented for registration of transfer or exchange, and the place or places where notices and demands to or upon the Company in respect of the Securities of such series may be made;

(f) the period or periods within or the date or dates on which, if any, the price or prices at which and the terms and conditions upon which the Securities of such series may be redeemed, in whole or in part, at the option of the Company;

(g) the obligation, if any, of the Company to redeem, repay or purchase the Securities of such series pursuant to any sinking fund, amortization or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(h) the denominations in which any Securities of such series shall be issuable, if other than denominations of \$1,000 and any integral multiple thereof;

(i) the modifications, if any, in the Events of Default or covenants of the Company set forth herein with respect to the Securities of such series;

(j) if other than the principal amount thereof, the portion of the principal amount of Securities of such series which shall be payable upon declaration of acceleration of the Maturity thereof;

(k) the additions or changes, if any, to this Indenture with respect to the Securities of such series as shall be necessary to permit or facilitate the issuance of the Securities of such series in bearer form, registerable or not registerable as to principal, and with or without interest coupons;

(l) any index used to determine the amount of payments of principal of and premium, if any, on the Securities of such series and the manner in which such amounts will be determined;

(m) the issuance of a temporary Global Security representing all of the Securities of such series and exchange of such temporary Global Security for definitive Securities of such series;

(n) whether the Securities of the series shall be issued in whole or in part in the form of one or more Global Securities and, in such case, the Depository for such Global Securities, which Depository shall be a clearing agency registered under the Securities Exchange Act of 1934, as amended;

(o) the appointment of any Paying Agent or Agents for the Securities of such series; and

(p) any other terms of the Securities of such series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided herein or in or pursuant to such board Resolution and set forth in such Officers' Certificate or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

SECTION 3.02. Denominations. The Securities of each series shall be in registered form without coupons and shall be issuable in denominations of \$1,000 and any integral multiple thereof, unless otherwise specified as contemplated by Section 3.01.

SECTION 3.03. Execution, Authentication, Delivery and Dating. The Securities of any series shall be executed on behalf of the Company by its President or one of its Vice Presidents under its corporate seal reproduced or impressed thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of the execution thereof the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication. Securities may be authenticated on original issuance from time to time and delivered pursuant to such procedures acceptable to the Trustee ("Procedures") as may be specified from time to time by Company Order.

Prior to the delivery of a Security of any series to the Trustee for authentication, the Company shall deliver to the Trustee the following:

(a) a Company Order requesting the Trustee's authentication and delivery of all or a portion of the Securities of such series, and if less than all, setting forth procedures for such authentication;

(b) the Board Resolution by or pursuant to which the form of such Security has been approved, and the Board Resolution, if any, by or pursuant to which the terms of the Securities of such series have been approved, and, if pursuant to a Board Resolution, an Officers' Certificate describing the action taken;

(c) An Officers' Certificate dated the date such certificate is delivered to the Trustee, stating that all conditions precedent provided for in this Indenture relating to the authentication and delivery of Securities in such form and with such terms have been complied with; and

(d) An Opinion of Counsel stating that (i) the form of such Securities has been duly authorized and approved in conformity with the provisions of this Indenture; (ii) the terms of such Securities have been duly authorized and determined in conformity with the provisions of this Indenture, or, if such terms are to be determined pursuant to Procedures, when so determined such terms shall have been duly authorized and determined in conformity with the provisions of this Indenture; and (iii) Securities in such form when completed by appropriate insertions and executed and delivered by the Company to the Trustee for authentication in accordance with this Indenture, authenticated and delivered by the Trustee in accordance with this Indenture within the authorization as to aggregate principal amount established from time to time by the Board of Directors, and sold in the manner specified in such Opinion of Counsel, will be the legal, valid and binding obligations of the Company entitled to the benefits of this Indenture, subject to applicable bankruptcy, reorganization, insolvency and other similar laws generally affecting creditors' rights, to general equitable principles and to such other qualifications as such counsel shall conclude do not materially affect the rights of Holders of such Securities;

provided, however, that the Trustee shall be entitled to receive the documents referred to in clauses (b), (c) and (d) above only at or prior to the first request of the Company to the Trustee to authenticate Securities of such series.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

SECTION 3.04. Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Securities of such series in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company in The City of New York, without charge to the Holder. Upon surrender for cancelation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of the same series of authorized denominations having the same Original Issue Date and Stated Maturity and having the same terms as such temporary Securities. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 3.05. Registration, Transfer and Exchange. The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. Such register is herein sometimes referred to as the "Securities Register". The Trustee is hereby appointed "Securities Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at the Place of Payment, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or

transferees, one or more new Securities of the same series of any authorized denominations, of a like aggregate principal amount, of the same Original Issue Date and Stated Maturity and having the same terms.

At the option of the Holder, Securities may be exchanged for other Securities of the same issue and series of any authorized denominations, of a like aggregate principal amount, of the same Original Issue Date and Stated Maturity and having the same terms, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for transfer or exchange shall (if so required by the Company or the Securities Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities.

Notwithstanding any of the foregoing, any Global Security of a series shall be exchangeable pursuant to this Section 3.05 for Securities registered in the names of Persons other than the Depositary for such Security or its nominee only if (i) such Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time such Depositary ceases to be eligible to be a clearing agency under the Securities Exchange Act of 1934, as amended, and the Company does not appoint a successor Depositary within 90 days after the Company receives notice or becomes aware of such unwillingness, inability, or ineligibility, (ii) the Company executes and delivers to the Trustee a Company Order that such Global Security shall be so exchangeable or (iii) there shall have occurred and be continuing an Event of Default with respect to the Securities of such series. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Securities registered in such names as such Depositary shall direct.

Notwithstanding any other provision in this Indenture, a Global Security may not be transferred except as a whole by the Depositary with respect to such Global Security to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary.

Neither the Company nor the Trustee shall be required, pursuant to the provisions of this Section, (a) to issue, transfer or exchange any Security of any series during a period beginning at the opening of business 15 days before the day of selection for redemption of Securities pursuant to Article XI and ending at the close of business on the day of mailing of notice of redemption or (b) to transfer or exchange any Security so selected for redemption in whole or in part, except, in the case of any Security to be redeemed in part, any portion thereof not to be redeemed.

None of the Company, the Trustee, any agent of the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

SECTION 3.06. Mutilated, Destroyed, Lost and Stolen Securities. If any mutilated Security is surrendered to the Trustee together with such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Stated Maturity and bearing the same Interest Rate as such mutilated Security, and bearing a number not contemporaneously outstanding.

If there be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security, and (ii) such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the issuing Company shall execute and upon its written request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Stated Maturity and bearing the same Interest Rate as such destroyed, lost or stolen Security, and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee and its agents and counsel) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 3.07. Payment of Interest; Interest Rights Preserved. Interest on any Security of any series which is payable, and is punctually paid or duly provided for, on any Interest Payment Date, shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest in respect of Securities of such series, except that, unless otherwise provided in the Securities of such series, interest payable on the Stated Maturity of a Security shall be paid to the Person to whom principal is paid. The initial payment of interest on any Security of any series which is issued between a Regular Record Date and the related Interest Payment Date shall be payable as provided in such Security or in the Board Resolution or supplemental indenture pursuant to Section 3.01 with respect to the related series of Securities.

Any interest on any Security which is payable, but is not timely paid or duly provided for, on any Interest Payment Date (or within any grace period related to such interest payment set forth in Section 5.01(1) hereof) for Securities of such series (herein called "Defaulted Interest"), shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series in respect of which interest is in default (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class, postage prepaid, to each Holder of a Security of such series at his address as it appears in the Securities Register not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, cause a similar notice to be published at least once in a newspaper, customarily published in the English language on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of the series in respect of which interest is in default may be listed, and upon such notice as may be required by such exchange (or by the Trustee if the Securities are not listed), if, after notice given by the

Company to the Trustee of the proposed payment pursuant to this Clause, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 3.08. Persons Deemed Owners. Prior to due presentment for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payment of principal (and premium, if any) of and (subject to Section 3.07) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 3.09. Cancellation. All Securities surrendered for payment, redemption, transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and Securities surrendered directly to the Trustee for any such purpose shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities shall be disposed of by the Trustee in accordance with its customary procedures and the Trustee shall deliver to the Company a certificate of such disposition.

SECTION 3.10. Computation of Interest. Except as otherwise specified as contemplated by Section 3.01 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a year of 360 days, consisting of twelve 30-day months.

ARTICLE IV

Satisfaction and Discharge

SECTION 4.01. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to any series of

Securities (except as to (i) any surviving rights of transfer, substitution and exchange of Securities, (ii) rights hereunder of Holders to receive payments of principal of (and premium, if any) and interest on the Securities and other rights, duties and obligations of the Holders as beneficiaries hereof with respect to the amounts, if any, so deposited with the Trustee and (iii) the rights and obligations of the Trustee hereunder) and the Trustee, on written demand of and at the expense of the Company, shall execute proper instruments in form and substance reasonably satisfactory to the Company and the Trustee acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities of that series theretofore authenticated and delivered (other than (i) Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06 and (ii) Securities of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.03) have been delivered to the Trustee canceled or for cancellation; or

(B) all such Securities of that series not theretofore canceled or delivered to the Trustee for cancellation

(i) have become due and payable,

(ii) will become due and payable at their Stated Maturity within one year of the date of deposit, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee canceled or for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or redemption date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Securities of such series; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture with respect to the Securities of such series, the obligations of the Company to the Trustee under Section 6.07 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.02 and the last paragraph of Section 10.03 shall survive.

SECTION 4.02. Application of Trust Money. Subject to the provisions of the last paragraph of Section 10.03, all money deposited with the Trustee pursuant to Section 4.01 or money or Government Obligations deposited with the Trustee pursuant to Section 4.03, or received by the Trustee in respect of Government Obligations deposited with the Trustee pursuant to Section 4.03, shall be held in trust and applied by it, in accordance with the provisions of the Securities of such series in respect of which it was deposited and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent), to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or obligations have been deposited with or received by the Trustee; provided, however, such moneys need not be segregated from other funds except to the extent required by law.

SECTION 4.03. Defeasance Upon Deposit of Funds or Government Obligations. (a) Unless pursuant to Section 3.01 provision is made that this Section shall not be applicable to the Securities of any series then, subject to Sections 4.03(b) and (c) and 4.06, the Company at any time may terminate (i) all its obligations under this Indenture with respect to the Securities of any series ("legal defeasance option") or (ii) its obligations under the covenants set forth in Sections 8.01(b), 10.04, 10.05, 10.06, 10.07, 10.08 and 10.09, the operation of any Event of Default based on the failure of the Company to comply with such covenants, and the operation of clause (7) of Section 5.01 ("covenant defeasance option"), in each case with respect to the Securities of any series. The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Company exercises its legal defeasance option with respect to the Securities of any series, payment of such Securities may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option with respect to the Securities of any series, payment of such Securities may not be accelerated because of an Event of Default specified in clause (7) of Section 5.01 or because of the failure of the Company to comply with any of the covenants set forth in Sections 8.01(b), 10.04, 10.05, 10.06, 10.07, 10.08 and 10.09.

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(b) Notwithstanding clause (a) above, (i) the Company's obligations in Sections 3.05, 3.06, 3.07, 3.08, 3.10, 4.02, 4.04, 4.05, 4.06, 6.07, 6.10, 10.02 and 10.03 (in respect of the Securities of any series for which it has exercised its legal defeasance option) and (ii) all provisions other than those terminated pursuant to Section 4.03(a)(ii) (in respect of the Securities of any series for which it has exercised its covenant defeasance option) shall survive until such Securities have been paid in full. Thereafter, the Company's obligations in Sections 4.05 and 6.07 with respect to such Securities shall survive.

(c) The Company may exercise its legal defeasance option or its covenant defeasance option with respect to the Securities of any series only if:

(1) the Company irrevocably deposits in trust with the Trustee money or Government Obligations for the payment of principal and interest on such Securities to Stated Maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment of the deposited Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts (but, in the case of the legal defeasance option only, not more than such amounts) as will be sufficient to pay principal and interest when due on all such Securities to Stated Maturity or redemption, as the case may be;

(3) 123 days pass after the deposit is made and during the 123-day period no event which constitutes or with lapse of time would

become an Event of Default specified in Section 5.01(5) or (6) occurs which is continuing at the end of the period;

(4) no event which constitutes or with notice or lapse of time would become an Event of Default with respect to such Securities has occurred and is continuing on the date of such deposit and after giving effect thereto;

(5) the deposit does not constitute a default under any other agreement binding on the Company;

(6) the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(7) in the case of the legal defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the holders of such Securities will not recognize income, gain or loss for Federal income tax purposes solely as a result of such legal defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(8) in the case of the covenant defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders of such Securities will not recognize income, gain or loss for Federal income tax purposes solely as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(9) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of such Securities as contemplated by this Article IV have been complied with.

Before or after a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of such Securities at a future date in accordance with Article XI.

SECTION 4.04. Repayment to Company. The Trustee and the Paying Agent shall promptly turn over to the Company upon written request any excess money or securities held by them at any time. Such written request shall be accompanied by an opinion of the type specified in Subsection (2) of Section 4.03(c) to the effect that such excess exists and the basis for such conclusion.

SECTION 4.05. Indemnity for Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited Government Obligations or the principal and interest received on such Government Obligations.

SECTION 4.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or Government Obligations to the payment of the Securities of any series in accordance with this Article IV by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and such Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article IV until such time as the Trustee or Paying Agent is permitted to apply all such money or Government Obligations in accordance with this Article IV; provided, however, that, if the Company has made any payment of interest on or principal of any such Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or Government Obligations held by the Trustee or Paying Agent.

ARTICLE V

Remedies

SECTION 5.01. Events of Default. "Event of Default" wherever used herein with respect to the Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (1) default in the payment of any interest upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days;

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity;

(3) default in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of such series;

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with) and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(5) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;

(6) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they

become due and its willingness to be adjudicated a bankrupt, or the taking of corporate action by the Company in furtherance of any such action;

(7) an event of default, as defined in any indenture or instrument evidencing or under which the Company or any Restricted Subsidiary has at the date of this Indenture or shall hereafter have outstanding at least \$10,000,000 aggregate principal amount of indebtedness for borrowed money, shall happen and be continuing and such indebtedness shall have been accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 30 days after notice thereof shall have been given to the Company by the Trustee (if such event be known to it), or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities of that series at the time Outstanding; provided, however, that for the purposes of this subsection (7), the Company or any Restricted Subsidiary shall not be deemed in default if it shall be contesting in good faith its liability for the payment of the principal in question, and shall have been advised by its counsel that it has a meritorious defense thereto; and provided further that if such event of default under such indenture or instrument shall be remedied or cured by the Company or such Restricted Subsidiary (as the case may be) or waived by the holders of such indebtedness, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of the Holders; or

(8) any other Event of Default with respect to Securities of that series.

SECTION 5.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if

given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue installments of interest on all Securities of that series,

(B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities,

(C) to the extent that payment of such interest is legally enforceable, interest upon overdue installments of interest at the rate borne by the Securities,

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to Securities of that series, other than the nonpayment of the principal of Securities of that series which has become due solely by such acceleration, have been cured or waived as provided in Section 5.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.03. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if:

(1) default is made in the payment of any installment of interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days;

(2) default is made in the payment of the principal of (and premium, if any, on) any Security at the Maturity thereof; or

(3) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of any series;

and any such default continues for any period of grace provided with respect to the Securities of such series, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holder of any such Security (or the Holders of any such series in the case of Clause (3) above), the whole amount then due and payable on any such Security (or on the Securities of any such series in the case of Clause (3) above) for principal (and premium, if any) and interest, with interest, to the extent that payment of such interest shall be legally enforceable, upon the overdue principal (and premium, if any) and upon overdue installments of interest, at such rate or rates as may be prescribed therefor by the terms of any such Security (or of Securities of any such series in the case of Clause (3) above); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 6.07.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.04. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities

or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal (and premium, if any) or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and any predecessor Trustee under Section 6.07 and of the Holders allowed in such judicial proceeding;

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and

(iii) unless prohibited by law or applicable regulation, to vote on behalf of the Holders in any election of a trustee in bankruptcy or other person performing similar functions;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it and any predecessor Trustee under Section 6.07.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 5.05. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of all the amounts owing the Trustee and any predecessor Trustee under Section 6.07,

its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 5.06. Application of Money Collected. Any money collected or to be applied by the Trustee with respect to a series of Securities pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and any predecessor Trustee under Section 6.07;

SECOND: To the payment of the amounts then due and unpaid upon such series of Securities for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such series of Securities for principal (and premium, if any) and interest, respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

SECTION 5.07. Limitation on Suits. No Holder of any Securities of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver, assignee, trustee, liquidator, sequestrator (or other similar official) or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no written direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

SECTION 5.08. Unconditional Right of Holders to Receive Principal, Premium and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and (subject to Section 3.07) interest on such Security on the respective Stated Maturities expressed in such Security and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

SECTION 5.09. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 5.10. Rights and Remedies Cumulative. Except as otherwise provided in the last paragraph of Section 3.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the

concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.11. Delay or Omission Not Waiver. Except as otherwise provided in the last paragraph of Section 3.06, no delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 5.12. Control by Holders. The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series; provided that:

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) subject to the provisions of Section 6.01, the Trustee shall have the right to decline to follow such direction if the Trustee in good faith shall, by a Responsible Officer or Officers of the Trustee, determine that the proceeding so directed would be unjustly prejudicial to the Holders not joining in any such direction or would involve the Trustee in personal liability.

SECTION 5.13. Waiver of Past Defaults. The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default:

(1) in the payment of the principal of (or premium, if any) or interest on any Security of such series, or in the payment of any sinking or purchase fund or analogous obligation with respect to the Securities of such series, or

(2) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 5.14. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Security on or after the respective Stated Maturities expressed in such Security.

SECTION 5.15. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VI

The Trustee

SECTION 6.01. Certain Duties and Responsibilities. (a)
Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of Holders of any series pursuant to Section 5.12 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 6.02. Notice of Defaults. Within 90 days after the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series, as their names and addresses appear in the Securities Register, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Security of such series the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Securities of such series. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 6.03. Certain Rights of Trustee. Subject to the provisions of Section 6.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, Security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established

prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, indenture, Security or other paper or document, but the Trustee in its discretion may make such inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 6.05. May Hold Securities. The Trustee, any Paying Agent, Securities Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of

Securities and, subject to Sections 6.08 and 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Securities Registrar or such other agent.

SECTION 6.06. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 6.07. Compensation and Reimbursement. The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee and each of its officers, directors, attorneys in fact and agents for, and to hold each such person harmless against, any loss, claim, liability or expense incurred without negligence or bad faith on such person's part, arising out of or in connection with the acceptance or administration of this Indenture or the Procedures or the performance of its duties hereunder or under the Procedures, including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon the Trustee or any of its officers in connection with the exercise or performance of any of its powers or duties hereunder. The Company will indemnify and hold the Trustee harmless against any loss, liability or expense (including attorneys' fees) resulting from any act or omission to act on the part of the Company or any such Holder in connection with any agreement related to a Holder receiving payment by wire transfer or which the Paying Agent may incur as a result of making any payment in accordance with any such agreement.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a claim prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of amounts due on the Securities.

The obligations of the Company under this Section to compensate and indemnify the Trustee and to reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness under this Indenture and shall survive the resignation or removal of the Trustee, the satisfaction and discharge of this Indenture and any rejection or termination of this Indenture under any applicable bankruptcy law.

If the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.01(5) or (6) has occurred, those expenses (including the reasonable charges and expenses of its agents and attorneys) and its compensation for services shall be preferred over the status of the Holders in any reorganization or similar proceeding and the parties hereto, and the Holders, by their acceptance of the Securities, hereby agree that, without limiting any other rights available to the Trustee under any applicable bankruptcy law, such expenses, compensation and indemnity are intended to constitute expenses of administration under any applicable bankruptcy law.

SECTION 6.08. Disqualification; Conflicting Interests. The Trustee for the Securities of any series issued hereunder shall be subject to the provisions of Section 310(b) of the Trust Indenture Act. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 310(b) of the Trust Indenture Act.

SECTION 6.09. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States of America or of any State, Territory or the District of Columbia, authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal, state, territorial or District of Columbia authority, or

(b) a corporation or other Person organized and doing business under the laws of a foreign government that is permitted to act as Trustee pursuant to a rule, regulation or order of the Commission, authorized under such laws to exercise corporate trust powers, and

subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

in either case having a combined capital and surplus of at least \$50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purpose of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Neither the Company nor any Person directly or indirectly controlling, controlled by or under common control with the Company shall serve as Trustee for the Securities of any series issued hereunder. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 6.10. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 6.08 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.09 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by Board Resolution may remove the Trustee, or (ii) subject to Section 5.14, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Securities of such series and supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, subject to Section 5.14, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities of such series as their names and addresses appear in the Securities Register. Each notice shall include the

name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 6.11. Acceptance of Appointment by Successor. (a)

In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums due to the retiring trustee under Section 6.07 hereof, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor

Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees cotrustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, and duties of the retiring Trustee with respect to the Securities of that or those series to

which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall, upon payment of all sums due to the retiring Trustee under Section 6.07 hereof, duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 6.12. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder; provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated, and in case any Securities shall not have been authenticated, any such successor to the Trustee may authenticate such Securities either in the name of any predecessor Trustee or in the name of such successor Trustee, and in all cases the certificate of authentication shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 6.13. Preferential Collection of Claims Against Company. The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship listed in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent indicated.

ARTICLE VII

Holders' Lists and Reports by Trustee and Company

SECTION 7.01. Company To Furnish Trustee Names and Addresses of Holders. The Company will furnish or cause to be furnished to the Trustee

(a) semiannually, not more than 15 days after June 1 and December 1, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such June 1 and December 1, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

excluding from any such list names and addresses received by the Trustee in its capacity as Securities Registrar.

SECTION 7.02. Preservation of Information; Communications to Holders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the, most recent list furnished to the Trustee as provided in Section 7.01 and the names and addresses of Holders received by the Trustee in its capacity as Securities Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.01 upon receipt of a new list so furnished.

(b) If three or more Holders (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders with respect to their rights under this Indenture or under the Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five business days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 7.02(a), or

(ii) inform such applicants as to the approximate number of Holders whose names and addresses appear in the information

preserved at the time by the Trustee in accordance with Section 7.02(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder whose name and address appear in the information preserved at the time by the Trustee, in accordance with Section 7.02(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 7.02(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request under Section 7.02(b).

SECTION 7.03. Reports by Trustee. (a) On or before July 15 of each year commencing with the year 1995, the Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Securities Register, a brief report dated as of the preceding May 15 with respect to any of the following events which may have occurred during the twelve months preceding the date of such report (but if no such event has occurred within such period, no report need be transmitted):

(1) any change to its eligibility under Section 6.09 and its qualifications under Section 6.08;

(2) the creation of or any material change to a relationship specified in Section 310(b)(1) through Section 310(b)(10) of the Trust Indenture Act;

(3) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than 1/2 of 1% of the principal amount of the Securities Outstanding on the date of such report;

(4) any change to the amount, interest rate and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in Section 311(b)(2), (3), (4) or (6) of the Trust Indenture Act;

(5) any change to the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

(6) any additional issue of Securities which the Trustee has not previously reported; and

(7) any action taken by the Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by the Trustee in accordance with Section 6.02.

(b) The Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Securities Register, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to Subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this instrument) for the

reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this Subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of the Securities Outstanding at such time, such report to be transmitted within 90 days after such time.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed and also with the Commission. The Company will notify the Trustee whenever the Securities are listed on any stock exchange.

SECTION 7.04. Reports by Company. The Company will

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail, as may be required by the rules and regulations prescribed from time to time by the Commission, to all Holders, as their names and addresses appear in the Securities Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required

to be filed by the Company pursuant to paragraphs (1) and (2) of this Section.

ARTICLE VIII

Consolidation, Merger, Conveyance, Transfer or Lease

SECTION 8.01. Company May Consolidate, etc., Only on Certain Terms. (a) The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and no Person shall consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless:

(1) in case the Company shall consolidate with or merge into another corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any state or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and the Trustee, subject to Section 6.01, may rely upon such Officers' Certificate and Opinion of Counsel as conclusive evidence that such transaction complies with this Section 8.01.

(b) If, upon any consolidation or merger of the Company with or into any other corporation, or upon any conveyance, transfer or lease of its properties and assets substantially as an entirety to any Person, any of the property or assets of the Company or of any Restricted Subsidiary would thereupon become subject to any mortgage, lien or pledge, the Company, prior to or simultaneously with such consolidation, merger, conveyance, transfer or lease will secure the Securities of each series outstanding hereunder, equally and ratably with any other obligations of the Company or any Restricted Subsidiary then entitled thereto, by a direct lien on all such property and assets prior to all liens other than any theretofore existing thereon.

SECTION 8.02. Successor Corporation Substituted. Upon any consolidation or merger by the Company with or into any other corporation, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with Section 8.01, the successor corporation formed by such consolidation or into which the Company is merged or the Person to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation or Person had been named as the Company herein; and in the event of any such conveyance, transfer or lease the Company shall be discharged from all obligations and covenants under the Indenture and the Securities and may be dissolved and liquidated.

Such successor corporation or Person may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation or Person instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication pursuant to such provisions and any Securities which such successor corporation or Person thereafter shall cause to be signed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, conveyance, transfer or lease such changes in phraseology and form may be made in the Securities thereafter to be issued as may be appropriate.

ARTICLE IX

Supplemental Indentures

SECTION 9.01. Supplemental Indentures Without Consent of Holders. Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained; or

(2) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee; or

(3) to provide for the issuance under this Indenture of Securities in bearer form (including Securities registerable as to principal only) and to provide for exchangeability of such Securities for Securities issued hereunder in fully registered form, and to make all appropriate changes for such purpose; or

(4) to establish the form or terms of Securities of any series as permitted by Sections 2.01 or 3.01; or

(5) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(6) to add any additional Events of Default; or

(7) to change or eliminate any of the provisions of this Indenture; provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(8) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided such action shall not materially adversely affect the interest of the Holders of Securities of any series; or

(9) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.11(b).

SECTION 9.02. Supplemental Indentures with Consent of Holders. With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Outstanding Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.02, or change the Place of Payment, or the coin or currency in which any Outstanding Security or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof, or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 5.13 or Section 10.10, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.03. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.01) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.04. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.05. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 9.06. Reference in Securities to Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as

to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

ARTICLE X

Covenants

SECTION 10.01. Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of Securities that by no later than 12:00 noon (New York City time) on the date any payment of principal (and premium, if any) or interest is due, it will duly and punctually pay the principal of (and premium, if any) and interest on the Securities of that series in accordance with the terms of such Securities and this Indenture.

SECTION 10.02. Maintenance of Office or Agency. The Company

will maintain in each Place of Payment for any series, an office or agency where Securities of that series may be presented or surrendered for payment and an office or agency where Securities may be surrendered for transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company initially appoints the Trustee, acting through its Corporate Trust Office, as its agent for said purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all of such purposes, and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation and any change in the location of any such office or agency.

SECTION 10.03. Money for Security Payments to be Held in Trust. If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal and premium (if any) or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Securities in trust for the benefit of the persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal (and premium, if any) or interest; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be paid on Company Request to the Company, or (if then held by the Company) shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.04. Payment of Taxes and Other Claims. The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Restricted Subsidiary or upon the income, profits or property of the Company or any Restricted Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Restricted Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 10.05. Maintenance of Properties. The Company will cause all properties used or useful in the conduct of its business or the business of any Restricted Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation and maintenance of any of such properties if such discontinuance is, in the judgment of the Board of

Directors of the Company, desirable in the conduct of its business or the business of any Restricted Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 10.06. Statement as to Compliance. The Company shall deliver to the Trustee, within 120 days after the end of each calendar year of the Company ending after the date hereof, a certificate of the principal executive officer, the principal financial officer or the principal accounting officer of the Company covering the preceding calendar year, stating whether or not to the best knowledge of the signer thereof the Company is in default in the performance, observance or fulfillment of or compliance with any of the terms, provisions, covenants and conditions of this Indenture, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which the signer may have knowledge. For the purpose of this Section 10.06, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture.

SECTION 10.07. Organizational Existence. Subject to Article VIII, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect the organizational existence and rights (charter and statutory) of itself and of each Restricted Subsidiary; provided, however, that the Company shall not be required to preserve any such right if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company or such Restricted Subsidiary and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 10.08. Limitations upon Liens. (a) The Company will not, nor will it permit any Restricted Subsidiary to, issue, assume or guarantee any indebtedness for money borrowed secured by a Lien upon any Principal Property of the Company or any Restricted Subsidiary or on any shares of capital stock of any Restricted Subsidiary (whether such Principal Property or shares of stock are now owned or hereafter acquired) without in any such case making or causing to be made effective provision (and the Company covenants that in any such case it shall make or cause to be made effective provision) whereby the Securities of each series then Outstanding, other than series which by their terms are not entitled to the benefits of this Section, will be secured equally and ratably with, or prior to, such indebtedness or guarantee; it being understood that in such event the Company may also so secure any other such indebtedness of the Company or such Restricted Subsidiary entitled thereto, subject to any applicable priority of payment.

(b) The provisions of paragraph (a) of this Section shall not, however, apply to any indebtedness secured by any one or more of the following:

(1) Liens on property, or shares of stock of or guaranteed by any corporation existing at the time such corporation becomes a Restricted Subsidiary;

(2) Liens on property existing at the time of acquisition of such property by the Company or a Restricted Subsidiary, or Liens on property which secure the payment of all or any part of the purchase price of such property upon the acquisition of such property by the Company or a Restricted Subsidiary, or Liens on property which secure any such indebtedness incurred or guaranteed by the Company or a Restricted Subsidiary incurred or guaranteed for the purpose of financing all or any part of the purchase price of such property or the construction of such property (including improvements to existing property) within 180 days after the latest of the acquisition, completion of construction (including any improvements on an existing property) or commencement of operation of such property; provided that such Lien shall not extend to or cover any property of the Company or any Restricted Subsidiary other than such property hereafter acquired or previously unimproved property theretofore owned and the principal amount of Funded Debt secured by such Lien shall not exceed (a) in the case of any timberlands or pollution control facility, 100% of the lesser of (i) the cost of such acquisition, construction or improvement of such property to the Company or such Restricted Subsidiary or (ii) the fair value of such acquisition, construction or improvement of such property at the time of such acquisition, construction or improvement, and (b) in the case of any other type of property, 75% of the lesser of (i) the cost of such acquisition, construction or improvement of such property to the Company or such Restricted Subsidiary or (ii) the fair value of such acquisition, construction or improvement of such property at the time of such acquisition, construction or improvement;

(3) Liens securing such indebtedness of a Restricted Subsidiary owing to the Company or to a wholly owned Restricted Subsidiary;

(4) Liens on property of a corporation existing at the time such corporation is merged into or consolidated with the Company or a Restricted Subsidiary or at the time of a purchase, lease or other acquisition of the properties of a corporation or other Person as an entirety by the Company or a Restricted Subsidiary;

(5) Liens on property of the Company or a Restricted Subsidiary in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure any indebtedness incurred or guaranteed for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such Liens within 180 days after the latest of the acquisition, completion of construction (including improvements on existing property) or commencement of operation of such property; or

(6) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Liens referred to in the foregoing clauses (1) to (5), inclusive; provided, however, that the principal amount of such indebtedness secured thereby shall not exceed the principal amount of such indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced (plus improvements and construction on such property).

(c) Notwithstanding the foregoing provisions of this Section 10.08, the Company and any one or more Restricted Subsidiaries may without securing any of the Securities issue, assume or guarantee indebtedness secured by any Lien which would otherwise be subject to the foregoing restrictions in an aggregate amount which, together with all other indebtedness of the Company and its Restricted Subsidiaries issued, assumed or guaranteed under the provisions of this subsection (c) (not including indebtedness permitted to be secured under clauses (1) through (6) of Section 10.08(b)) plus the Value of Sale and Lease-Back Transactions (not including any such Sale and Lease-Back Transaction the proceeds of which have been applied in the manner set forth in clause (b) of Section 10.09) does not at the time exceed 10% of Consolidated Net Tangible Assets.

SECTION 10.09. Limitation on Sale and Lease-Backs. The Company will not itself, and will not permit any Restricted Subsidiary to, enter into any Sale and Lease-Back Transaction (other than with the Company or a Restricted Subsidiary) unless either:

(a) the Company or such Restricted Subsidiary could, under Section 10.08, create Funded Debt secured by a Lien on the Principal Property to be leased in an amount equal to or exceeding the Value of

such Sale and Lease-Back Transaction without equally and ratably securing the Securities of each series; or

(b) the Company (and in any such case the Company covenants and agrees that it will do so), within four months after the effective date of such Sale and Lease-Back Transaction, applies an amount equal to the greater of (i) the net proceeds of the sale of the Principal Property leased pursuant to such transaction or (ii) the fair market value of the Principal Property so leased at the time of entering into such transaction (as determined by the Board of Directors in good faith) to the voluntary retirement of Funded Debt of the Company ranking at least pari passu with the Securities of each series.

SECTION 10.10. Waiver of Certain Covenants. The Company may omit in any particular instance to comply with any covenant or condition set forth in Sections 10.04, 10.05, 10.07, 10.08 and 10.09 with respect to the Securities of any series if before or after the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company in respect of any such covenant or condition shall remain in full force and effect.

ARTICLE XI

Redemption of Securities

SECTION 11.01. Applicability of This Article. Redemption of Securities (whether by operation of a sinking fund or otherwise) as permitted or required by any form of Security issued pursuant to this Indenture shall be made in accordance with such form of Security and this Article; provided, however, that if any provision of any such form of Security shall conflict with any provision of this Article, the provision of such form of Security shall govern. Except as otherwise set forth in the form of Security for such series, each Security shall be subject to partial redemption only in the amount of \$1,000 or integral multiples of \$1,000.

SECTION 11.02. Election to Redeem; Notice to Trustee. The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company of less than all of the Securities of any particular series and

having the same terms, the Company shall, at least 60 days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Trustee) notify the Trustee of such date and of the principal amount of Securities of that series to be redeemed.

SECTION 11.03. Selection of Securities to be Redeemed. If less than all the Securities of a particular series and having the same terms are to be redeemed, the Trustee shall select, not more than 60 days prior to the date fixed for redemption, in such manner as in its sole discretion it shall deem appropriate and fair, the Securities or portions thereof of such series to be redeemed. The Trustee shall promptly notify the Company in writing of the Securities selected for partial redemption and the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 11.04. Notice of Redemption. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not later than 30 days, and not earlier than 60 days, prior to the date fixed for redemption, to each Holder of Securities to be redeemed, at his address as it appears on the Security Register.

With respect to Securities of each series to be redeemed, each notice of redemption shall state:

- (a) the date fixed for redemption for Securities of such series;
- (b) the redemption price at which Securities of such series are to be redeemed;
- (c) if less than all Outstanding Securities of such particular series and having the same terms are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the particular Securities to be redeemed;
- (d) that on the date fixed for redemption, the redemption price at which such Securities are to be redeemed will become due and payable upon each such Security or portion thereof, and that interest thereon, if any, shall cease to accrue on and after said date;
- (e) the place or places where such Securities are to be surrendered for payment of the redemption price at which such Securities are to be redeemed; and

(f) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, a failure to give such notice by mail or any defect in the notice to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

SECTION 11.05. Deposit of Redemption Price. Prior to 12:00 noon (New York City time) on the redemption date specified in the notice of redemption given as provided in Section 11.04, the Company will deposit with the Trustee or with one or more Paying Agents an amount of money sufficient to redeem on the redemption date all the Securities so called for redemption at the applicable redemption price.

SECTION 11.06. Payment of Securities Called for Redemption. If any notice of redemption has been given as provided in Section 11.04, the Securities or portion of Securities with respect to which such notice has been given shall become due and payable on the date and at the place or places stated in such notice at the applicable redemption price, and from and after such date (unless the Company shall default in making the deposit required by Section 11.05) such Securities or portion thereof shall cease to bear interest. On presentation and surrender of such Securities at a place of payment in said notice specified, the said Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price.

Upon presentation of any Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of the same series, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Security so presented and having the same Original Issue Date, Stated Maturity and terms. If a Global Security is so surrendered, such new Security will also be a new Global Security.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

RAYONIER INC.

by -----
Name:
Title:

Attest:

CHEMICAL BANK,
as Trustee,

by -----
Name:
Title:

Attest:

RAYONIER INC.
 [___% Debenture Due ___]

No. _____
 \$ _____

RAYONIER INC., a corporation organized and existing under the laws of North Carolina (hereinafter called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on _____ and to pay interest thereon from _____ or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on _____ and _____ in each year, commencing _____ at the rate of ___ per annum, on the basis of a 360-day year consisting of twelve 30-day months, until the principal hereof is paid or duly provided for or made available for payment and (to the extent that the payment of such interest shall be legally enforceable) at the rate of ___% per annum on any overdue principal and premium and on any overdue instalment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Debenture (or one or more Predecessor Debentures) is registered at the close of business on the Regular Record Date for such interest, which shall be the _____ or _____ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for on any Interest Payment Date (or within any grace period related to such interest payment set forth in such Indenture) will forthwith cease to be payable to the Holder and may either be paid to the person in whose name this Debentures (or one or more Predecessor Debentures) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee (notice whereof shall be given to Holders of Debentures of this series not less than 10 days prior to such Special Record Date) or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Debentures of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture].

Payment of the principal of (and premium, if any) and any such interest on this Debenture will be made at the office or agency of the Company maintained for that purpose in New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by (i) check mailed to the address of the Person entitled thereto as such address shall appear in the Debenture Register or (ii) wire transfer upon terms established from time to time by the Company reasonably satisfactory to the Paying Agent.

Reference is hereby made to the further provisions of this Debenture set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Debenture shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: RAYONIER INC.

by _____
President

Attest:

- _____
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debentures referred to in the within-mentioned Indenture.

Chemical Bank,
as Trustee

By _____
Authorized Officer

Form of Reverse of Debenture ___%

Debenture Due _____. This Debenture is one of a duly authorized issue of securities of the Company (herein called the "Debentures"), issued and to be issued in one or more series under an Indenture, dated as of April 1, 1994 (herein called the "Indenture"), between the Company and Chemical Bank, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Debentures and of the terms upon which the Debentures are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$_____. The Debentures are general unsecured obligations of the Company and will rank pari passu with all other Securities issued under the Indenture.

[If applicable, insert: The Debentures of this series are not redeemable prior to the stated maturity of the principal hereof and will not be subject to any sinking fund.]

[If applicable, insert: The Debentures of this series are subject to redemption upon not less than 30 days' and not more than 60 days' notice by mail, [if applicable, insert: (1) on _____ in any year commencing with the year ____ and ending with the year ____ through operation of the sinking fund for this series at a Redemption Price equal to 100% of the principal amount, and (2)] at any time [on or after ____ 19__], as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before _____, ____% and if redeemed] during the 12-month period beginning _____ of the years indicated,

Year	Redemption Price	Year	Redemption Price
----	-----	----	-----

and thereafter at a Redemption Price equal to ___% of the principal amount, together in the case of any such redemption [if applicable, insert: (whether through operation of the sinking fund or otherwise)] with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Debentures, or one or more Predecessor Debentures, of record at the close of business on the relevant Record Date referred to on the face hereof, all as provided in the Indenture.]

[If applicable, insert: The Debentures of this series are subject to redemption upon not less than 30 days' and not more than 60 days' notice by mail, (1) on _____ in any year

commencing with the year ___ and ending with the year _____ through operation of the sinking fund for this series at the Redemption Prices for redemption through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below, and (2) at any time [on or after _____], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning _____ of the years indicated,

Year	Redemption Price For Redemption Through Operation of the Sinking Fund	Redemption Price For Redemption Otherwise Than Through Operation of the Sinking Fund
----	-----	-----

and thereafter at a Redemption Price equal to ___% of the principal amount, together in the case of any such redemption (whether through operation of the sinking fund or otherwise) with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Debentures, or one or more Predecessor Debentures, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.]

[If applicable, insert: The sinking fund for this series provides for the redemption on _____ in each year beginning with the year _____ and ending with the year ___ of [not less than] \$_____ [("mandatory sinking fund") and not more than \$_____] aggregate principal amount of Debentures of this series. [Debentures of this series acquired or redeemed by the Company otherwise than through [mandatory] sinking fund payments may be credited against subsequent [mandatory] sinking fund payments otherwise required to be made] [in the inverse order in which they become due.]

In the event of redemption of this Debenture in part only, a new Debenture or Debentures of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancelation hereof.

The Indenture contains provisions for satisfaction, discharge and defeasance of the entire indebtedness on this Debenture, upon compliance by the Company with certain conditions set forth therein.

If an Event of Default with respect to Debentures of this series shall occur and

be continuing, the principal of the Debentures of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest, if any, on the Debentures of this series shall terminate.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Debentures or of others of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Debentures or of others at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Debentures or of others of each series at the time Outstanding, on behalf of the Holders of all Debentures or of others of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Debenture shall be conclusive and binding upon such Holder and upon all future Holders of this Debenture and of any Debenture issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Debenture.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Debenture at the times, place and rate, and in the coin or currency, herein prescribed.

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Debenture is registerable in the Debentures Register, upon surrender of this Debenture for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Debenture are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Debentures Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Debentures of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Debentures of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and

subject to certain limitations therein set forth, Debentures of this series are exchangeable for a like aggregate principal amount of Debentures of this series of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Debenture for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Debenture is registered as the owner hereof for all purposes, whether or not this Debenture be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

A director, officer, employee or stockholder, as such, of the Company or the Trustee shall not have any liability for any obligations of the Company under the Debentures or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Debenture, each Holder waives and releases all such liability. This waiver and release are part of the consideration for the issue of the Debentures.

Pursuant to a recommendation promulgated by the Committee on Uniform Debenture Identification Procedures the Company has caused CUSIP numbers to be printed on the Debentures. No representation is made as to the accuracy of such numbers as printed on the Debentures and reliance may be placed only on the other identification numbers placed thereon.

This Debenture shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Debenture.

All terms used in this Debenture which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture. Requests may be made to:

Rayonier Inc.
1177 Summer Street
Stamford, Connecticut 06904
Attention of Corporate Secretary

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM--as tenants in common	UNIF GIFT MIN ACT-- Custodian -----	
TEN ENT--as tenants by the entireties	(Cust)	(Minor)
JT TEN--as joint tenants with right of survivorship and not as tenants in common	Under Uniform Gifts to Minors Act -----	
	(State)	

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

[Please Insert Social Security or other Identifying Number of Assignee]

- - - - -

[PLEASE PRINT OR TYPE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE]

- - - - -

the within Debenture of Rayonier, Inc. and all rights thereunder, hereby irrevocably constituting and appointing such person attorney to transfer said Debenture on the books of the Company, with full power of substitution in the premises.

Date:

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Debenture in every particular without alteration or enlargement or any other change whatsoever.

EXHIBIT 4.5

[Form of Note]

CUSIP NO. PRINCIPAL AMOUNT:
 REGISTERED NO.

RAYONIER INC.

SERIES B MEDIUM-TERM FIXED RATE NOTE

Due Nine Months or More from Date of Issue

[] Check this box if the Note is a Global Note.

Applicable if the Note is a Global Note: [UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & Co. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

ORIGINAL ISSUE DATE: INTEREST RATE PER ANNUM: STATED MATURITY:

ISSUE PRICE: % REDEEMABLE ON OR AFTER: (AT OPTION OF THE COMPANY)

INITIAL DATE ON WHICH THE NOTE IS REPAYABLE AT THE OPTION OF THE HOLDER:

INITIAL REDEMPTION PERCENTAGE:

ANNUAL REDEMPTION
PERCENTAGE REDUCTION:

INTEREST PAYMENT DATES:

REGULAR RECORD DATES:

OID DEFAULT AMOUNTS: (Only
applicable if Note issued
at original issue discount)

AUTHORIZED DENOMINATIONS:

OTHER TERMS:

DEFAULT RATE: (Only applicable
if Note issued at
original issue discount)

DEPOSITARY: (Only applicable if
Note is a Global Note)

SINKING FUND:

RAYONIER INC., a corporation organized and existing under the laws of North Carolina (hereinafter called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to

, or registered assigns, the principal sum of _____ Dollars at the office or agency of the Company in the Borough of Manhattan, The City of New York (the "Paying Agent"), on the Stated Maturity specified above (the "Stated Maturity"), or if such date is not a Business Day (as defined below), the next succeeding Business Day, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest on said principal sum at said office or agency at the rate per annum (computed on the basis of a 360-day year of twelve 30-day months) specified above, in

like coin or currency, from and including the Original Issue Date specified above or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, on the Interest Payment Date(s) specified above in each year following the Original Issue Date and at Maturity until the principal sum hereof has been paid or duly provided for. The first payment of interest on a Note originally issued and dated between a Regular Record Date and an Interest Payment Date will be due and payable on the Interest Payment Date following the next succeeding Regular Record Date to the Holder at the close of business on such next succeeding Regular Record Date. Payments of interest on this Note due on any Interest Payment Date shall include interest accrued to but excluding such Interest Payment Date. Subject to certain exceptions provided in the Indenture referred to on the reverse hereof, the interest so payable on any Interest Payment Date shall be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date (specified above) next preceding such Interest Payment Date and interest payable at Maturity shall be paid to the Person to whom said principal sum is payable.

Payment of interest on this Note due on any Interest Payment Date (other than interest on this Note due to the Holder hereof at Maturity) shall be made by check

mailed to the address of the person entitled thereto as it appears in the Security Register or by wire transfer to those persons holding Notes with an aggregate principal amount of greater than \$5 million to such account as may have been appropriately designated by such Holder as set forth herein. Payment of the principal of, premium, if any, and interest, if any, on this Note due to the Holder hereof at Maturity shall be made, in immediately available funds, upon presentation of this Note for surrender at the office of the Paying Agent in the Borough of Manhattan, The City of New York.

Any designation for wire transfer purposes shall be made by filing the appropriate written information with the Paying Agent in the Borough of Manhattan, The City of New York, by no later than the Regular Record Date immediately preceding the applicable Interest Payment Date and, unless revoked by written notice to the Paying Agent received by the Paying Agent on or prior to the Regular Record Date immediately preceding the applicable Interest Payment Date, shall remain in effect with respect to any further payments with respect to this Note payable to such Holder.

The Company shall pay any administrative costs imposed by banks in connection with making payments by wire transfer, but any tax, assessment or governmental charge

imposed upon such payments shall be borne by the Holder or Holders of this Note in respect of which such payments are made. Any payment on this Note due on any day which is not a Business Day in The City of New York need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on the due date and no interest shall accrue on such payment for the period from and after such due date to such next succeeding Business Day.

If this Note is a Global Note as specified above, the following legend is applicable: "UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE REGISTERED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY."

"Business Day" shall mean, as used herein with respect to any particular location, every day except a day on which banking institutions in The City of New York are authorized or required by law or executive order to close.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further

provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

RAYONIER INC.,

by _____
Senior Vice President

Attest:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

Bankers Trust Company,
as Trustee

by _____
Authorized Signatory

Dated:

[Reverse of Note]

RAYONIER INC.

SERIES B MEDIUM-TERM FIXED RATE NOTE

Due Nine Months or More from Date of Issue

This Note is one of a duly authorized issue of securities of the Company (herein the "Securities"), issued and to be issued in one or more series under an indenture dated as of September 1, 1992, as supplemented and amended (herein called the "Indenture"), between the Company and Bankers Trust Company, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. The Securities are general unsecured obligations of the Company and will rank pari passu with all other Securities issued under the Indenture. This Note is one of a series of the Securities, which series is limited in aggregate initial principal amount to \$174,000,000, designated as the Series B Medium-Term Notes (the "Notes") of the Company. The Notes may mature at different times,

bear interest, if any, at different rates, be redeemable at different times or not at all, be repayable at the option of the holder at different times or not at all and be issued at an original issue discount.

If this Note is not issued with an original issue discount and if an Event of Default, as defined in the Indenture, with respect to the Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

If so provided on the face of this Note under the heading "Redeemable on or after (at option of the Company)", this Note may be redeemed by the Company on and after the date so indicated on the face hereof. Notice of redemption shall be given not later than 30 days and not earlier than 60 days prior to the date fixed for redemption. On and after the date, if any, from which this Note may be redeemed, this Note may be redeemed in whole or in part, at the option of the Company, at a redemption price equal to the product of the principal amount of this Note to be redeemed multiplied by the Redemption Percentage as defined herein. The "Redemption Percentage" shall initially equal the Initial Redemption Percentage specified on the face of this Note, and shall decline at each anniversary of the

initial date that this Note is redeemable by the amount of the Annual Redemption Percentage Reduction specified on the face of this Note, until the Redemption Percentage is equal to 100%.

If so provided above, this Note will be repayable in whole or in part in increments of \$1,000, provided that the remaining principal amount of any Note surrendered for partial repayment shall be at least \$1,000, on any Business Day on or after the "Initial Date on Which the Note is Repayable at the Option of the Holder" (as stated on the face hereof) at the option of the Holder, at 100% of the principal amount to be repaid, plus accrued interest, if any, to the repayment date. In order for the exercise of the option to be effective and the Notes to be repaid, the Company must receive at the applicable address of the Paying Agent set forth below or at such other place or places of which the Company shall from time to time notify the Holder of this Note, on or before the fifteenth, but not earlier than the twenty-fifth, calendar day or, if such day is not a Business Day, the next succeeding Business Day, prior to the repayment date, either (i) this Note, with the form below entitled "Option to Elect Repayment" duly completed, or (ii) a telegram, telex, facsimile transmission, or letter from a member of a national securities exchange or the

National Association of Securities Dealers, Inc., or a commercial bank or a trust company in the United States of America setting forth (a) the name, address and telephone number of the Holder of this Note, (b) the principal amount of this Note and the amount of this Note to be repaid, (c) a statement that the option to elect repayment is being exercised thereby, and (d) a guarantee stating that the Company will receive this Note, with the form below entitled "Option to Elect Repayment" duly completed, not later than five Business Days after the date of such telegram, telex, facsimile transmission or letter (and this Note and form duly completed are received by the Paying Agent on behalf of the Company by such fifth Business Day). Any such election shall be irrevocable. The address to which such deliveries are to be made is Bankers Trust Company, Four Albany Street, New York, New York 10006, Attention: Corporate Trust and Agency Group (or at such other places as the Company shall notify the Holders of the Notes). All questions as to the validity, eligibility (including time of receipt) and acceptance of any Note for repayment will be determined by the Company, whose determination will be final and binding.

In the event of redemption or repayment of this Note in part only, a new Note or Notes of this series for

the parts hereof not redeemed or repaid will be issued in the name of the Holder hereof upon the cancelation hereof.

If this Note is issued with an original issue discount, (i) if an Event of Default with respect to the Notes shall have occurred and be continuing, the amount of principal of this Note which may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture, shall be determined in the manner set forth under the heading "OID Default Amount" on the face hereof, and (ii) in the case of a default of payment in principal upon acceleration, redemption, repayment at the option of the holder or at the Stated Maturity hereof, in lieu of any interest otherwise payable, the overdue principal of this Note shall bear interest at a rate of interest per annum equal to the Default Rate specified on the face hereof (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such acceleration, redemption, repayment at the option of the holder or Stated Maturity, as the case may be, to the date payment has been made or duly provided for or such default has been waived in accordance with the terms of the Indenture. Upon payment (A) of the amount of principal so declared due and payable and (B) of interest on any overdue principal and overdue interest (in each case to

the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest, if any, on the Notes of this series shall terminate.

If this Note is a Global Note (as specified on the face hereof) this Note is exchangeable only if (x) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for this Global Note or if at any time the Depositary ceases to be a clearing agency under the Securities Exchange Act of 1934, as amended, and the Company does not appoint a successor Depositary (in any case in which the Company may appoint a successor Depositary) within 90 days after the Company receives notice or becomes aware of such unwillingness, inability or ineligibility, (y) the Company executes and delivers to the Trustee a Company Order that such Global Note shall be exchangeable or (z) there shall have occurred and be continuing an Event of Default with respect to the Notes represented hereby. If this Note is exchangeable pursuant to the preceding sentence, it shall be exchangeable for definitive Notes in registered form, bearing interest (if any) at the same rate or pursuant to the same formula, having the same date of issuance, redemption provisions, if any, Stated Maturity and other terms and of differing

authorized denominations aggregating a like amount. Any Global Note that is exchangeable pursuant to the second preceding sentence shall be exchangeable for Notes registered in such names as such Depositary shall direct.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

The Indenture contains provisions for satisfaction, discharge and defeasance of the entire indebtedness on this Note, upon compliance by the Company with certain conditions set forth therein.

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registerable in the Securities Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the

Company and the Securities Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and

neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

A director, officer, employee or stockholder, as such, of the Company or the Trustee shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Notes. No representation is made as to the accuracy of such numbers as printed on the Notes and reliance may be placed only on the other identification numbers placed thereon.

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Note.

Capitalized terms used herein which are defined in the Indenture and not defined herein shall have the respective meanings assigned thereto in the Indenture.

The company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture. Requests may be made to:

Rayonier Inc.
1177 Summer Street
Stamford, Connecticut 06904
Attention of Corporate Secretary

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

OPTION TO ELECT REPAYMENT

TO BE COMPLETED ONLY IF THIS NOTE IS REPAYABLE
AT THE OPTION OF THE HOLDER AND THE HOLDER
ELECTS TO EXERCISE SUCH RIGHT

The undersigned hereby irrevocably requests and instructs the Company to repay the within Note (or portion thereof specified below) pursuant to its terms at a price equal to the principal amount thereof, together with interest to the repayment date, to the undersigned, at

(please print or type name and address of the undersigned).

For this Note to be repaid the Company must receive at the applicable address of the Trustee set forth above or at such other place or places of which the Company shall from time to time notify the holder of the within Note, on or before the fifteenth, but not earlier than the twenty-fifth, calendar day, or, if such day is not a Business Day, the next succeeding Business Day, prior to the repayment date, (i) this Note, with this "Option to Elect Repayment" form duly completed, or (ii) a telegram, telex, facsimile transmission, or letter from a member of a national securities exchange or the National Association of securities Dealers, Inc., or a commercial bank or a trust

company in the United States of America setting forth (a) the name, address and telephone number of the Holder of the Note, (b) the principal amount of the Note and the amount of the Note to be repaid, (c) a statement that the option to elect repayment is being exercised hereby, and (d) a guarantee stating that the Note to be repaid with the form entitled "Option to Elect Repayment" on the addendum to the Note duly completed will be received by the Company not later than five Business Days after the date of such telegram, telex, facsimile transmission or letter (and such Note and form duly completed are received by the Paying Agent on behalf of the Company by such fifth Business Day). Exercise of the repayment option by the Holder shall be irrevocable.

If less than the entire principal amount of the within Note is to be repaid, specify the portion thereof (which shall be an integral multiple of \$1,000) which the Holder elects to have repaid: _____ (in the absence of any such specification, the entire principal amount of the Note will be repaid); and specify the denomination or denominations (which shall be \$1,000 or an integral multiple of \$1,000 in excess thereof) of the Note or Notes to be issued to the Holder for the portion of the within Note not being repaid (in the absence of any

specification, one such Note will be issued for the portion not being repaid):

_____.

Date:

Notice: The signature on this
Option to Elect Repayment must
correspond with the name as written
upon the face of the Note in every
particular without alteration or
enlargement or any other change
whatsoever.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM--as tenants in common

UNIF GIFT MIN ACT--
Custodian

TEN ENT--as tenants by the
entireties

(Cust) (Minor)

JT TEN--as joint tenants with
right of survivorship and not as
tenants in common

Under Uniform Gifts to
Minors Act

(State)

Additional abbreviations may also be used though not in the
above list.

[Form of Note]

CUSIP NO. PRINCIPAL AMOUNT:
 REGISTERED NO.

RAYONIER INC.

SERIES B MEDIUM-TERM FLOATING RATE NOTE

Due Nine Months or More from Date of Issue

[] Check box if the Note is a Global Note.

Applicable if the Note is a Global Note: [UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

ORIGINAL ISSUE DATE:	INITIAL INTEREST RATE:	STATED MATURITY
INTEREST RATE BASIS:	INDEX MATURITY:	
REDEEMABLE ON OR AFTER (AT OPTION OF COMPANY):	SPREAD MULTIPLIER:	SPREAD: + -
	INITIAL REDEMPTION PERCENTAGE:	INTEREST RATE RESET PERIOD:

CALCULATION AGENT: ANNUAL REDEMPTION DEPOSITARY: (Only applicable if
 PERCENTAGE REDUCTION: this Note is a Global Note)

INITIAL DATE ON WHICH THE NOTE IS REPAYABLE
 AT THE OPTION OF THE HOLDER: MAXIMUM INTEREST RATE:
 MINIMUM INTEREST RATE:
 SINKING FUND:

INTEREST PAYMENT DATES: DEFAULT RATE: (Only
 applicable if Note issued
 at original issue discount)

INTEREST CALCULATION DATES: ten calendar days
 after the Interest Determination Date, unless
 otherwise stated
 OID DEFAULT AMOUNTS: (Only
 applicable if Note issued
 at original issue discount)

AUTHORIZED DENOMINATIONS:

OTHER TERMS:

RAYONIER INC., a corporation organized and existing under the laws of North Carolina (hereinafter called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to or registered assigns, the principal sum of Dollars at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York (the "Paying Agent"), on the Stated Maturity specified above (the "Stated Maturity"), or if such date is not a Business Day (as defined herein), the next succeeding Business Day, in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts, and to pay interest on said principal sum at said office or agency in like coin or

currency on the Interest Payment Date(s) specified above in each year following the Original Issue Date and at Maturity, at a rate per annum equal to the Initial Interest Rate specified above until the first Interest Reset Date (as defined herein) following the Original Issue Date and thereafter at a rate per annum determined in accordance with the provisions on the reverse hereof under the heading "Determination of Interest Rate Per Annum for Commercial Paper Rate Notes", "Determination of Interest Rate Per Annum for LIBOR Notes", "Determination of Interest Rate Per Annum for Treasury Rate Notes", "Determination of Interest Rate Per Annum for CD Rate Notes" or "Determination of Interest Rate Per Annum for Federal Funds Rate Notes", depending upon whether the Interest Rate Basis is the Commercial Paper Rate, Prime Rate, LIBOR, Treasury Rate, CD Rate or Federal Funds Rate, as specified above until the principal sum hereof has been paid or duly provided for; provided, however, that if any Interest Payment Date would otherwise fall on a day that is not a Business Day, unless such Interest Payment Date is also the date of Maturity, such Interest Payment Date will be the next succeeding Business Day, except that in the event that the Interest Rate Basis for this Note is LIBOR, if such day falls in the next

succeeding calendar month, such Interest Payment Date will be the next preceding day that is a Business Day.

If the date of Maturity for this Note falls on a day which is not a Business Day, payment of principal and any premium and interest need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on the due date and no interest shall accrue on such payment for the period from and after such due date to such next succeeding Business Day.

Interest on this Note shall accrue (a) if the rate at which interest on this Note is payable shall be adjusted monthly, quarterly, semiannually or annually, as specified above under "Interest Rate Reset Period" and as determined in accordance with the provisions on the reverse hereof, from the Interest Payment Date next preceding the date of this Note to which interest has been paid, unless the date hereof is an Interest Payment Date to which interest has been paid, in which case from the date of this Note, or unless no interest has been paid on this Note, in which case from the Original Issue Date specified above, until the principal sum hereof has been paid or duly provided for or (b) if the rate at which interest on this Note is payable shall be adjusted daily or weekly, as specified above under

"Interest Rate Reset Period" and as determined in accordance with the provisions on the reverse hereof, from the date after the Regular Record Date next preceding the date of this Note through which interest has been paid, unless the date hereof is a Regular Record Date through which interest has been paid, in which case from the day after the date of this Note, or unless no interest has been paid on this Note, in which case from the Original Issue Date specified above, until the principal sum hereof has been paid or duly provided for; provided, however, that if the date of this Note is after any Regular Record Date preceding any Interest Payment Date and before such Interest Payment Date, interest on this Note shall accrue from such Interest Payment Date unless the rate at which interest on this Note is payable shall be adjusted daily or weekly, as provided above under "Interest Rate Reset Period" and as determined in accordance with the provisions on the reverse hereof, in which case interest on this Note shall accrue from the day after such Regular Record Date, or, in either case, if no interest has been paid on this Note, from the Original Issue Date specified above. The first payment of interest on a Note originally issued and dated between a Regular Record Date and an Interest Payment Date will be due and payable on the Interest Payment Date following the next succeeding Regular

Record Date to the Holder at the close of business on such next succeeding Regular Record Date.

Interest payments hereon will include interest accrued to but excluding the applicable Interest Payment Date; provided, however, that if the rate at which interest on this Note is payable shall be adjusted daily or weekly as specified on the face hereof under "Interest Rate Reset Period" and as determined in accordance with the provisions hereof, interest payable on any Interest Payment Date, other than interest payable on any date on which principal hereof is payable, will include interest accrued to and including the Regular Record Date next preceding such Interest Payment Date. Accrued interest hereon from the Original Issue Date or from the last date to which interest hereon has been paid, as the case may be, shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day from the Original Issue Date or from the last date to which interest shall have been paid or duly provided for, as the case may be, up to but excluding the date for which accrued interest is being calculated. The interest factor (expressed as a decimal calculated to seven decimal places, without rounding) for each such day shall be computed by dividing

the interest rate per annum (expressed as a decimal calculated to seven decimal places without rounding) applicable to such day by 360 if the Interest Rate Basis specified on the face hereof is Prime Rate, LIBOR, Commercial Paper Rate, CD Rate or Federal Funds Rate or by the actual number of days in the year if the Interest Rate Basis specified on the face hereof is Treasury Rate. Subject to certain exceptions provided in the Indenture referred to on the reverse hereof, the interest so payable on any Interest Payment Date shall be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date next preceding such Interest Payment Date, and interest payable at Maturity shall be paid to the Person to whom said principal sum is payable. "Regular Record Date" shall mean the fifteenth calendar day prior to any Interest Payment Date. "Business Day" shall mean, as used herein with respect to any particular location, each Monday, Tuesday, Wednesday, Thursday and Friday which is (a) not a day on which banking institutions in the City of New York are authorized or required by law or executive order to close and (b) in the event that the Interest Rate Basis for this Note is LIBOR, a London Business Day. "London Business Day"

shall mean any Business Day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Payment of interest on this Note due on any Interest Payment Date (other than interest on this Note due to the Holder hereof at Maturity) shall be made by check mailed to the address of the Person entitled thereto as it appears in the Security Register or by wire transfer to those Persons holding Notes with an aggregate principal amount of greater than \$5 million to such account as may have been appropriately designated by such Holder as set forth herein. Payment of the principal of and any premium and interest on this Note due to the Holder hereof at Maturity shall be made in immediately available funds upon presentation of this Note for surrender at the office of the Paying Agent in the Borough of Manhattan, The City of New York.

Any designation for wire transfer purposes shall be made by filing the appropriate information with the Trustee at its Corporate Trust Office in the Borough of Manhattan, The City of New York by no later than the Regular Record Date immediately preceding the applicable Interest Payment Date and, unless revoked by written notice to the Paying Agent received by the Paying Agent on or prior to the Regular Record Date immediately preceding the applicable

Interest Payment Date, shall remain in effect with respect to any further payments with respect to this Note payable to such Holder.

The Company shall pay any administrative costs imposed by banks in connection with making payments by wire transfer, but any tax, assessment or governmental charge imposed upon such payments shall be borne by the Holder or Holders of this Note in receipt of which such payments are made.

If this Note is a Global Note as specified above, the following legend is applicable: "UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE REGISTERED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY."

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse

hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, The Company has caused this instrument to be duly executed under its corporate seal.

RAYONIER INC.,

by

Senior Vice President

Attest:

- -----
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture

BANKERS TRUST COMPANY, as Trustee,

by

Authorized Signatory

Dated:

[Reverse of Note]

RAYONIER INC.

SERIES B MEDIUM-TERM FLOATING RATE NOTE

Due Nine Months or More from Date of Issuane

This Note is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture dated as of September 1, 1992, as supplemented and amended (herein called the "Indenture"), between the Company and Bankers Trust Company, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. The Securities are general unsecured obligations of the Company and will rank pari passu with all other Securities issued under the Indenture. This Note is one of a series of the Securities, which series is limited in aggregate initial principal amount to \$174,000,000, designated as the Series B Medium-Term Notes (the "Notes") of the Company. The Notes may mature at different times,

bear interest, if any, at different rates, be redeemable at different times or not at all, be repayable at the option of the Holder at different times or not at all and be issued at an original issue discount.

The interest rate in effect from the Original Issue Date to the first Interest Reset Date (as defined herein) following the Original Issue Date shall be the Initial Interest Rate specified on the face hereof. Commencing on the first Interest Reset Date following the Original Issue Date, the rate at which interest on this Note is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as specified on the face hereof under "Interest Rate Reset Period"; provided, however, that the interest rate in effect hereon for the 10 calendar days immediately prior to the Maturity hereof shall be that in effect on the tenth calendar day next preceding Maturity. Each such adjusted rate shall be applicable from and including the Interest Reset Date to which it relates but not including the next succeeding Interest Reset Date or until Maturity, as the case may be. Subject to applicable provisions of law and except as specified herein, on each Interest Reset Date, the rate of interest on this Note shall be the rate determined with respect to the Interest Determination Date (as defined

herein) next preceding such Interest Reset Date in accordance with the provisions of the applicable heading below.

Unless the Interest Rate Basis specified on the face hereof is Treasury Rate, the Interest Determination Date with respect to any Interest Reset Date shall be the second Business Day immediately preceding such Interest Reset Date. If the Interest Rate Basis specified on the face hereof is Treasury Rate, the Interest Determination Date with respect to any Interest Reset Date shall be the day of the week on which Treasury bills are normally sold at auction. If, as a result of a legal holiday, the auction of Treasury bills with respect to any week is held on the preceding Friday, such Friday shall be the Interest Determination Date with respect to the Interest Reset Date occurring in the next succeeding week. If the Interest Reset Period specified on the face hereof is daily, the Interest Reset Dates with respect to this Note shall be each Business Day. If the Interest Rate Reset Period specified on the face hereof is weekly, the Interest Reset Dates with respect to this Note shall be Wednesday of each week; provided, however, that if the Interest Rate Basis specified on the face hereof is the Treasury Rate, the Interest Reset

Dates with respect to this Note shall be the Tuesday of each week. If the Interest Rate Reset Period specified on the face hereof is monthly, the Interest Reset Dates with respect to this Note shall be the third Wednesday of each month. If the Interest Rate Reset Period specified on the face hereof is quarterly, the Interest Reset Dates with respect to this Note shall be the third Wednesday of March, June, September and December of each year. If the Interest Rate Reset Period specified on the face hereof is semiannually, the Interest Reset Dates with respect to this Note shall be the third Wednesday of the two months in each year specified on the face hereof under Interest Rate Reset Period. If the Interest Rate Reset Period specified on the face hereof is annually, the Interest Reset Dates with respect to this Note shall be the third Wednesday of the month in each year specified on the face hereof under Interest Rate Reset Period. If the Interest Rate Basis specified on the face hereof is Treasury Rate and any Interest Reset Date with respect to this Note falls on a day on which Treasury bills are to be auctioned, then such Interest Reset Date shall be postponed to the next succeeding Business Day. If any Interest Reset Date with respect to this Note would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to

the next succeeding Business Day; provided, however, if the Interest Rate Basis specified on the face hereof is LIBOR, if such succeeding Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day.

If an Interest Calculation Date falls on a day which is not a Business Day, such Interest Calculation Date shall be the next succeeding Business Day.

Determination of Interest Rate Per Annum for Prime Rate Notes.

If the Interest Rate Basis specified on the face hereof is Prime Rate, the interest rate per annum determined with respect to any Interest Determination Date shall equal the rate, adjusted by the addition or subtraction of the Spread, if any, specified on the face hereof, or by multiplication by the Spread Multiplier, if any, specified on the face hereof, and calculated to one hundred-thousandth of a percentage point, rounded up, set forth for the relevant Interest Determination Date in "Statistical Release H.15(519), Selected Interest Rates", published by the Board of Governors of the Federal Reserve System under the heading "Bank Prime Loan", or any successor publication ("Release H.15(519)"). In the event that such rate is not published prior to 9:00 A.M., New York City time, on the Interest Calculation Date (specified on the

face hereof) pertaining to such Interest Determination Date, then the Prime Rate with respect to such Interest Reset Date shall be the arithmetic mean (adjusted or multiplied and calculated by the Calculation Agent as described above) of the rates of interest publicly announced by each bank that appears on the display designated as page "NYMF" on the Reuters Monitor Money Rates Service (or such other page as may replace the NYMF page on that service for the purpose of displaying prime rates or base lending rates of major United States banks) ("Reuters Screen NYMF Page") as such bank's prime rate or base lending rate as in effect for such Interest Determination Date as quoted on the Reuters Screen NYMF Page on such Interest Determination Date. If fewer than four such rates appear on the Reuters Screen NYMF Page on such Interest Determination Date, the Prime Rate with respect to such Interest Reset Date shall be the arithmetic mean (adjusted or multiplied and calculated by the Calculation Agent as described above) of the prime rates or base lending rates (quoted on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on such Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent; provided, however, that if fewer than three banks selected as aforesaid by the Calculation Agent

are quoting as mentioned in this sentence, the interest rate per annum hereon with respect to such Interest Reset Date shall be the Prime Rate in effect hereon on such Interest Determination Date.

Determination of Interest Rate Per Annum For LIBOR Notes. If the Interest Rate Basis specified on the face hereof is LIBOR, the interest rate per annum determined with respect to any Interest Determination Date shall equal the arithmetic mean (as calculated by the Calculation Agent specified on the face hereof to one hundred-thousandth of a percentage point, rounded up) of offered rates for deposits of not less than U.S. \$1,000,000 having the Index Maturity specified on the face hereof, commencing on the second Business Day immediately following such Interest Determination Date, which appear on the Designated Libor Page (as defined herein) as of 11:00 A.M., London time, on such Interest Determination Date, adjusted by the addition or subtraction of the Spread, if any, specified on the face hereof, or by multiplication by the Spread Multiplier, if any, specified on the face hereof; provided, however, that if fewer than two such offered rates so appear on the Designated Libor Page, the Calculation Agent shall, commencing on the second Business Day immediately following such Interest Determination Date, request the principal

London office of each of four major banks in the London interbank market, selected by the Calculation Agent, to provide a quotation of the rate at which such bank offered to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such Interest Determination Date, deposits in U.S. dollars having the Index Maturity specified on the face hereof and in a principal amount equal to an amount of not less than U.S. \$1,000,000 that in the Calculation Agent's judgment is representative for a single transaction in such market at such time, and the interest rate per annum hereon shall equal the arithmetic mean (adjusted or multiplied and calculated as described above) of (a) such quotations, if at least two quotations are provided, or (b) if fewer than two such quotations are provided, the rates quoted at approximately 11:00 A.M., New York City time on such Interest Determination Date by three major banks in The City of New York, selected by the Calculation Agent, for loans in U.S. dollars to leading European banks having the Index Maturity specified on the face hereof and in a principal amount equal to an amount of not less than U.S. \$1,000,000 that in the Calculation Agent's judgment is representative for a single transaction in such market at such time, in either case, adjusted or multiplied and calculated as

described above; provided, however, that if not all of the three banks selected by the Calculation Agent pursuant to clause (b) above are quoting as described above, the interest rate per annum hereon with respect to such Interest Reset Date shall be the LIBOR in effect hereon on such Interest Determination Date. "Designated LIBOR Page" means "LIBOR Telerate", which shall be the display designated as page "3750" on the Dow Jones Telerate Service (or such other page as may replace page "3750" on such service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying the London interbank offered rates of major banks), unless "LIBOR Reuters" is designated in the applicable Pricing Supplement, in which case "Designated LIBOR Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on such service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates of major banks).

Determination of Interest Rate Per Annum for Treasury Rate Notes. If the Interest Rate Basis specified on the face hereof is Treasury Rate, the interest rate per annum determined with respect to any Interest Determination Date shall equal the rate for the auction on such Interest

Determination Date of direct obligations of the United States ("Treasury bills") having the Index Maturity specified on the face hereof as published in Release H.15(519), under the heading "U.S. Government Securities/Treasury Bills/Auction Average (Investment)" or, if not so published by 9:00 A.M., New York City time, on the Interest Calculation Date (specified on the face hereof) pertaining to such Interest Determination Date, the auction average rate (expressed as a bond equivalent, calculated to one hundred-thousandth of a percentage point, rounded up, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) for such auction as otherwise reported by the United States Department of the Treasury, in either case, adjusted by the addition or subtraction of the Spread, if any, specified on the face hereof, or by multiplication by the Spread Multiplier, if any, specified on the face hereof. In the event that the results of such auction of Treasury bills are not published or reported as provided by 3:00 P.M., New York City time, on such Interest Calculation Date or if no such auction is held by the applicable Interest Determination Date, then the interest rate per annum shall be the rate set forth in Release H.15(519) with respect to such Interest Determination Date for the specified Index Maturity under the heading "U.S.

Government Securities/Treasury Bills/Secondary Market", adjusted or multiplied and calculated as described above. In the event such rate is not published by 3:00 P.M., New York City time, on the relevant Interest Calculation Date, then the interest rate per annum hereon shall be calculated by the Calculation Agent and shall be the yield to maturity (expressed as a bond equivalent, calculated to one hundredthousandth of a percentage point, without rounding, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean (adjusted or multiplied and calculated as described above) of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Interest Determination Date, of three leading primary United States government securities dealers in The City of New York, selected by the Calculation Agent, for the issue of Treasury bills with a remaining maturity closest to the Index Maturity specified on the face hereof, adjusted or multiplied and calculated as described above; provided, however, that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as described in this sentence, the interest rate per annum hereon with respect to such Interest Reset Date shall be the Treasury Rate in effect hereon on such Interest Determination Date.

Determination of Interest Rate Per Annum for Commercial Paper Rate Notes. If the Interest Rate Basis specified on the face hereof is Commercial Paper Rate, the interest rate per annum determined with respect to any Interest Determination Date shall equal the Money Market Yield (as defined herein) (quoted on a bank discount basis) on such Interest Determination Date of the rate for commercial paper having the Index Maturity specified on the face hereof, (i) as such rate is published in Release H.15(519), under the heading "Commercial Paper", or (ii) if such rate is not published at or prior to 9:00 A.M., New York City time, on the Interest Calculation Date the Money Market Yield of such rate on such date, as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 P.M. Quotations for U.S. Government Securities", or any successor publication of the Federal Reserve Bank of New York ("Composite Quotations"), under the heading "Commercial Paper". If by 3:00 P.M., New York City time, on such Interest Calculation Date, such rate is not published in either of such publications, the interest rate per annum determined with respect to such Interest Determination Date shall be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean (calculated to one hundred-thousandth of a percentage

point, rounded up) of the offered rates (quoted on a bank discount basis), as of 11:00 A.M., New York City time, on such Interest Determination Date, of three leading dealers of commercial paper in The City of New York, selected by the Calculation Agent, for commercial paper having the Index Maturity specified on the face hereof placed for industrial issuers whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency, in each of the above cases adjusted by the addition or subtraction of the Spread, if any, specified on the face hereof, or by multiplication by the Spread Multiplier, if any, specified on the face hereof; provided, however, that if fewer than three such dealers are quoting as described above, the interest rate per annum hereon with respect to such Interest Reset Date shall be the Commercial Paper Rate in effect hereon on such Interest Determination Date.

"Money Market Yield" shall be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = 100 \times \frac{360 \times D}{360 - (D \times M)}$$

where "D" refers to the per annum rate for commercial paper, quoted on a bank discount basis and expressed as a decimal calculated to seven decimal places, without rounding; and

"M" refers to the actual number of days in the interest period for which interest is being calculated.

Determination of Interest Rate Per Annum for CD Rate Notes. If the Interest Rate Basis specified on the face hereof is CD Rate, the interest rate per annum determined with respect to any Interest Determination Date shall equal the rate, adjusted by the addition or subtraction of the Spread, if any, specified on the face hereof, or by multiplication by the Spread Multiplier, if any, specified on the face hereof and calculated to one hundred-thousandth of a percentage point, rounded up, for the relevant Interest Determination Date for negotiable certificates of deposit having the specified Index Maturity as published in Release H.15(519) under the heading "CDs (Secondary Market)". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the Interest Calculation Date (specified on the face hereof) pertaining to such Interest Determination Date, then the CD Rate with respect to such Interest Reset Date shall be the rate (adjusted or multiplied and calculated as described above) on such Interest Determination Date for negotiable certificates of deposit having the specified Index Maturity as published in Composite Quotations under the heading "Certificates of Deposit". If by 3:00 P.M., New York City

time, on such Interest Calculation Date such rate is not published in either Release H.15(519) or Composite Quotations, the CD Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean (adjusted or multiplied and calculated as described above) of the secondary market offered rates, as of 10:00 A.M., New York City time, on such Interest Determination Date, of three leading nonbank dealers of negotiable U.S. dollar certificates of deposit in The City of New York, selected by the Calculation Agent, for negotiable certificates of deposit of major United States money center banks with a remaining maturity closest to the specified Index Maturity in a denomination of U.S \$5,000,000; provided, however, that, if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the interest rate per annum hereon with respect to such Interest Reset Date shall be the CD Rate in effect hereon on such Interest Determination Date.

Determination of Interest Rate Per Annum for Federal Funds

Rate Notes. If the Interest Rate Basis specified on the face hereof is Federal Funds Rate, the interest rate per annum determined with respect to any Interest Determination Date shall equal the rate, adjusted

by the addition or subtraction of the Spread, if any, specified on the face hereof, or by multiplication by the Spread Multiplier, if any, specified on the face hereof and calculated to one hundred-thousandth of a percentage point, rounded up, on the relevant Interest Determination Date for Federal Funds as published in Release H.15(519) under the heading "Federal Funds (Effective)". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the Interest Calculation Date (specified on the face hereof) pertaining to such Interest Determination Date, then the Federal Funds Rate with respect to such Interest Reset Date shall be the rate (adjusted or multiplied and calculated as described above) on such Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate". If by 3:00 P.M., New York City time, on such Interest Calculation Date such rate is not published in either Release H.15(519) or Composite Quotations, the Federal Funds Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean (adjusted or multiplied and calculated as described above) of the rates, as of 9:00 A.M., New York City time, on such Interest Determination Date, for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal

Funds transactions in The City of New York, selected by the Calculation Agent; provided, however, that if fewer than three brokers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the interest rate per annum hereon with respect to such Interest Reset Date shall be the Federal Funds Rate in effect hereon on such Interest Determination Date.

Notwithstanding the foregoing, the interest rate per annum hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing on or before each Interest Calculation Date, or if such date is not a Business Day, the next succeeding Business Day.

The interest rate on this Note will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

At the request of the Holder hereof, the Calculation Agent will provide to the Holder hereof the interest rate hereon then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date.

If this Note is not issued with an original issue discount and if an Event of Default, as defined in the Indenture, with respect to the Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

If so provided on the face of this Note, this Note may be redeemed by the Company on and after the date so indicated on the face hereof. Notice of redemption shall be given not later than 30 days and not earlier than 60 days prior to the date fixed for redemption. On and after the date, if any, from which this Note may be redeemed, this Note may be redeemed in whole or in part, at the option of the Company at a Redemption Price equal to the product of the principal amount of this Note to be redeemed multiplied by the Redemption Percentage as defined herein. The "Redemption Percentage" shall initially equal the Initial Redemption Percentage specified on the face of this Note, and shall decline at each anniversary of the initial date that this Note is redeemable by the amount of the Annual Redemption Percentage Reduction specified on the face of this Note, until the Redemption Percentage is equal to 100%.

If so provided on the face of this Note, this Note will be repayable in whole or in part in increments of

\$1,000 provided that the remaining principal amount of any amount of any Note surrendered for partial repayment shall be at least \$1,000, on any Business Day on or after the "Initial Date on Which the Note is Repayable at the Option of the Holder" (as stated on the face hereof), at the option of the Holder, at 100% of the principal amount to be repaid, plus accrued interest, if any, to the repayment date. In order for the exercise of the option to be effective and the Note to be repaid, the Company must receive at the applicable address of the Paying Agent set forth below or at such other place or places of which the Company shall from time to time notify the Holder of this Note, on or before the fifteenth, but not earlier than the twenty-fifth, calendar day, or, if such day is not a Business Day, the next succeeding Business Day, prior to the repayment date, either (i) this Note, with the form below entitled "Option to Elect Repayment" duly completed, or (ii) a telegram, telex, facsimile transmission, or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc., or a commercial bank or a trust company in the United States of America setting forth (a) the name, address and telephone number of the Holder of this Note, (b) the principal amount of this Note and the amount of this Note to be repaid, (c) a statement that the option

to elect repayment is being exercised thereby, and (d) a guarantee stating that the Paying Agent on behalf of the Company will receive this Note, with the form below entitled "Option to Elect Repayment" duly completed, not later than five Business Days after the date of such telegram, telex, facsimile transmission or letter (and this Note and form duly completed are received by the Payment Agent on behalf of the Company by such fifth Business Day). Any such election shall be irrevocable. The address of the Paying Agent to which such deliveries are to be made is Bankers Trust Company, Four Albany Street, New York, New York 10006 Attention: Corporate Trust and Agency Group (or at such other places as the Company shall notify the Holders of the Notes). All questions as to the validity, eligibility (including time of receipt) and acceptance of any Note for repayment will be determined by the Company, whose determination will be final and binding.

In the event of redemption or repayment of this Note in part only, a new Note or Notes of this series for the portion hereof not redeemed or repaid will be issued in the name of the Holder hereof upon the cancellation hereof.

If this Note is issued with an original issue discount, (i) if an Event of Default with respect to the Notes shall have occurred and be continuing, the amount of

principal of this Note which may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture, shall be determined in the manner set forth under the heading "OID Default Amounts" on the face hereof, and (ii) in the case of a default of payment in principal upon acceleration, redemption, repayment at the option of the holder or at the Stated Maturity hereof, in lieu of any interest otherwise payable, the overdue principal of this Note shall bear interest at a rate of interest per annum equal to the Default Rate specified on the face hereof (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such acceleration, redemption, repayment at the option of the holder or Stated Maturity, as the case may be, to the date payment has been made or duly provided for or such default has been waived in accordance with the terms of the Indenture. Upon payment (A) of the amount of principal so declared due and payable and (B) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest, if any, on the Notes of this series shall terminate.

If this Note is a Global Note (as specified on the face hereof), this Note is exchangeable only if (x) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for this Global Note or if at any time the Depositary ceases to be a clearing agency under the Securities Exchange Act of 1934, as amended, and the Company does not appoint a successor Depositary (in any case in which the Company may appoint a successor Depositary) within 90 days after the Company receives notice or becomes aware of such unwillingness, inability or ineligibility, (y) the Company executes and delivers to the Trustee a Company Order that such Global Note shall be exchangeable or (z) there shall have occurred and be continuing an Event of Default with respect to the Notes represented hereby. If this Note is exchangeable pursuant to the preceding sentence, it shall be exchangeable for definitive Notes in registered form, bearing interest at the same rate or pursuant to the same formula, having the same date of issuance, redemption provisions, if any, Stated Maturity and other terms and of differing authorized denominations aggregating like amount. Any Global Note that is exchangeable pursuant to the second preceding sentence shall be exchangeable for Notes registered in such names as such Depositary shall direct.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any)

and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

The Indenture contains provisions for satisfaction, discharge and defeasance of the entire indebtedness on this Note, upon compliance by the Company with certain conditions set forth therein.

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registerable in the Securities Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Note are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and for the same aggregate

principal amount, will be issued to the designated transferee or transferees.

The Notes of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

A director, officer, employee or stockholder, as such, of the Company or the Trustee shall not have any liability for any obligations of the Company under the

Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes. No representation is made as to the accuracy of such numbers as printed on the Notes and reliance may be placed only on the other identification numbers placed thereon.

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Note.

Capitalized terms used herein which are defined in the Indenture and not defined herein shall have the respective meanings assigned thereto in the Indenture.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture. Requests may be made to:

Rayonier Inc.
1177 Summer Street
Stamford, Connecticut 06904
Attention of Corporate Secretary

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

OPTION TO ELECT REPAYMENT

TO BE COMPLETED ONLY IF THIS NOTE IS REPAYABLE
AT THE OPTION OF THE HOLDER AND THE HOLDER
ELECTS TO EXERCISE SUCH RIGHTS

The undersigned hereby irrevocably requests and instructs the Company to repay the within Note (or portion thereof specified below) pursuant to its terms at a price equal to the principal amount thereof, together with interest to the repayment date, to the undersigned, at

_____ (please print or
type name and address of the undersigned).

For the within Note to be repaid the Company must receive at the applicable address of the Trustee set forth in the Note or at such other place or places of which the Company shall from time to time notify the Holder of the within Note, on or before the fifteenth, but not earlier than the twenty-fifth, calendar day, or, if such day is not a Business Day, the next succeeding Business Day, prior to the repayment date, (i) the Note, with this "Option to Elect Repayment" form duly completed, or (ii) a telegram, telex, facsimile transmission, or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or a trust

company in the United States of America setting forth (a) the name, address and telephone number of the Holder of the Note, (b) the principal amount of the Note and the amount of the Note to be repaid, (c) a statement that the option to elect repayment is being exercised hereby, and (d) a guarantee stating that the Note to be repaid with this form duly completed will be received by the Paying Agent on behalf of the Company not later than five Business Days after the date of such telegram, telex, facsimile transmission or letter (and such Note and form duly completed are received by the Paying Agent on behalf of the Company such fifth Business Day). Exercise of the repayment option by the Holder shall be irrevocable.

If less than the entire principal amount of the within Note is to be repaid, specify the portion thereof (which shall be an integral multiple of \$1,000) which the Holder elects to have repaid: (in the absence of any such specification, the entire principal amount of the Note will be repaid); and specify the denomination or denominations (which shall be \$1,000 or an integral multiple of \$1,000 in excess thereof) of the Note or Notes to be issued to the Holder for the portion of the within Note not

being repaid (in the absence of any specification, one such Note will be issued for the portion not being repaid): _____.

Date:

Notice: The signature on this Option to Elect Repayment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any other change whatsoever.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM--as tenants in common	UNIF GIFT MIN ACT-- Custodian

TEN ENT--as tenants by the entireties	(Cust) (Minor) Under Uniform Gifts to Minors Act
JT TEN--as joint tenants with right of survivorship and not as tenants in common	----- (State)

Additional abbreviations may also be used though not in the above list.

March 25, 1994

Rayonier Inc.
1177 Summer Street
Stamford, Connecticut 06904

Dear Sirs:

I am Corporate Secretary and Associate General Counsel of Rayonier Inc., a North Carolina corporation (the "Company"). In that capacity I have acted as counsel for the Company in connection with the preparation and filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), of the Registration Statement (No. 33-) on Form S-3 (the "Registration Statement"), relating to the proposed issuance by the Company from time to time of up to \$150,000,000 aggregate principal amount of debt securities ("Debt Securities") on terms to be determined at the time of offering. The Debt Securities, which may be issued in one or more series, will be issued under an Indenture, dated as of April 1, 1994 (the "Indenture"), between the Company and Chemical Bank, as Trustee (the "Trustee").

I have examined the Company's Amended and Restated Articles of Incorporation and the Company's By-Laws, as amended to date, records of the corporate proceedings of the Board of Directors of the Company with respect to the Debt Securities, the Registration Statement and the offering it contemplates and such other documents, and have made such examination of law, as I have deemed relevant and necessary in order to render my opinion.

In rendering the opinion set forth below, I have assumed the authority of the Trustee to enter into and perform the Indenture and the due authorization, execution, and delivery of the Indenture by the Trustee.

Based on the foregoing, I am of the following opinion:

1. When (a) the terms, issuance, execution and delivery by the Company of any of the Debt Securities have been duly authorized by all necessary corporate action of the Company and as contemplated by the Indenture, and (b) such Debt Securities have been duly executed and delivered by the Company, authenticated by the Trustee and sold as contemplated by each of the Registration Statement, the Prospectus, the supplement or supplements to the Prospectus relating to such Debt Securities and the Indenture, assuming that the terms of such Debt Securities are in compliance with then-applicable law and the Indenture, such Debt Securities will be validly issued and will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms except that (i) enforcement of the Debt Securities may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, and (ii) enforceability of the Debt Securities may be limited by general principles of equity.

I am a member of the bar of the States of New York and Connecticut and express no opinion to any matter relating to any law other than the law of the states of New York and Connecticut, the Federal law of the United States and the North Carolina Business Corporation Act.

I consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to me in the Prospectus and prospectus supplement under the captions "Legal Matters" and "Validity of Notes," respectively. In giving this consent, I do not admit that I am in the category of persons whose consent is required under Section 7 of the Act, or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ John B. Canning

John B. Canning, Esq.

CONSENT

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement of our report dated March 1, 1994 included in Rayonier Inc.'s Form 10-K for the year ended December 31, 1993 and to all references to our Firm included in this registration statement.

ARTHUR ANDERSEN & CO.

Stamford, Connecticut
March 28, 1994

II-5

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints GERALD J. POLLACK and JOHN B. CANNING his or her true and lawful attorneys-in-fact, with full power in each to act without the other and with full power of substitution and resubstitution to sign in the name of such person and in each of his or her offices and capacities in Rayonier Inc. (the "Company") a Registration Statement of the Company on Form S-3 relating to Debt Securities and constituting post-effective Amendment No. 1 to the Company's Registration Statement on Form S-3 (No. 33-51972) and all amendments (including post-effective amendments) and supplements to such Registration Statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: March 21, 1994

NAME	TITLE
/s/ WILLIAM J. ALLEY	Director
William J. Alley	
/s/ RAND V. ARASKOG	Director
Rand V. Araskog	
/s/ DONALD W. GRIFFIN	Director
Donald W. Griffin	
/s/ PAUL G. KIRK JR.	Director
Paul G. Kirk Jr.	
/s/ KATHERINE D. ORTEGA	Director
Katherine D. Ortega	
/s/ BURNELL R. ROBERTS	Director
Burnell R. Roberts	
/s/ GORDON I. ULMER	Director
Gordon I. Ulmer	

 SECURITIES AND EXCHANGE COMMISSION
 Washington, D. C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
 UNDER THE TRUST INDENTURE ACT OF 1939 OF
 A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF
 A TRUSTEE PURSUANT TO SECTION 305(b)(2) _____

CHEMICAL BANK

(Exact name of trustee as specified in its charter)

New York 13-4994650
 (State of incorporation (I.R.S. employer
 if not a national bank) identification No.)

270 Park Avenue 10017
 New York, New York (Zip Code)
 (Address of principal executive offices)

William H. McDavid
 General Counsel
 270 Park Avenue
 New York, New York 10017
 Tel: (212) 270-2611

(Name, address and telephone number of agent for service)

RAYONIER INC.

(Exact name of obligor as specified in its charter)

North Carolina 13-2607329
 (State or other jurisdiction of (I.R.S. employer
 incorporation or organization) identification No.)

1177 Summer Street 06904
 Stamford, Connecticut (Zip Code)
 (Address of principal executive offices)

 Debt Securities
 (Title of the indenture securities)

GENERAL

Item 1. General Information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject. New York State Banking Department, State House, Albany, New York 12110.

Board of Governors of the Federal Reserve System, Washington, D.C., 20551 and Federal Reserve Bank of New York, District No. 2, 33 Liberty Street, New York, N.Y.

Federal Deposit Insurance Corporation, Washington, D.C., 20429.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with the Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

No such affiliation exists. Additionally, neither the trustee, the trustee's parent or any affiliate of the trustee is an obligor on the indenture securities nor is any such person directly or indirectly controlling, controlled by, or under common control with such obligor.

Item 13. Defaults by the Obligor.

(a) State whether there is or has been a default with respect to the securities under this indenture. Explain the nature of any such default.

None.

(b) If the Trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, or is trustee for more than one outstanding series of securities under the indenture, state whether there has been a default under any such indenture or series, identify the indenture or series affected, and explain the nature of such default.

None.

16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of the Trustee as now in effect, including the Organization Certificate and the Certificates of Amendment dated February 17, 1969, August 31, 1977, December 31, 1980, September 9, 1982, February 28, 1985 and December 2, 1991 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference).
2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33- 50010, which is incorporated by reference).
3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.
4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 33-46892, which is incorporated by reference).
5. Not applicable.
6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference).
7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.
8. Not applicable.
9. Not applicable.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said item is based upon incomplete information. Item 2 may, however, be considered correct unless amended by an amendment to this Form T-1.

In answering any items in this Statement of Eligibility which relate to matters peculiar within the knowledge of the obligor, or its directors or officers, the Trustee will rely upon information to be furnished to it by the obligor.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Chemical Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the 16TH day of MARCH, 1994.

CHEMICAL BANK

By /s/ P.J. Gilkeson

P.J. Gilkeson
Vice President

Exhibit 7 to Form T-1

Bank Call Notice

RESERVE DISTRICT NO. 2
CONSOLIDATED REPORT OF CONDITION OF

Chemical Bank
of 270 Park Avenue, New York, New York 10017
and Foreign and Domestic Subsidiaries,
a member of the Federal Reserve System,

at the close of business December 31, 1993, published in
accordance with a call made by the Federal Reserve Bank of this
District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Millions
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	\$ 4,371
Interest-bearing balances	5,829
Securities	21,834
Federal Funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's:	
Federal funds sold	2,125
Securities purchased under agreements to resell ...	900
Loans and lease financing receivables:	
Loans and leases, net of unearned income \$60,826	
Less: Allowance for loan and lease losses 2,326	
Less: Allocated transfer risk reserve ... 121	

Loans and leases, net of unearned income, allowance, and reserve	58,379
Assets held in trading accounts	8,556
Premises and fixed assets (including capitalized Leases).....	1,238
Other real estate owned	713
Investments in unconsolidated subsidiaries and associated companies.....	112
Customer's liability to this bank on acceptance outstanding	1,063
Intangible assets	526
Other assets	9,864

TOTAL ASSETS	\$ 115,510 =====

LIABILITIES

Deposits	
In domestic offices	\$ 51,611
Noninterest-bearing	\$19,050
Interest-bearing	32,561

In foreign offices, Edge and Agreement subsidiaries, and IBF's	24,886
Noninterest-bearing	\$ 136
Interest-bearing	24,750

Federal funds purchased and securities sold under agree- ments to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's	
Federal funds purchased	8,496
Securities sold under agreements to repurchase	514
Demand notes issued to the U.S. Treasury	1,501
Other Borrowed money	8,538
Mortgage indebtedness and obligations under capitalized leases	20
Bank's liability on acceptances executed and outstanding	1,084
Subordinated notes and debentures	3,500
Other liabilities	7,419
TOTAL LIABILITIES	107,569

EQUITY CAPITAL

Common stock	620
Surplus	4,501
Undivided profits and capital reserves	2,663
Less: Net unrealized loss on marketable equity securities.....	(159)
Cumulative foreign currency translation adjustments	(2)
TOTAL EQUITY CAPITAL	7,941
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK AND EQUITY CAPITAL	\$115,510
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I, Joseph L. Sclafani, S.V.P. & Controller of the above-named bank, do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

JOSEPH L. SCLAFANI

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

WALTER V. SHIPLEY)
EDWARD D. MILLER) DIRECTORS
WILLIAM B. HARRISON)