

=====

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

FORM 10-K

(Mark One)

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

For the year ended December 31, 2001

OR

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

For the transition period from _____ to _____

Commission File Number 1-6780

RAYONIER INC.
Incorporated in the State of North Carolina

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

50 NORTH LAURA STREET,
JACKSONVILLE, FL 32202
(Principal Executive Office)

Telephone Number: (904) 357-9100

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

Common Shares

7.5% Notes, due October 15, 2002

Medium-Term Notes, due 2004

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months and (2) has been subject to such filing
requirements for the past 90 days. YES NO

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

The aggregate market value of the Common Shares of the registrant held by
non-affiliates of the Registrant on March 1, 2002, was approximately
\$1,388,000,000.

As of March 1, 2002, there were outstanding 27,547,521 Common Shares of the
Registrant.

The registrant's definitive proxy statement filed or to be filed with the
Securities and Exchange Commission pursuant to Regulation 14A involving the
election of directors at the annual meeting of the shareholders of the
registrant scheduled to be held on May 16, 2002, is incorporated by reference
in Part III of the Form 10-K.

=====

TABLE OF CONTENTS

Item - - - - -	Page - - - - -
PART I	
1. Business.....	1
2. Properties.....	8
3. Legal Proceedings.....	8
4. Submission of Matters to a Vote of Security Holders.....	8
* Executive Officers of Rayonier.....	9
PART II	
5. Market for the Registrant's Common Equity and Related Stockholder Matters.....	11
6. Selected Financial Data.....	12
7. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
8. Financial Statements and Supplementary Data.....	26
9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	27
PART III	
10. Directors and Executive Officers of the Registrant.....	27
11. Executive Compensation.....	27
12. Security Ownership of Certain Beneficial Owners and Management.....	27
13. Certain Relationships and Related Transactions.....	27
PART IV	
14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	28

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

INDEX TO FINANCIAL STATEMENTS

	Page

Report of Management.....	F-1
Report of Independent Certified Public Accountants.....	F-1
Statements of Consolidated Income for the Three Years Ended December 31, 2001.....	F-2
Consolidated Balance Sheets as of December 31, 2001 and 2000.....	F-3 to F-4
Statements of Consolidated Cash Flows for the Three Years Ended December 31, 2001.....	F-5
Notes to Consolidated Financial Statements.....	F-6 to F-24
INDEX TO FINANCIAL STATEMENT SCHEDULES	
Schedule II--Valuation and Qualifying Accounts.....	F-25
All other financial statement schedules have been omitted because they are not applicable, the required matter is not present, or the required information has been otherwise supplied in the financial statements or the notes thereto.	
Signatures.....	A
Exhibit Index.....	B to E

PART I

Item 1. BUSINESS

General

Rayonier Inc. (Rayonier or the Company), including its subsidiaries, is a leading international forest products company primarily engaged in the production and sale of high value-added performance cellulose fibers and activities associated with timber and land management, including the sale of timber and land. Rayonier owns and operates two performance fibers mills in the United States and owns, leases or controls approximately 2.3 million acres of timberland located primarily in the United States and New Zealand. In addition, the Company engages in the trading, merchandising and manufacturing of logs and wood products, and has lumber manufacturing facilities in the United States and a medium-density fiberboard plant in New Zealand. In November 2000, the Company announced that it would focus its corporate strategy on two core business segments--Performance Fibers and Timber and Land (previously Timberland Management).

Rayonier traces its origins to the Rainier Pulp & Paper Company founded in Shelton, WA, in 1926. In 1937, it became "Rayonier Incorporated," a public company traded on the New York Stock Exchange (NYSE), until 1968, when it became a wholly-owned subsidiary of ITT Corporation, now known as ITT Industries, Inc. (ITT). On February 28, 1994, Rayonier again became an independent public company when ITT distributed all of Rayonier's Common Shares to ITT stockholders. Rayonier shares are publicly traded on the NYSE under the symbol RYN. Rayonier is a North Carolina corporation with its executive offices located at 50 North Laura Street, Jacksonville, FL, 32202. Its telephone number is (904) 357-9100.

Rayonier operates in three reportable business segments as defined by Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures About Segments of an Enterprise and Related Information: Performance Fibers, Timber and Land, and Wood Products and Trading. Performance Fibers includes two business units, Cellulose Specialties and Absorbent Materials. The Timber and Land segment includes two business units, Timber and Land. For information on sales, operating income and identifiable assets by segment, See Item 7--Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 3 of the Notes to Consolidated Financial Statements--Segment and Geographical Information.

Sales

Rayonier's sales (as reclassified) for the three years ended December 31, 2001, were as follows (in millions):

	Year Ended December 31		
	2001	2000	1999
Performance Fibers			
Cellulose Specialties.	\$ 369	\$ 348	\$ 331
Absorbent Materials...	178	228	160
Total Performance Fibers.	547	576	491
Timber and Land			
Timber.....	197	210	156
Land.....	84	70	21
Total Timber and Land....	281	280	177
Wood Products and Trading	358	401	462
Intersegment Eliminations	(21)	(30)	(22)
Total sales.....	\$1,165	\$1,227	\$1,108

Rayonier has customers in 56 countries and 44 percent of the Company's 2001 sales of \$1.2 billion were made to customers outside the United States.

Performance Fibers

Rayonier is a leading manufacturer of high performance cellulose fibers. The Company owns and operates fiber production facilities in Jesup, GA, and Fernandina Beach, FL, with a combined annual capacity of approximately 720,000 metric tons. These facilities are able to manufacture more than 25 different grades of performance fibers to meet customers' needs. The Jesup facility can produce approximately 570,000 metric tons of performance fibers, or 79 percent of Rayonier's total capacity. The Fernandina Beach facility can produce approximately 150,000 metric tons of Performance Fibers, or 21 percent of Rayonier's total capacity.

Rayonier produces and sells these performance fibers primarily to meet specific customer orders and specifications throughout the world. The customers then produce a wide variety of consumer and industrial products. Approximately two-thirds of Rayonier's Performance Fibers sales are exported to customers, primarily in Asia, Europe and Latin America. Approximately 85 percent of Performance Fibers sales are made directly by Rayonier sales personnel, with the remainder made through independent sales agents primarily to export locations.

This segment includes two business units - Cellulose Specialties and Absorbent Materials.

Cellulose Specialties--Rayonier is one of the world's leading producers of specialty cellulose products; most of which are used in dissolving chemical applications that require a highly purified form of cellulose. Cellulose Specialties products are used in a wide variety of end uses such as: acetate textile fibers, rigid packaging, photographic film, impact-resistant plastics, high-tenacity rayon yarn for tires and industrial hoses, pharmaceuticals, cosmetics, detergents, sausage casings, food products, thickeners for oil well drilling muds, cigarette filters, lacquers, paints, printing inks, explosives and LCD screens. In addition, Cellulose Specialties include high value specialty paper applications used for decorative laminates for counter tops, automotive air and oil filters, shoe innersoles, battery separators, circuit boards and filter media for the food industry. Rayonier concentrates on and is a leading producer of the most highly valued, technologically demanding forms of Cellulose Specialty products, such as cellulose acetate and high-purity cellulose ethers.

Absorbent Materials--Rayonier is a supplier of Performance Fibers for absorbent hygiene products. These fibers are typically referred to as fluff fibers and are used as an absorbent medium in products such as disposable baby diapers, feminine hygiene products, incontinence pads, convalescent bed pads, industrial towels and wipes and non-woven fabrics.

The Absorbent Materials product line also includes paper applications that are made as a secondary product to fluff fibers to help match inconsistencies in demand to capacity. These paper applications represent approximately 5 percent of total Performance Fibers production. These fibers are used in the manufacture of bond, book and printing paper.

Rayonier also produces and markets an engineered absorbent core material that goes into thin super-absorbent sanitary napkins and diaper products. A new 12,000 ton per year manufacturing facility in Jesup, GA, was completed in 2001 to bring manufacturing in-house and aid in the continued development of these products. Although this is a developing business that is currently a very small percentage of the product line, it is expected to increase its contribution to segment results.

Timber and Land

Rayonier manages timberlands, sells standing timber to third parties and sells land for both future harvesting and real estate development. This segment includes two business units: Timber and Land. In the U.S., the Company manages the business segment through Rayonier Timberlands Operating Company (RTOC), a wholly-owned limited partnership.

Timber--Rayonier owns, leases or controls approximately 2.3 million acres of timberlands as of December 31, 2001, as follows (in thousands of acres):

Region	Total Acres	%	Fee-Owned Acres	Long-Term Leased Acres
Southeast U.S....	1,682	74	1,430	252
Northwest U.S....	378	17	378	--
New Zealand.....	207	9	78	129
Total.....	2,267	100	1,886	381
	=====	===	=====	===

Excluded above are 103,000 acres managed by Rayonier in Australia, 7,000 acres managed in New Zealand and approximately 67,000 acres of non-productive, non-harvestable or native vegetation land in New Zealand.

The Company's Southeastern U.S. timberlands consist of approximately 1.7 million acres located primarily in Georgia, Florida and Alabama, and their proximity to pulp, paper and lumber mills results in significant competition for the purchase of the timber. Approximately 40-50 percent of the timber harvest represents high-value wood sold primarily to plywood and lumber mills. The balance is pulpwood destined for pulp and paper mills. Softwoods are the predominant species on the Southeastern U. S. timberlands and include loblolly and slash pine, while hardwoods, the minor species, include red oak, sweet gum, black gum, red maple, cypress and green ash. On October 25, 1999, Rayonier acquired approximately 968,000 owned and leased acres of timberland in Georgia, Florida and Alabama in a business combination accounted for by the purchase method of accounting.

Through advanced silvicultural practices, the Company has increased volume per acre of timber available for harvest from its Southeastern U. S. timberlands. This is a primary factor behind an increasing pine harvest trend over the past fifteen years that has, on average, increased approximately 35,000 tons each year. These practices are also being utilized by the Company in the management of the 968,000 acres of timberland acquired in 1999, with an increasing trend of similar magnitude anticipated.

Northwestern U.S. timberlands consist of approximately 378,000 acres primarily on the Olympic Peninsula in Western Washington State. All are owned in fee and consist almost entirely of second growth trees. These timberlands are primarily softwood stands, with approximately 60-70 percent hemlock and the remainder Douglas fir, Western red cedar and spruce. Hardwood timber stands consist principally of alder and maple.

The Company's New Zealand forest assets consist of 78,000 acres of fee-owned timberland, plus Crown Forest Licenses that provide the right to grow and harvest timber on approximately 129,000 acres of government owned timberland for a minimum period of 35 years. Approximately 80-90 percent of these timberlands consist of radiata pine, well suited for high-quality lumber and panel products. The balance is Douglas fir and other species. Timber is grown and sold for both domestic New Zealand uses and for export, primarily to the Pacific Rim markets. In addition, the Company manages timberlands for others in New Zealand and Australia.

Rayonier manages timberlands, endeavoring to scientifically develop forests to their maximum economic value. The average rotation age for timber from the Southeastern U.S. (primarily Southern pine) is 21 years. The average rotation age for timber destined for domestic and export markets from the Northwestern U.S. (primarily hemlock and Douglas fir) is 45 to 50 years. The average rotation age for timber grown in New Zealand (primarily radiata pine) is approximately 25 to 28 years.

Rayonier sells timber through a public auction process, predominantly to third parties. By requiring the Company's other operating units to competitively bid for their timber and wood requirements, the Company believes it can maximize the true economic return on its investments. In 2001, approximately 89 percent of the Company's standing timber sales were made to third parties. Rayonier's third party timber sales are made on either a lump-sum or pay-as-cut basis. On a lump-sum basis, a minimum 15% initial payment is required, title and risk of loss are transferred and installment payments are made in advance for the volume to be cut. On a pay-

as-cut basis, a 10% deposit and 10% performance bond are required. Payments are made as the timber is cut. In the Northwestern U.S., the majority of sales are lump sum sales due to large, financially stable customers and market practices. In the Southeastern U.S., where the majority of customers are smaller, family-owned businesses, the majority of sales are pay-as-cut sales.

The Company manages its timberlands in conformity with best forest industry practices. A key to success is the extensive application of Rayonier's silvicultural expertise to species selection for plantations, soil preparation, thinning of timber stands, pruning of selected species, fertilization and careful timing of the harvest, all designed to maximize value, while responding to environmental needs. The following table sets forth timberland acres (in thousands) as of December 31, 2001, by region and by timber classification. Excluded are 7,000 acres managed in New Zealand, 103,000 acres managed by Rayonier in Australia, and approximately 67,000 acres of unproductive or native vegetation land in New Zealand that is not harvestable.

Region	Softwood Plantation	Hardwood Lands	Non-Forest	Total
Southeast U.S.	1,131	516	35	1,682
Northwest U.S.	310	17	51	378
New Zealand...	186	21	--	207
Total.....	1,627	554	86	2,267

Merchantable timber inventory is an estimate of the amount of standing timber at the earliest age that it could be economically harvested. Estimates are based on an inventory system that continually involves periodic statistical sampling of the timberlands. Adjustments are made on the basis of growth estimates, harvest information and market conditions.

The following table sets forth the estimated volumes of merchantable timber by location and type, as of December 31, 2001:

Region	Softwood	Hardwood	Total	Equivalent total, in thousands of cubic meters	%
Southeast U.S., in thousands of short green tons	22,911	20,053	42,964	31,448	51
Northwest U.S., in millions of board feet.....	1,746	222	1,968	15,747	25
New Zealand, in thousands of cubic meters.....	13,875	1,045	14,920	14,920	24
				62,115	100

Land--Rayonier invests in timberlands seeking to maximize its returns from a full cycle of ownership. The end cycle includes selling portions of its land base to capture the appreciated value of the underlying asset. This program includes selling general timberland for others to manage and harvest, and selling higher and better use (HBU) real estate properties more valuable for commercial development, residential development and conservation purposes.

In November 2000, the Company announced that it would routinely sell 2 percent to 4 percent of its land base each year in order to capture its appreciated value on a more regular basis. Land will be replaced opportunistically when it can be acquired at a discount to long-term market trends. Quarterly land sales for the three years ended December 31, 2001, are summarized in the following table:

	Quarter Ended				Total Year
	March 31	June 30	September 30	December 31	
(Thousands of dollars, except acres sold)					
2001					
Land Sales.....	\$ 1,234	\$62,223	\$7,404	\$12,996	\$83,857
Operating Income	844	34,343	5,571	10,760	51,518
Acres Sold.....	415	57,858	2,678	6,466	67,417
2000					
Land Sales.....	\$53,079	\$ 3,859	\$4,925	\$ 8,338	\$70,201
Operating Income	26,017	3,091	3,876	5,232	38,216
Acres Sold.....	57,823	1,334	1,339	2,725	63,221
1999					
Land Sales.....	\$ 2,007	\$ 1,560	\$5,311	\$11,987	\$20,865
Operating Income	1,343	916	4,175	8,890	15,324
Acres Sold.....	333	262	2,478	4,057	7,130

Sales associated with transactions in which title to the land was not transferred (for example, relinquishing lease rights) were \$4,823, \$393, and \$104, in 2001, 2000, and 1999, respectively.

Wood Products and Trading

The Wood Products and Trading business segment manufactures and sells dimension and specialty lumber and medium-density-fiberboard (MDF), purchases and harvests timber primarily from third parties, and sells logs and wood panel products.

Rayonier operates three lumber manufacturing facilities in the U.S. that produce Southern pine and specialty lumber for residential construction and industrial uses. The mills located at Baxley, Eatonton, and Swainsboro, GA, have a combined annual capacity of approximately 360 million board feet of lumber, while also producing approximately 715,000 tons of wood chips for pulping. Lumber sales are primarily to customers in the Southeastern U. S. and Caribbean markets. Most of the lumber is sold by Rayonier sales personnel, however sales to certain export locations are made through independent agents. Substantially all of the wood chip production is sold (at spot market prices) to Rayonier's Jesup, GA, performance fibers facility, accounting for approximately 19 percent of that facility's 2001 total wood consumption.

The Company operates a 160,000 cubic meter per year facility in New Zealand that produces premium grade MDF. The Company's MDF is marketed worldwide by Rayonier personnel, independent sales agents and a domestic distributor.

Rayonier is a leading exporter and trader of softwood logs, lumber and wood panel products. Rayonier purchases and harvests timber and purchases lumber and wood panel products for sale in domestic and export markets. Timber is purchased from both internal and external sources. In 2001, approximately 64 percent of New Zealand log trading sales volume was sourced from Company timberlands. In North America, approximately 31 percent of log trading sales volume was sourced directly from Rayonier's timberlands. Logs were also purchased from independent local dealers who had, in some cases, purchased cutting rights to Company timberlands.

Dispositions and Discontinued Operations

Dispositions and discontinued operations include Rayonier's Port Angeles, WA, performance fibers mill, that was closed on February 28, 1997; its interest in the Grays Harbor, WA, performance fibers and paper complex, which was closed in 1992; its wholly-owned subsidiary, Southern Wood Piedmont Company (SWP), which ceased operations in 1986; its Eastern Research Division, which ceased operations in 1981; and other miscellaneous assets held for disposition. See Note 12 of the Notes to Consolidated Financial Statements--Dispositions and Discontinued Operations.

Foreign Sales and Operations

Rayonier's sales for the three years ended December 31, 2001, by geographical destination are as follows (millions):

Sales by Destination						
	2001	%	2000	%	1999	%
United States	\$ 656	56	\$ 662	54	\$ 590	54
Europe.....	126	11	107	9	101	9
Japan.....	116	10	135	11	135	12
China.....	81	7	86	7	56	5
Other Asia..	97	8	124	10	125	11
Latin America	45	4	66	5	66	6
Canada.....	34	3	34	3	21	2
All other....	10	1	13	1	14	1
Total.....	\$1,165	100	\$1,227	100	\$1,108	100

Overseas assets, primarily in New Zealand, were approximately 15 percent of total assets at the end of 2001 and Rayonier's sales from non-U.S. operations were approximately 13 percent of total sales. See Note 3 of the Notes to Consolidated Financial Statements--Segment and Geographical Information.

Patents

Rayonier has a number of patents and pending patent applications that relate to its proprietary products and processes. The Company intends to take such steps as are necessary to protect its patents and file applications for future inventions that are deemed important to its business operations.

Competition and Customers

Performance fibers are marketed worldwide against strong competition from domestic and foreign producers. Rayonier's major competitors include International Paper, Weyerhaeuser, Georgia-Pacific and Buckeye Technologies. Several foreign, low-cost manufacturers of lower-grade pulps are attempting to produce high-grade acetate pulps. If successful, supply of these performance fibers grades may increase in the future, and with the overall demand growth being fairly modest, cellulose specialty margins may be affected. On the other hand, the Company is developing new products and improving existing products and processes that could add additional value to the Performance Fibers business. Pricing, product performance and technical service are principal methods of competition.

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

Export log markets are highly competitive. Logs are available from several countries and numerous suppliers. In New Zealand, major competitors include Carter Holt Harvey and Fletcher Challenge. In North America, Weyerhaeuser, Sea Alaska, and Timber West (Canada) are principal competitors. Price and customer relationships are important methods of competition.

Rayonier's lumber and MDF wood products compete with alternative construction materials and the products of numerous companies, some of which are larger and have greater resources than Rayonier. Due to continual improvement in operations and a shift in focus from weak Australian and oversupplied European markets to the U.S., Japan and China, the MDF facility's performance, both operationally and financially, has made steady gains in 2001.

Environmental Matters

See "Environmental Regulation" in Item 7--Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 17 of the Notes to Consolidated Financial Statements--Contingencies.

Raw Materials

In the U.S., timber availability continues to be restricted by legislation, litigation and pressure from various preservationist groups. Availability is also subject to cyclical swings in wood products and pulp and paper markets. Rayonier has pursued, and is continuing to pursue, reductions in usage and costs of key raw materials, supplies and contract services at its Performance Fibers and lumber mills. Management foresees no significant constraints from pricing or availability of its key raw materials.

Research and Development

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

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

Research and development annual expenditures were approximately \$9 million in 2001, and \$10 million for 2000 and 1999.

Employee Relations

Rayonier currently employs approximately 2,300 people. Of this number, approximately 2,090 are employees in the United States, of whom 46 percent are covered by labor contracts. Most hourly employees are represented by one of several labor unions. Labor relations are maintained in a normal and satisfactory manner.

In August 2001 and December 2001, Jesup's labor agreements covering approximately 700 employees, were extended through June 30, 2008. In April 2001, Fernandina's labor contracts covering approximately 250 employees, were extended through April 30, 2006.

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

Item 2. PROPERTIES

Rayonier owns, leases or controls approximately 2.1 million acres of timberlands in the United States. Rayonier manages these properties and sells timber to other Company operating units, as well as unaffiliated parties. Rayonier's New Zealand subsidiary owns or manages the forest assets on approximately 0.3 million acres of plantation forests in New Zealand and Australia. Rayonier and its wholly-owned subsidiaries own or lease various other properties used in their operations. These include two Performance Fibers mills, three lumber manufacturing facilities, an MDF plant, a research facility and Rayonier's corporate headquarters. These facilities are located in the Northwestern and Southeastern portions of the U. S. and in New Zealand. Additional information on mill volumes is disclosed in Item 6--Selected Financial Data.

Item 3. LEGAL PROCEEDINGS

Rayonier is engaged in various legal actions, including certain environmental proceedings that are discussed more fully in Note 17 of the Notes to Consolidated Financial Statements--Contingencies.

On February 22, 2001, the Company received a notice of proposed disallowance from the Internal Revenue Service for \$28.3 million in tax deficiency and related penalties for an issue in dispute regarding the Company's 1996 and 1997 Federal tax returns. The Company has been discussing this issue with the IRS since 1999. As a result, the notice of proposed disallowance was not unanticipated and the Company has provided adequate book reserves. The Company has contested this matter and believes that the ultimate outcome will not have a material adverse impact on the Company's financial position, liquidity, or results of operations.

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

No matter was submitted to a vote of security holders of Rayonier during the fourth quarter of 2001.

EXECUTIVE OFFICERS OF RAYONIER

W. Lee Nutter, 58, Chairman, President and Chief Executive Officer--Mr. Nutter joined Rayonier in 1967 in the Northwest Forest Operations and was named Vice President, Timber and Wood in 1984, Vice President, Forest Products in 1985, Senior Vice President, Operations in 1986 and Executive Vice President in 1987. He was elected President and Chief Operating Officer and a director of Rayonier in July 1996 and to his current position effective January 1999. Mr. Nutter serves on the Board of Directors and the Executive Committee of the American Forest and Paper Association and on the Board of Directors of the National Council for Air and Stream Improvement. He holds a B.A. degree in Business Administration from the University of Washington and graduated from the Harvard University Graduate School of Business Administration Advanced Management Program.

William S. Berry, 60, Executive Vice President, Forest Resources and Wood Products--Mr. Berry joined Rayonier in 1980 as Director of Wood Products Management. He was elected Vice President and Director of Forest Products Management in 1981, Senior Vice President, Land and Forest Resources in 1986, Senior Vice President, Forest Resources and Corporate Development in 1994, and to his current position effective October 1996. He serves on the External Advisory Board of the Warnell School of Forest Resources, University of Georgia and is chairman of the National Tree Farm Operating Committee. He holds a B.S. degree in Forestry from the University of California at Berkeley and an M.S. degree in Forestry from the University of Michigan. Mr. Berry has announced his retirement from Rayonier effective March 31, 2002.

Gerald J. Pollack, 60, Senior Vice President and Chief Financial Officer--Mr. Pollack joined Rayonier in 1982 as Vice President and Controller. He was elected to the position of Vice President and Chief Financial Officer in 1986 and to his current position in May 1992. He is a member of the New York Advisory Board of FM Global Insurance Co., the Board of Directors and Finance Committee of the Jacksonville Symphony Orchestra, and the Board of Directors of the Northern Florida Chapter of Financial Executives International. Mr. Pollack has a B.S. degree in Physics from Rensselaer Polytechnic Institute and an M.B.A. degree in Accounting and Finance from the Amos Tuck School at Dartmouth.

John P. O'Grady, 56, Senior Vice President, Administration--Mr. O'Grady joined Rayonier in 1991 as Vice President, Administration. He was elected Senior Vice President, Human Resources in January 1994 and to his current position effective January 1996. From December 1975 to July 1991, he held a number of human resources positions at ITT Corporation and its subsidiaries. Mr. O'Grady serves on the American Forest and Paper Association's employee and labor relations committee, as a Management Trustee for the Paper, Allied-Industrial, Chemical and Energy Workers International Union Health and Welfare Trust, as a member of the Board of Trustees for the Jacksonville museum of Science and History and as a director for Florida's First Coast YMCA. From 1994 to 1997, he served on the board of advisors of the Business and Industry Council of the College of New Jersey (formerly Trenton State College). He holds a B.S. degree in Labor Economics from the University of Akron, an M.S. degree in Industrial Relations from Rutgers University and a Ph.D. in Management from California Western University.

William A. Kindler, 59, Senior Vice President, Performance Fibers--Mr. Kindler joined Rayonier in August 1996. He was elected Vice President, Performance Fibers, in October 1996 and Senior Vice President, Performance Fibers in March 1998. Prior to coming to Rayonier, he held a number of senior management positions with James River Corporation (paper and tissue products manufacturing), most recently as Vice President, Product Supply, Consumer Products (March 1994 until August 1996). He holds a B.A. degree in Chemistry from Western Washington University and an M.S. degree and Ph.D. degree in Pulp and Paper Technology from the Institute of Paper Chemistry. Mr. Kindler retired from Rayonier effective December 31, 2001.

Timothy H. Brannon, 54, Senior Vice President, Forest Resources and Wood Products--Mr. Brannon joined Rayonier in 1972 at its Southern Wood Piedmont subsidiary (SWP). He was named Vice President and Chief Operating Officer of SWP in 1983 and President of SWP in 1992. Mr. Brannon was elected Rayonier's

Vice President and Director, Performance Fibers Marketing and Sales in 1994, Vice President, Asia Pacific, and Managing Director, Rayonier New Zealand in 1998 and to his current position effective March 1, 2002. He holds a B.A. degree in psychology from Tulane University and is a graduate of Harvard University Graduate School of Business Advanced Management Program.

Jill Witter, 47, Vice President and General Counsel--Ms. Witter joined Rayonier in January 2001 as General Counsel and was elected to her current position in February 2001. Prior to joining Rayonier, she served as Vice President, General Counsel and Secretary of Sunglass Hut International (sales and marketing of sunglasses, watches and accessories), Coral Gables, Florida, from 1999 to January 2001. She was previously with Angelica Corporation (career apparel, retail and textile services), St. Louis, Missouri, from 1985 to 1999, most recently as Vice President, Legal, Human Resources, General Counsel and Secretary. She holds a B.A. degree and J.D. degree from the University of Missouri.

Paul G. Boynton, 37, Vice President, Performance Fibers--Mr. Boynton joined Rayonier in April 1999 as Director of Specialty Pulp Marketing and Sales. He was elected Vice President, Performance Fibers, Marketing and Sales, in October 1999 and to his current position effective January 2002. Prior to joining Rayonier, he held positions with 3M Corporation's Home Care Division (global manufacturer and marketer of cleaning tool products) from 1990 to 1999, most recently as Global Brand Manager. He holds a B.S. degree in mechanical engineering from Iowa State University, an M.B.A. degree from the University of Iowa, and graduated from the Harvard University Graduate School of Business Advanced Management Program.

Hans E. Vanden Noort, 43, Vice President and Corporate Controller--Mr. Vanden Noort joined Rayonier as Corporate Controller in November 2001, and was elected to his current position in December 2001. Prior to coming to Rayonier, he held a number of senior management positions with Baker Process, a division of Baker Hughes, Inc. (manufacturer of petroleum-related equipment and supplies), Houston, Texas, most recently as Vice President of Finance and Administration. Mr. Vanden Noort holds a B.B.A. in accounting from the University of Cincinnati, an M.B.A. from the University of Michigan and is a Certified Public Accountant.

PART II

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

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

Rayonier Common Shares--Market Prices, Volume and Dividends

	High	Low	Composite Volume	Dividend
	-----	-----	-----	-----
2001				
Fourth Quarter.....	\$50.98	\$38.30	5,308,900	\$.36
Third Quarter.....	47.70	35.80	4,737,100	.36
Second Quarter.....	46.72	38.80	5,198,200	.36
First Quarter.....	44.00	37.30	6,137,900	.36
2000				
Fourth Quarter.....	\$41.19	\$31.25	7,032,700	\$.36
Third Quarter.....	43.50	35.00	4,601,700	.36
Second Quarter.....	48.88	35.38	6,816,200	.36
First Quarter.....	48.75	35.56	6,042,100	.36

On February 15, 2002, Rayonier announced a first quarter dividend of 36 cents per share payable March 29, 2002, to shareholders of record on March 8, 2002.

There were approximately 15,426 shareholders of record of Rayonier Common Shares on February 28, 2002.

ITEM 6. SELECTED FINANCIAL DATA

The following summary of historical financial data for each of the five years in the period ended December 31, 2001, is derived from the consolidated financial statements of the Company. The data should be read in conjunction with the consolidated financial statements. Effective December 31, 2000, the Company changed its method of reporting freight revenue and costs in compliance with Emerging Issues Task Force (EITF) Issue 00-10, "Accounting for Shipping and Handling Fees and Costs." The financial statements have been reclassified to reflect the increase in sales and cost of sales (in millions) of \$76, \$72, \$64 and \$91 in 2000, 1999, 1998 and 1997, respectively. Additionally, the sale of land in the first quarter of 2000 has been reclassified from gain on sale of assets (\$23) to Land sales (\$50) and cost of sales (\$27). These changes had no effect on net income or earnings per share. See Note 7 of the Notes to Consolidated Financial Statements--Major Timberland Acquisition that helps support fluctuations within the five-year summary below.

	Year Ended December 31				
	2001	2000	1999	1998	1997
(dollar amounts in millions, except per share data)					
Operations:					
Sales.....	\$ 1,165	\$ 1,227	\$ 1,108	\$ 1,073	\$ 1,196
Operating income before provision for dispositions	150	205	136	124	166
Provision for dispositions(1).....	--	(15)	--	--	--
Operating income.....	150	190	136	124	166
Income from continuing operations.....	58	78	69	64	87
Net income.....	58	78	69	64	87
Per Common Share:					
Income from continuing operations.....	\$ 2.09	\$ 2.82	\$ 2.44	\$ 2.22	\$ 2.97
Net income--Diluted.....	2.09	2.82	2.44	2.22	2.97
--Basic.....	2.12	2.87	2.48	2.26	3.03
EBITDA(2).....	12.27	14.19	8.98	8.21	8.14
Free Cash Flow(5).....	5.02	7.39	4.30	2.31	4.15
Dividends paid.....	1.44	1.44	1.29	1.24	1.20
Book value.....	25.92	25.09	23.94	23.01	22.37
Financial Condition:					
Total assets.....	\$ 2,025	\$ 2,162	\$ 2,280	\$ 1,601	\$ 1,596
Total debt.....	850	973	1,136	490	426
Book value.....	709	680	656	639	633
Cash Flow:					
Cash flow from operations.....	\$ 241	\$ 279	\$ 213	\$ 154	\$ 238
Custodial capital spending(3).....	64	70	69	58	72
Total capital expenditures.....	77	90	95	95	137
Depreciation, depletion and amortization.....	177	177	105	101	99
EBITDA(2).....	339	393	253	235	240
EBIT(4).....	152	202	141	125	138
Free Cash Flow(5).....	139	205	121	66	122
Dividends paid.....	39	39	36	35	35
Share repurchases.....	2	18	24	27	48
Performance Ratios (%):					
Operating income to sales(6).....	13	17	12	12	14
Return on equity(7).....	8	12	11	10	14
Return on capital(7).....	6.3	7.7	6.5	7.8	9.8
Debt to capital.....	55	59	63	43	40
Debt to EBITDA(2).....	2.6 to 1	2.5 to 1	4.7 to 1	2.3 to 1	1.9 to 1
Other:					
Number of employees.....	2,300	2,300	2,300	2,300	2,500
Timberlands--in thousands of acres.....	2,267	2,331	2,422	1,447	1,452

Year Ended December 31

	2001	2000	1999	1998	1997
Selected Operating Data (unaudited):					
Performance Fibers					
Sales volume					
Cellulose Specialties--in thousands of metric tons(8).....	423	396	364	369	410
Absorbent Materials--in thousands of metric tons(9).....	284	329	297	324	315
Sales as a percent of capacity.....	97%	101%	95%	97%	100%
Timber and Land					
Timber volume					
Northwest U.S.--in millions of board feet.....	251	239	204	212	190
Southeast U.S.--in thousands of short green tons(10).....	5,395	4,920	2,574	2,360	2,421
New Zealand--in thousands of cubic meters.....	1,412	1,320	1,249	1,003	1,111
Intercompany Timber volume.....					
Northwest U.S.--in millions of board feet.....	48	59	24	12	14
Southeast U.S.--in thousands of short green tons.....	43	41	40	70	92
New Zealand--in thousands of cubic meters.....	704	634	580	385	589
Land--acreage.....	67,417	63,221	7,130	3,376	2,837
Wood Products and Trading					
Lumber sales volume--in millions of board feet(11).....	279	235	255	310	325
Medium-density fiberboard sales volume--in thousands of cubic meters.....	161	157	129	91	16
Log trading sales volume					
North America--in millions of board feet.....	151	220	205	173	224
New Zealand--in thousands of cubic meters.....	999	1,254	1,246	851	1,113
Other--in thousands of cubic meters.....	331	335	611	206	277
Selected Supplemental Financial Data					
Financial Results Excluding Impact of Special Items(12)					
Sales.....	\$ 1,165	\$ 1,227	\$1,101	\$1,080	\$1,183
Operating income.....	150	205	135	134	166
Net income.....	58	83	65	70	82
Net income per diluted Common Share.....	2.09	3.00	2.32	2.44	2.78
EBITDA(4).....	339	393	250	244	240
Return on equity (%).....	8	12	10	11	13
Geographical Data (Non-U.S.)					
Sales					
New Zealand.....	\$ 113	\$ 115	\$ 106	\$ 79	\$ 111
Other.....	40	49	56	25	34
Total.....	\$ 153	\$ 164	\$ 162	\$ 104	\$ 145
Operating Income (Loss)					
New Zealand.....	\$ 5	\$ (1)	\$ (7)	\$ (14)	\$ 8
Other.....	--	2	(1)	(3)	(5)
Total.....	\$ 5	\$ 1	\$ (8)	\$ (17)	\$ 3

	Year Ended December 31				
	2001	2000	1999	1998	1997
EBITDA per Share.....					
Performance Fibers.....	\$ 4.04	\$ 5.75	\$ 3.78	\$ 3.51	\$ 4.20
Timber and Land.....	8.80	9.05	5.25	5.19	4.91
Wood Products and Trading.....	0.14	0.02	0.42	0.05	0.45
Corporate and other.....	(0.71)	(0.63)	(0.47)	(0.55)	(1.42)
Total Rayonier.....	\$12.27	\$14.19	\$ 8.98	\$ 8.20	\$ 8.14
Timber and Land.....					
Sales.....					
Northwest U.S.....	\$ 68	\$ 82	\$ 73	\$ 81	\$ 81
Southeast U.S.....	181	173	79	77	70
New Zealand.....	32	25	25	24	33
Total.....	\$ 281	\$ 280	\$ 177	\$ 182	\$ 184
Operating Income.....					
Northwest U.S.....	\$ 49	\$ 65	\$ 52	\$ 59	\$ 58
Southeast U.S.....	89	81	58	54	51
New Zealand.....	7	6	6	8	8
Total.....	\$ 145	\$ 152	\$ 116	\$ 121	\$ 117

- (1) Primarily related to closure reserves for the Port Angeles Performance Fibers mill.
- (2) EBITDA is defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes, depreciation, depletion, amortization and the non-cash cost of land sales. See table in Item 7-Management's Discussion and Analysis, reconciling EBITDA to Net Income.
- (3) Custodial capital spending is defined as capital expenditures to maintain current earnings level over the cycle and to keep facilities and equipment in safe and reliable condition, and in compliance with regulatory requirements.
- (4) EBIT is defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense and income taxes.
- (5) Free Cash Flow is defined as EBITDA plus or minus significant non-recurring items, changes in working capital and long-term assets and liabilities, plus proceeds from the exercise of employee stock options, less income taxes, interest expense, custodial capital spending, prior-year dividend levels and the non-cash cost of land sales. See table in Item 7 - Management's Discussion and Analysis, reconciling Free Cash Flow to Cash Provided by Operating Activities.
- (6) Based on operating income before provision for dispositions.
- (7) Based on income from continuing operations.
- (8) Excludes sales volumes of the Port Angeles, WA, Performance Fibers mill, which ceased operations on February 28, 1997, of 35,000 metric tons for the year 1997.
- (9) Excludes sales volumes of the Port Angeles, WA, Performance Fibers mill of 7,000 metric tons for 1997.
- (10) Includes salvage timber sales in 1998 of \$2.3 million on volume of 279 thousand short green tons resulting from the Southeast U.S. forest fires.
- (11) Includes sales volumes of the Plummer, ID, lumber mill, which closed in July 1998 after fire damaged the facility, of 51 and 77 million board feet for the years 1998 and 1997, respectively.

(12) The following table identifies special items for the years 1997 through 2001:

	2001	2000	1999	1998	1997
	-----	-----	-----	-----	-----
	(in millions)				
Net income as reported.....	\$57.6	\$78.2	\$68.7	\$63.6	\$87.3
Disposition reserve.....	--	9.4	--	--	--
Southeast land sale.....	--	--	(3.2)	--	--
Restructuring/relocation.....	--	--	2.6	--	--
Contract dispute.....	--	--	2.9	--	--
Asset sale.....	--	--	(5.8)	--	--
Southeast U.S. forest fires....	--	--	--	6.2	--
New Zealand Joint Venture sale.	--	(4.5)	--	--	--
Non-strategic land sale.....	--	*	--	--	(5.6)
	-----	-----	-----	-----	-----
Net income excluding special items	\$57.6	\$83.1	\$65.2	\$69.8	\$81.7
	=====	=====	=====	=====	=====

* Reported as a special item in 2000 (\$14.4 million). Subsequently, reclassified as an operating activity consistent with the Company's strategy to annually sell 2 to 4 percent of its timberland holdings.

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

Segment Information (in millions)

	Year Ended December 31		
	2001	2000	1999
Sales			
Performance Fibers			
Cellulose Specialties.....	\$ 369	\$ 348	\$ 331
Absorbent Materials.....	178	228	160
Total Performance Fibers.....	547	576	491
Timber and Land			
Timber.....	197	210	156
Land.....	84	70	21
Total Timber and Land.....	281	280	177
Wood Products and Trading.....	358	401	462
Intersegment Eliminations.....	(21)	(30)	(22)
Total sales.....	<u>\$1,165</u>	<u>\$1,227</u>	<u>\$1,108</u>
Operating Income (Loss)			
Performance Fibers			
Performance Fibers.....	\$ 35	\$ 83	\$ 40
Timber and Land			
Timber.....	93	114	100
Land.....	52	38	16
Total Timber and Land.....	145	152	116
Wood Products and Trading.....	(11)	(17)	(3)
Provision for dispositions.....	--	(15)	--
Corporate and other.....	(19)	(13)	(17)
Total operating income.....	<u>\$ 150</u>	<u>\$ 190</u>	<u>\$ 136</u>

Summary of Business Conditions

Rayonier's net income in 2001 was \$58 million or \$2.09 per share, compared to \$78 million or \$2.82 per share in 2000. Excluding the effect of two special items in 2000, net income was \$83 million or \$3.00 per share (See Item 6, Selected Financial Data, footnote 12). During 2000, the Company sold its interest in a New Zealand timberland joint venture that contributed a gain of \$7.6 million or 16 cents per share after tax, and it increased a disposition reserve that resulted in a charge of \$15.0 million or 34 cents per share after tax.

Lower demand for many of Rayonier's products, which began in the second half of 2000, continued into 2001. The reduced demand was attributable to a considerably weak global economy and a strong U.S. dollar. In the Performance Fibers segment, the Absorbent Materials business, which principally consists of commodity fluff pulp, had lower demand and prices. Fluff pulp prices declined steadily during the year but now appear to have stabilized. Conversely, the high-value Cellulose Specialties business had stronger demand and steady prices.

In Rayonier's Timber and Land segment (previously Timberland Management), timber volumes increased in the Northwest and Southeast U.S., and New Zealand, while prices declined. The segment's lower operating income in 2001 compared to 2000 resulted from lower timber prices partly offset by higher timber volume and stronger land sales. Land sales provided strong income contributions in both 2001 and 2000. The Company sold a

large tract of land in the second quarter of 2001 for \$60 million following another large tract of land in the first quarter of 2000 for \$50 million. These sales were part of the Company's ongoing strategic land sales program to realize the appreciation of its timberland values on a more regular basis and to lower debt levels.

In Rayonier's Wood Products and Trading segment, lumber results improved in 2001 principally due to lower manufacturing costs. At the Company's medium-density fiberboard (MDF) plant in New Zealand, results also improved in 2001 compared to 2000 due to higher volume and prices and lower costs.

In 2001, Rayonier continued to focus its capital spending on cost reduction, quality and productivity improvements in its Performance Fibers segment, and on investment in reforestation of its timberlands. These investments are expected to help moderate the cyclical effects of the Performance Fibers business, improve bottom-of-the-cycle earnings and add value to existing assets. See also Liquidity and Capital Resources.

Rayonier's results continue to be adversely affected by the recessionary global economy, a strong U.S. dollar and generally low, but stable, product prices. The Company continues to experience strength in its high-value Cellulose Specialties business and its land sales program. First quarter 2002 earnings are expected to be lower than fourth quarter 2001 earnings due to the weaker global economy, although there is some potential improvement in first quarter 2002 earnings if one or two major land sales close; however, the timing of these sales is difficult to predict. Meaningful earnings improvement over current levels is not expected until the economy begins to recover.

Results of Operations, 2001 vs. 2000

Sales and Operating Income

Sales of \$1.165 billion in 2001 were \$62 million below 2000 sales, while operating income declined \$40 million to \$150 million from \$190 million in 2000. Lower sales and operating income in 2001 were a result of lower absorbent materials volume and prices, weaker timber and lumber prices, and lower trading activity. These negative items were partially offset by higher cellulose specialties, lumber and timber volumes.

Performance Fibers

Performance Fibers sales of \$547 million were \$29 million below the prior year, principally due to lower absorbent materials prices and volume, and slightly lower cellulose specialties prices partly offset by higher cellulose specialties volume. Average fluff pulp prices declined 25 percent and 14 percent for the fourth quarter and full year, respectively, compared to the same periods in 2000. Average absorbent materials prices, which include fluff pulp prices, declined 9 percent compared to 2000. Average cellulose specialties prices were 1 percent lower in 2001, while volumes increased 7 percent. Fluff pulp prices are significantly impacted by the cyclical nature of commodity market paper pulp prices, which declined during 2001, as the sluggish economy caused demand to fall in that market. However, due to the Company's high-value product mix, prices for the Performance Fibers segment tend to lag commodity paper pulp prices and its upturns and downturns are not as pronounced. Since 1999, the Company has improved its mix of cellulose specialties/absorbent materials from a 55/45 ratio to 60/40 in 2001. Operating income of \$35 million for the segment was \$48 million below 2000, as a result of the lower prices and higher manufacturing costs, partially offset by the higher cellulose specialties volume.

Timber and Land (previously Timberland Management)

Timber and Land sales of \$281 million were \$1 million above prior year, while operating income of \$145 million was below the prior year by \$7 million.

Timber (previously Timber Harvest)

Timber sales of \$197 million and operating income of \$93 million in 2001, were \$13 million and \$21 million below prior year, respectively. Sales declined due to lower timber prices in all of the Company's operating regions. In the Northwest U.S., average prices declined 23 percent compared to 2000, while in the Southeast U.S. average prices declined 13 percent, and in New Zealand, average prices declined 5 percent. These price declines were partly offset by higher volumes.

Land (previously Timberland and Real Estate)

Land sales of \$84 million and operating income of \$52 million were above 2000 results by \$14 million in both sales and operating income. The operating income improvement essentially results from a higher margin on a major land sale in the second quarter of 2001 compared to a first quarter 2000 major land sale, as well as an additional significant land sale in the fourth quarter of 2001. In 2000, Rayonier announced a program to routinely sell between 2 percent to 4 percent of its land base each year in order to capture the appreciated value of its timberlands on a more regular basis. In 2001, the Company sold approximately 67,000 acres, or 2.9 percent of its timberland base. In 2000, it sold approximately 63,000 acres, or 2.6 percent of its timberland base.

Wood Products and Trading

Sales of \$358 million were \$43 million below the prior year while an operating loss of \$11 million was favorable to 2000 by \$6 million. Lumber results improved from the prior year due to lower manufacturing costs and a 19 percent increase in volume. These improvements were partly offset by lower average lumber prices, which declined 11 percent. Poor lumber market conditions, which deteriorated significantly during 2000, carried over into 2001, causing prices to decline in 2001. In December 2001, the Company temporarily closed its Swainsboro lumber mill for two weeks due to market conditions. The Company does not anticipate any temporary closings in 2002. MDF results improved in 2001 compared to the prior year due to slightly higher prices and volume and lower manufacturing costs. Also in 2001, the Company's log trading business results declined compared to 2000, due to lower volume and slightly lower prices.

Corporate and other

Corporate and other costs of \$19 million for 2001 were \$6 million higher than 2000 principally due to higher stock-price based incentive compensation and reorganization costs associated with the retirement of two senior executives.

Other Income/Expense

Interest expense of \$69 million was \$17 million below the prior year principally due to lower debt. During 2001, Rayonier reduced debt by \$123 million.

Other income in 2001, primarily interest income, was \$2 million compared to \$5 million in 2000. The prior year amount includes a pre-tax gain of \$7.6 million due to the sale of the Company's interest in a New Zealand joint venture partially offset by a negative impact from the mark-to-market loss on foreign currency forward contracts.

Rayonier purchases foreign currency forward contracts to offset the impact of New Zealand/U.S. dollar exchange fluctuations on operating results. On September 1, 2001, the Company designated its New Zealand dollar forward contracts as cash flow hedges of certain forecasted New Zealand dollar-denominated cash outflows. Since that time, changes in the fair value of the forward contracts are deferred and recorded as part of "Accumulated other comprehensive income (loss)." When the forecasted transaction comes to fruition and is recorded in earnings, the gains or losses on the contracts are reclassified to the Statements of Consolidated Income on the line entitled "Interest and miscellaneous income (expense), net." In 2001, the Company recorded a pre-tax loss of \$0.6 million relating to the contracts versus \$3.2 million in 2000. In 2001, the New Zealand/U.S. dollar exchange rate declined from 0.44 on January 1, 2001, to 0.42 on December 31, 2001.

Income Taxes

The effective tax rate for 2001 was 30 percent compared to 28 percent in 2000. The effective tax rates are below U.S. statutory rates, primarily due to the lower rates in effect for foreign subsidiaries, research and development tax credits and a 2001 year-end foreign currency related tax benefit adjustment. The 2000 rate was below this year's rate due to the reversal of tax provisions for items resolved as a result of the completion of several tax audits.

Results of Operations, 2000 vs. 1999

Sales and Operating Income

Sales of \$1.227 billion in 2000 were \$119 million above 1999 sales, reflecting higher Performance Fibers prices and volume, and higher Timber and Land sales activity. These improvements were partially offset by lower Wood Products and Trading activity. Operating income of \$190 million was \$54 million higher than 1999, principally due to higher Performance Fibers, timber, and land sales contributions, partly offset by lower lumber results.

Performance Fibers

Performance Fibers sales of \$576 million were \$85 million above the prior year, principally due to higher absorbent materials prices and overall fiber sales volume resulting from improved demand. Operating income of \$83 million was \$44 million above 1999, primarily as a result of the higher absorbent materials prices, stronger overall volume, and slightly lower manufacturing costs. These favorable factors were partially offset by lower cellulose specialty prices.

Timber and Land (previously Timberland Management)

Timber and Land sales of \$280 million and operating income of \$152 million were above the prior year by \$103 million and \$36 million, respectively.

Timber (previously Timber Harvest)

Timber sales of \$210 million in 2000 were \$54 million above 1999, and operating income of \$114 million exceeded prior year results by \$14 million. Sales improved due to higher timber harvests in operating regions, principally driven by volume from the major fourth quarter 1999 Southeast U.S. timberland acquisition, along with higher volume in the Northwest U.S. and New Zealand. The favorable impact of the higher volume was partially offset by lower timber prices.

Operating income improved as a result of the higher sales volume, partially offset by higher depletion costs in the Southeast U.S. associated with the 1999 timberland acquisition.

Land (previously Timberland and Real Estate)

Land sales of \$70 million and operating income of \$38 million were above 1999 results by \$49 million and \$22 million, respectively. The improvement essentially results from the first quarter 2000 land sales. In November 2000, the Company announced that it would routinely sell between 2 percent to 4 percent of its land base each year in order to capture the appreciated value on a more regular basis. As an example, if the 2 percent of our overall holdings that were sold came from the Southeast U.S., using recent transaction prices and the Company's average cost basis for Southeast properties, it is estimated that operating income would increase by approximately \$15 million, or 35 cents in earnings per share, and EBITDA would increase by approximately \$40 million.

Wood Products and Trading

Sales of \$401 million were \$61 million below the prior year, and an operating loss of \$17 million was unfavorable to 1999 by \$14 million. Lumber results declined dramatically from the prior year due to lower prices

and volume, as well as higher wood costs and expenses associated with the start-up of the Eatonton, GA, facility. MDF results improved compared to the prior year due to higher prices and volume and lower manufacturing costs. Although trading volume declined, operating results reflected a slight improvement.

Provision for dispositions

The provision for dispositions in 2000 increased \$8 million over 1999 primarily resulting from increasing the closure reserves for the Port Angeles, WA, Performance Fibers mill.

Corporate and other

Corporate and other costs of \$13 million for 2000 were \$3 million lower than 1999 principally due to lower incentive compensation and expenses associated with the Company's corporate office restructuring and relocation.

Other Income/Expense

Interest expense of \$86 million was \$44 million above the prior year principally due to financing the fourth quarter 1999 timberland acquisition and slightly higher rates.

Other income improved \$3 million when the sale of Rayonier's interest in a New Zealand joint venture in 2000 is compared to the effect of the 1999 contract dispute charge and the gain from the sale of a non-strategic marine terminal and related assets in the Northwest U.S.

Rayonier purchases foreign currency forward contracts to offset the impact of New Zealand/U.S. dollar exchange fluctuations on operating results. The mark-to-market loss on these contracts, included in "Interest and miscellaneous income (expense), net," was \$3.2 million compared to \$0 in 1999. In 2000, the New Zealand/U.S. dollar exchange rate declined from 0.51 on January 1, 2000, to 0.44 on December 31, 2000.

Income Taxes

The effective tax rate for 2000 was 28 percent compared to 30 percent in 1999. The effective tax rates are below U.S. statutory rates, primarily due to the lower rates in effect for foreign subsidiaries, research and development tax credits, and the reversal of tax provisions for items cleared as a result of the completion of several tax audits.

Liquidity and Capital Resources

Cash flow from operating activities of \$241 million in 2001 declined \$38 million from \$279 million in 2000. The decline was principally a result of lower income. Rayonier used this operating cash flow to finance capital expenditures of \$77 million, pay dividends of \$39 million, repurchase \$2 million of its outstanding common shares and reduce debt by \$123 million. Year-end debt-to-capital ratio of 55 percent was 4 percentage points lower than 2000. The percentage of debt with fixed interest rates was 77 percent as of December 31, 2001, and 68 percent as of December 31, 2000.

Cash flow from operating activities of \$279 million in 2000 increased \$66 million from 1999 principally as a result of higher income partly offset by higher working capital requirements. The Company used this operating cash flow to help finance capital expenditures of \$90 million, reduce debt by \$163 million, pay dividends of \$39 million, and repurchase \$18 million of its outstanding common shares.

In addition to using cash flow from operations, the Company finances its operations through the issuance of debt, and by entering into leases. These financial obligations are recorded in accordance with accounting rules applicable to the underlying transaction, with the result that some are recorded as liabilities on the balance sheet,

while others are required to be disclosed only in the Notes to Consolidated Financial Statements. The following table aggregates the Company's contractual financial obligations:

Contractual Financial Obligations (000's)	Payments Due by Period				
	Total	2002	2003-2004	2005-2006	Thereafter
Short-term bank loans.....	\$ 5,000	\$ 5,000	\$ --	\$ --	\$ --
Current maturities of long-term debt...	2,600	2,600	--	--	--
Long-term debt.....	842,205	--	288,230*	3,610	550,365
Operating leases--timberland.....	95,508	4,599	8,883	8,409	73,617
Operating leases--PP&E, offices.....	27,725	5,555	12,111	3,495	6,564
Total contractual cash obligations.....	\$973,038	\$17,754	\$309,224	\$15,514	\$630,546

* Includes \$77,550 of 7.5% debentures due 2002, which the Company has the intent and ability to refinance using its available long-term credit facilities. See also Note 11-Debt.

As part of its ongoing operations, the Company periodically issues guarantees or financial instruments such as letters of credit and surety bonds. The following table aggregates the Company's Financial Commitments as of December 31, 2001:

Financial Commitments (000's)	Total Amounts Committed
Standby letters of credit (1)	\$49,424
Guarantees (2).....	12,900
Surety bonds (3).....	15,090
Total financial commitments..	\$77,414

- (1) Approximately \$39 million of standby letters of credit serve as credit support for the Company's debt obligations in case of default. The remaining letters of credit serve as support for various insurance coverages. These standby letters of credit expire at various dates in 2002 and 2003 and are typically rolled over as required.
- (2) Represents a Company guarantee of 85 percent of certain loans outstanding for four chip mill facilities that provide chips to the Company's Jesup, GA mill.
- (3) Approximately \$12 million of this amount is for bonds posted by the Company to secure timber in the State of Washington. The remainder serves as collateral for the Company's Worker's Compensation self-insurance program.

The discussion below is presented to enhance the reader's understanding of Rayonier's ability to generate cash, its liquidity and its ability to satisfy rating agency and creditor requirements. This information includes two measures of financial results: Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), and Free Cash Flow. These measures are not defined by Generally Accepted Accounting Principles (GAAP). The discussion of EBITDA and Free Cash Flow is not intended to conflict with or change any of the GAAP disclosures described above, but to provide supplementary information that management deems to be relevant to analysts, investors and creditors. EBITDA and Free Cash Flow as defined may not be comparable to similarly titled measures reported by other companies.

EBITDA is defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes, depreciation, depletion, amortization and the non-cash cost of land sales. In 2001, EBITDA was \$339 million or \$12.27 per share, a decrease of \$54 million or \$1.92 per share from 2000. The decrease was primarily due to lower cash operating income generated in the Performance Fibers segment and to a lesser degree in the Timber and Land segment. In 2000, EBITDA was \$393 million or \$14.19 per share, an increase of \$140 million or \$5.21 per share from 1999. The increase was primarily due to higher

income, resulting from Timber sales related to the 1999 timberland acquisition, stronger Land sales, as well as higher Performance Fibers income.

Below is a reconciliation of Net income to EBITDA for the three-year period ended December 31, 2001 (in millions except per share amounts):

	2001	Per Share	2000	Per Share	1999	Per Share
	-----	-----	-----	-----	-----	-----
Net income.....	\$ 57.6	\$ 2.09	\$ 78.2	\$ 2.82	\$ 68.7	\$2.44
Add: Income tax expense.....	25.0	0.90	30.5	1.10	29.5	1.05
Interest expense.....	69.1	2.50	85.8	3.10	42.2	1.50
Depreciation, depletion & amortization....	177.1	6.42	176.9	6.38	105.4	3.73
Non-cash cost of land sales.....	10.0	0.36	14.3	0.52	7.4	0.26
Gain on sale of joint venture.....	--	--	(7.6)	(0.27)	--	--
Provision for dispositions.....	--	--	15.0	0.54	--	--
	-----	-----	-----	-----	-----	-----
EBITDA.....	\$338.8	\$12.27	\$393.1	\$14.19	\$253.2	\$8.98
	=====	=====	=====	=====	=====	=====

The most restrictive long-term debt covenants in effect for Rayonier at December 31, 2001, provided that the ratio of total debt to EBITDA not exceed 4.0 to 1 and EBITDA to consolidated interest expense not be less than 2.5 to 1 at the end of 2001. As of December 31, 2001, the ratios were 2.5 to 1 and 4.9 to 1, respectively. The most restrictive long-term debt covenants in effect for Rayonier Timberlands Operating Company (RTOC) provided that the ratio of consolidated cash flow available for fixed charges to consolidated fixed charges not be less than 1.6 to 1 through December 31, 2001, and not less than 1.65 to 1 thereafter. Additionally, the ratio of consolidated total debt to consolidated cash flow available for fixed charges may not exceed 4.5 to 1 through December 31, 2001, and may not exceed 4.25 to 1 each quarter end thereafter. As of December 31, 2001, the ratios were 2.6 to 1 and 2.9 to 1, respectively. In addition to the covenants listed above, the revolving credit agreements include customary covenants that limit the incurrence of debt, the disposition of assets and the making of restricted payments between RTOC and Rayonier. The Company is currently in compliance with all of these covenants.

Free Cash Flow is defined as EBITDA plus or minus significant non-recurring items, changes in working capital and long-term assets and liabilities, plus proceeds from exercise of employee stock options, less income taxes, interest expense, custodial capital spending, prior year dividend levels and the non-cash costs of land sales. Rayonier defines custodial capital spending as capital expenditures required to maintain our current earnings level over the cycle and to keep facilities and equipment in safe and reliable condition as well as in compliance with regulatory requirements. Free Cash Flow decreased \$66 million to \$139 million in 2001 primarily as a result of lower EBITDA and unfavorable working capital changes partly offset by lower interest expense.

Below is a reconciliation of Cash Provided by Operating Activities to Free Cash Flow for the three-year period ended December 31, 2001 (in millions except per share amounts):

	2001	2000	1999
	-----	-----	-----
Cash provided by operating activities.....	\$241.3	\$278.9	\$213.4
Decrease/(increase) in timber purchase agreements and other assets.	(7.1)	9.8	9.3
Custodial capital spending, net.....	(63.7)	(68.4)	(67.2)
Proceeds from sale of joint venture.....	--	14.6	--
Dividends at prior year level.....	(39.2)	(35.1)	(34.3)
Exercise of employee stock options.....	11.6	2.6	5.5
Decrease/(increase) in cash and short-term investments.....	(4.3)	2.4	(5.6)
	-----	-----	-----
Free Cash Flow.....	\$138.6	\$204.8	\$121.1
	=====	=====	=====
Free Cash Flow per share.....	\$ 5.02	\$ 7.39	\$ 4.30
	=====	=====	=====

Free Cash Flow is available to invest in discretionary capital spending, pay dividends above the prior year level, repurchase the Company's common shares and reduce debt.

In 2001, capital expenditures of \$77 million included \$64 million of custodial capital spending, of which \$4 million was for environmental spending. The remaining 2001 spending of \$13 million was for discretionary capital spending principally for our NovaThin(R) line of engineered absorbent products. Rayonier expects to invest approximately \$90 million in capital projects for each of the two years ended 2002 and 2003. Capital projects include profit improvement, custodial capital, timberlands reforestation and various projects to comply with new environmental laws and requirements. As new environmental regulations are promulgated, additional capital spending may be required to ensure continued compliance. See also Environmental Regulation.

In 1996, Rayonier began a Common Share repurchase program to minimize the dilutive effect on earnings per share of its employee incentive stock plans. This program limits the number of shares that may be repurchased each year to the greater of 1.5 percent of our outstanding shares or the number of incentive shares actually issued to employees during the year. In October 1998, the Board authorized the repurchase of an additional one million shares through December 31, 2000. In October 2000, the Board authorized the repurchase of an additional one million shares. These share repurchases were authorized in addition to the 1.5 percent of outstanding shares normally repurchased each year. Below is a table of share repurchases for the past three years:

	2001	2000	1999
	-----	-----	-----
Shares repurchased.....	52,900	433,000	551,867
Cost of repurchased shares (in thousands) \$	2,031	\$ 17,624	\$ 23,791
Average cost per share.....	\$ 38.39	\$ 40.70	\$ 43.11

Rayonier has revolving credit agreements with a group of banks that provide unsecured credit facilities totaling \$225 million. In November of 2002, \$55 million of the facility expires, and the remaining \$170 million expires in November of 2004. The revolving credit facilities are used for direct borrowings. In the past, these facilities were also used as support for the Company's commercial paper program. As of December 31, 2001, Rayonier had \$225 million of available borrowings under its revolving credit facilities. Approximately \$83 million of the borrowings is expected to be available to refinance 7.5% debentures and short-term bank loans that are due in 2002. In connection with the financing of the 1999 major timberland acquisition, RTOC entered into an agreement with a group of banks that provided RTOC with revolving credit facilities totaling \$75 million that expire in 2004. As of December 31, 2001, RTOC had \$70 million of available borrowings under its revolving credit facilities. In addition, Rayonier has on file with the Securities and Exchange Commission shelf registration statements to offer \$150 million of new public debt securities. Management believes that internally generated funds, combined with available external financing as described above, will enable Rayonier to fund capital expenditures, dividends, share repurchases, working capital, and other liquidity needs for the foreseeable future.

In February 2002, Standard & Poor's revised its outlook on the Company to stable from negative and re-affirmed their triple-'B'-minus rating on the Company's long-term debt. In addition, they withdrew their 'A-3' short-term debt rating on the Company's commercial paper program at the Company's request, as the program is currently inactive due to the focus on debt reduction.

Critical Accounting Policies

The preparation of Rayonier's financial statements requires the Company to make estimates, assumptions and judgements that affect the assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities reported in this Annual Report on Form 10-K. The Company bases these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information it believes are reasonable. Actual results may differ from these estimates under different conditions.

In response to the Securities and Exchange Commission's encouragement to discuss the Company's most critical accounting policies, those that are "both very important to the portrayal of the Company's financial condition and results, and requires management's most difficult, subjective or complex judgements," we offer the

following. This analysis is deemed preliminary as specific guidelines, regulations or framework have not been published or identified.

Merchantable inventory and depletion costs as determined by forestry timber harvest models

Significant assumptions and estimations are used in the recording of timberland inventory cost and depletion. Rayonier employs a forestry technical services group at each of its timberland management locations. Merchantable standing timber inventory is estimated annually, using industry-standard computer software. The inventory calculation takes into account growth, in-growth (annual transfer of oldest pre-merchantable age class into the merchantable inventory), timberland sales and the annual harvest specific to each business unit. An annual business unit depletion rate is established by dividing merchantable inventory book cost by standing merchantable inventory. Pre-merchantable records are maintained for each planted year age class, recording acres planted, stems per acre, and costs of planting and tending. Changes in the assumptions and/or estimations used in these calculations may affect the Company's results, in particular, timber inventory and depletion costs.

Depreciation of long-lived assets as specifically affected by economic obsolescence

The Company depreciates its assets using the units of production and the straight-line methods over the useful economic lives of the assets involved. Management believes these depreciation methods are appropriate in the circumstances and more closely match revenues with expenses versus other generally accepted accounting methods. Long-lived assets are periodically reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. The physical life of equipment, however, may be shortened by economic obsolescence caused by environmental regulation, competition and other causes.

Environmental costs associated with discontinued operations

Rayonier has significant liabilities recorded for environmental costs relating to past dispositions and discontinued operations that span approximately 25 years into the future. Significant estimates are used in determining the proper value of these obligations at a given point in time, especially due to the long-term nature of the obligations. Factors affecting these estimates include, but are not limited to, technological and regulatory changes, results from on-going work and management's judgement. Management periodically reviews its environmental liabilities for technological and regulatory changes. A material change in an estimate in any given period could have a favorable or unfavorable effect on the results of the Company's operations.

Determining the adequacy of pension assets and liabilities

Numerous estimates and assumptions are required to determine the proper amount of pension and postretirement liabilities to record in the Company's financial statements. These include discount rate, return on assets, salary increases, health care cost trends, longevity and service lives of employees. Although there is authoritative guidance on how to select these assumptions, the Company's management and its actuary exercise some degree of judgement when selecting these assumptions. Selecting different assumptions, as well as actual versus expected results, would change the net periodic benefit cost and funded status of the benefit plans recognized in the financial statements.

Realizability of both recorded and unrecorded tax assets and liabilities

The Company has recorded certain deferred tax assets that management believes will be realized in future periods. These assets are reviewed periodically in order to assess their realizability. This review requires management to make assumptions and estimates about future profitability affecting the realization of these tax benefits. If the review indicated that the realizability may be less than likely, a valuation allowance would be made at that time.

In addition, the Company has not provided taxes on approximately \$69 million of undistributed foreign earnings as the Company intends to reinvest such earnings in the future. This assumption is reviewed periodically to ensure that any changes in the Company's ability to reinvest these earnings will be properly disclosed and accounted for.

New Accounting Standards

In July 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This statement requires entities to record a legal obligation associated with the retirement of a tangible long-lived asset in the period in which it is incurred. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company will adopt the standard effective January 1, 2003, and is currently assessing the impact on its operations.

Environmental Regulation

Rayonier is subject to stringent environmental laws and regulations concerning air emissions, water discharges and water disposal. Such environmental laws and regulations include the Federal Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. Management closely monitors all of its environmental responsibilities, together with trends in environmental laws and believes that the Company is in substantial compliance with current environmental requirements. It is the opinion of management that substantial expenditures over the next 10 years will be required in the area of environmental compliance. During 2001, 2000, and 1999, Rayonier spent approximately \$4 million, \$4 million and \$3 million, respectively, for capital projects related to environmental compliance for ongoing operations. During the two-year period 2002-2003, Rayonier expects to spend approximately \$17 million on such capital projects.

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

Federal, state and local laws and regulations intended to protect threatened and endangered species, as well as wetlands and waterways, limit and may prevent timber harvesting, road building and other activities on private lands. A portion of the Company's timberlands is subject to some level of harvest restrictions. Over the past several years, the harvest of timber from the Company's timberlands in the state of Washington has been restricted as a result of the listing of the northern spotted owl, the marbled murrelet and several species of salmon and trout as threatened species under the Endangered Species Act. In 1999, the timber industry and federal, state, local and tribal governments, entered into an agreement, known as the Forests and Fish Report. The Washington Forest Practices Board has adopted rules implementing the Forests and Fish Report which further restrict timber harvest within buffers along streams with fish habitat. All of these restrictions have caused Rayonier to restructure and reschedule some of its harvest plans and have reduced the total acreage and volume of timber available for harvest. These restrictions have not had a material impact on Rayonier's annual harvest volumes, and Rayonier has made changes to its long-term harvest plan to compensate for these restrictions.

Rayonier currently estimates that expenditures during 2002-2003 for environmental remediation and monitoring costs for all dispositions and discontinued operations will total approximately \$26 million. Such costs, including monitoring and remediation costs, will be charged against our reserves for estimated environmental obligations that we believe are sufficient for costs expected to be incurred over the next 25-30 years with respect to dispositions and discontinued operations. At December 31, 2001, these reserves totaled approximately \$169 million. The actual future environmental costs are dependent on the outcome of negotiations with federal and state agencies and may also be affected by new laws, regulations and administrative interpretations, and changes in environmental remediation technology. Based on information currently available, management does not believe that any future changes in estimates would materially affect Rayonier's consolidated financial position or results of operations.

Market and Other Economic Risks

Rayonier is exposed to various market risks, including changes in commodity prices, interest rates and foreign currency exchange rates. Our intent is to minimize the economic impact of these market risks. Derivatives are used, as noted below, in accordance with policies and procedures approved by the Board of Directors and are managed by a senior executive committee whose responsibilities include initiating, managing and monitoring resulting exposures. Rayonier does not enter into financial instruments for trading purposes.

Most of Rayonier's revenues and expenses are U.S. dollar-denominated. However, the Company does have some risk within its New Zealand operation related to foreign currency pricing and costs. Periodically, the Company enters into foreign currency forward contracts to hedge the risks of foreign currency fluctuations and commodity forward contracts to fix certain energy costs. At December 31, 2001, the Company held foreign currency contracts maturing through May 2002 totaling \$4.6 million and natural gas forward contracts maturing through February 2002, totaling \$0.5 million. The fair value of outstanding foreign currency contracts, at year-end, was an asset of approximately \$0.1 million. Market risk resulting from a hypothetical 4-cent change in the New Zealand dollar/U.S. dollar exchange rate amounts to an approximate change of \$0.4 million pre-tax income/loss.

Cyclical pricing of commodity market paper pulp ultimately influences Performance Fibers prices, particularly in the Company's Absorbent Materials business unit. However, since Rayonier is a non-integrated producer of specialized Performance Fibers for non-papermaking end uses, its high-value product mix tends to lag (on both the upturn and downturn) commodity paper pulp prices and its peaks and valleys are less severe.

Rayonier periodically enters into interest rate swap agreements to manage its exposure to interest rate changes, or in back-to-back arrangements at the time debt is issued in order to cost effectively place the debt. These swaps involve the exchange of fixed and variable interest rate payments without exchanging principal amounts. At December 31, 2001, there were no interest rate swap agreements outstanding.

The fair market value of long-term fixed interest rate debt is subject to interest rate risk; however, Rayonier intends to hold most of its debt until maturity. Occasionally, callable bonds will be refinanced at the Company's option if favorable economic conditions exist. Generally, the fair market value of fixed-interest-rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of our fixed-rate debt at December 31, 2001, was \$675 million compared to \$651 million in carrying value. A one-percentage point decrease in prevailing interest rates at December 31, 2001, would result in an increase in the fair value of our fixed-rate debt of approximately \$0.7 million.

Safe Harbor

Comments about market trends, anticipated earnings, expected pricing levels, projected capital spending levels and the Company's ability to meet future capital needs, sufficiency of reserves, availability of tax deductions and future activities, such as land sales, timberland purchases, timber harvests and manufacturing production levels, are forward-looking and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements: changes in global market trends and world events that could impact customer demand; interest rate and currency movements; fluctuations in demand for cellulose specialties, absorbent materials, timber and wood products; adverse weather conditions; changes in production costs for wood products and performance fibers, particularly for raw materials such as wood, energy and chemicals; unexpected delays in the closing of land sale transactions; and implementation or revision of governmental policies and regulations affecting the environment, import and export controls and taxes.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements on page ii.

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

On March 15, 2002, the Board of Directors of Rayonier Inc., upon the recommendation of the Audit Committee, rescinded the appointment of Arthur Andersen LLP ("Andersen") as independent auditors for 2002, given the current circumstances surrounding Andersen. The Audit Committee is currently evaluating the appointment of an independent auditor for 2002 and will act expeditiously in making a recommendation to the Board of Directors. In the interim, the Board of Directors has authorized management to engage Andersen as needed on a special appointment basis to continue to provide independent auditing services.

Andersen's reports on the Company's consolidated financial statements for each of the years ended 2001, 2000 and 1999 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended December 31, 2001, 2000, 1999 and through the date of this filing, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Andersen, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their report.

None of the reportable events described under Item 304(a)(1)(v) of Regulation S-K occurred within Rayonier's three most recent fiscal years and the subsequent interim period through March 20, 2002.

The Company provided Andersen with a copy of the above disclosures. Filed herewith as Exhibit 16 is a copy of Andersen's letter, dated March 20, 2002, stating its agreement with such statements. Also filed herewith as Exhibit 99 is a letter dated March 20, 2002, from the Company to the Securities and Exchange Commission detailing certain quality assurances that Andersen provided to the Company in a letter dated March 15, 2002.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

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

Item 11. EXECUTIVE COMPENSATION

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

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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

1. See Index to Financial Statements on page ii for a list of the financial statements filed as part of this report.
2. See Schedule II--Valuation and Qualifying Accounts. All other financial statement schedules have been omitted because they are not applicable, the required matter is not present or the required information has been otherwise supplied in the financial statements or the notes thereto.
3. See Exhibit Index on pages B, C, D, and E for a list of the exhibits filed or incorporated herein as part of this report.

(b) Reports on Form 8-K:

None

REPORT OF MANAGEMENT

To Our Shareholders:

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

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

W. L. NUTTER
Chairman, President and
Chief Executive Officer

GERALD J. POLLACK
Senior Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of Rayonier Inc:

We have audited the accompanying consolidated financial statements of Rayonier Inc. (a North Carolina corporation) and subsidiaries as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001, as described in the Index to Financial Statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rayonier Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Schedule II--Valuation and Qualifying Accounts is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Jacksonville, Florida
January 18, 2002

RAYONIER INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

For the Years Ended December 31,

(Thousands of dollars, except per share data)

	2001	2000	1999
	-----	-----	-----
SALES.....	\$1,164,913	\$1,226,878	\$1,108,035
	-----	-----	-----
Costs and Expenses			
Cost of sales.....	982,550	991,817	939,260
Selling and general expenses.....	36,298	31,213	39,644
Other operating income, net.....	(3,709)	(707)	(6,599)
Provision for dispositions.....	--	15,044	--
	-----	-----	-----
	1,015,139	1,037,367	972,305
	-----	-----	-----
OPERATING INCOME.....	149,774	189,511	135,730
Interest expense.....	(69,083)	(85,753)	(42,193)
Interest and miscellaneous income (expense), net.....	1,871	(2,687)	(3,163)
Gains from sales of assets.....	--	7,574	7,746
	-----	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES.....	82,562	108,645	98,120
Provision for income taxes.....	(24,964)	(30,458)	(29,467)
	-----	-----	-----
NET INCOME.....	57,598	78,187	68,653
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain on hedged transactions, net of income tax expense of \$4.....	7	--	--
Minimum pension liability adjustments, net of income tax benefit of \$416.....	(709)	--	--
	-----	-----	-----
COMPREHENSIVE INCOME.....	\$ 56,896	\$ 78,187	\$ 68,653
	=====	=====	=====
NET INCOME PER COMMON SHARE			
BASIC EPS.....	\$ 2.12	\$ 2.87	\$ 2.48
	=====	=====	=====
DILUTED EPS.....	\$ 2.09	\$ 2.82	\$ 2.44
	=====	=====	=====

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

RAYONIER INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31,

(Thousands of dollars)

ASSETS

	2001	2000
	-----	-----
CURRENT ASSETS		
Cash and short-term investments.....	\$ 14,123	\$ 9,824
Accounts receivable, less allowance for doubtful accounts of \$3,392 and \$3,969..	101,480	117,114
Inventory.....	91,010	97,106
Timber purchase agreements.....	18,996	33,775
Other current assets.....	9,451	12,779
	-----	-----
Total current assets.....	235,060	270,598
	-----	-----
OTHER ASSETS.....	72,328	63,129
TIMBER PURCHASE AGREEMENTS.....	5,120	6,335
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION.....	1,131,723	1,192,388
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment..	1,371,550	1,360,296
Less--accumulated depreciation.....	790,769	730,472
	-----	-----
	580,781	629,824
	-----	-----
	\$2,025,012	\$2,162,274
	=====	=====

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

RAYONIER INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31,

(Thousands of dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY

	2001	2000
	-----	-----
CURRENT LIABILITIES		
Accounts payable.....	\$ 65,247	\$ 87,401
Bank loans and current maturities.....	7,600	2,565
Accrued taxes.....	13,606	10,314
Accrued payroll and benefits.....	14,471	27,756
Accrued interest.....	6,391	11,745
Accrued customer incentives.....	12,935	18,163
Other current liabilities.....	17,360	22,389
Current reserves for dispositions and discontinued operations.....	15,310	15,434
	-----	-----
Total current liabilities.....	152,920	195,767
	-----	-----
DEFERRED INCOME TAXES.....	131,723	130,333
LONG-TERM DEBT.....	842,205	970,415
NON-CURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS.....	153,394	161,465
OTHER NON-CURRENT LIABILITIES.....	35,976	24,193
SHAREHOLDERS' EQUITY		
Common Shares, 60,000,000 shares authorized, 27,345,395 and 27,104,462 shares issued and outstanding.....	59,721	48,717
Retained earnings.....	649,775	631,384
Accumulated other comprehensive income (loss).....	(702)	--
	-----	-----
	708,794	680,101
	-----	-----
	\$2,025,012	\$2,162,274
	=====	=====

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

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

For the Years Ended December 31,

(Thousands of dollars)

	2001	2000	1999
	-----	-----	-----
OPERATING ACTIVITIES			
Net income.....	\$ 57,598	\$ 78,187	\$ 68,653
Non-cash items included in income			
Depreciation, depletion and amortization.....	177,124	176,913	105,425
Deferred income taxes.....	(1,227)	12,674	2,768
Gain on sale of joint venture.....	--	(7,574)	--
Non-cash cost of land sales.....	10,013	14,316	7,359
Reserves for dispositions.....	--	15,044	--
Increase (decrease) in other non-current liabilities.....	8,874	(133)	(1,894)
Change in accounts receivable, inventory and accounts payable.....	(755)	5,055	14,926
Decrease (increase) in current timber purchase agreements.....	14,779	(3,298)	5,299
Decrease (increase) in other current assets.....	3,328	(1,672)	2,086
(Decrease) increase in accrued liabilities.....	(23,310)	(4,951)	16,959
Expenditures for dispositions and discontinued operations, net of tax benefits of \$3,033, \$3,344 and \$4,701.....	(5,162)	(5,622)	(8,133)
	-----	-----	-----
CASH PROVIDED BY OPERATING ACTIVITIES.....	241,262	278,939	213,448
	-----	-----	-----
INVESTING ACTIVITIES			
Capital expenditures, net of sales and retirements of \$491, \$1,124 and \$1,624.....	(76,964)	(88,387)	(92,969)
Acquisition of Smurfit timberlands.....	--	--	(231,436)
Proceeds from the sale of joint venture, net of cash costs.....	--	14,550	--
Change in timber purchase agreements and other assets.....	(7,147)	9,832	9,344
	-----	-----	-----
CASH USED FOR INVESTING ACTIVITIES.....	(84,111)	(64,005)	(315,061)
	-----	-----	-----
FINANCING ACTIVITIES			
Issuance of debt.....	159,000	266,172	352,971
Repayment of debt.....	(282,175)	(429,370)	(191,737)
Dividends paid.....	(39,207)	(39,185)	(35,669)
Repurchase of Common Shares.....	(2,031)	(17,624)	(23,791)
Issuance of Common Shares.....	11,561	2,632	5,469
	-----	-----	-----
CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES.....	(152,852)	(217,375)	107,243
	-----	-----	-----
CASH AND SHORT TERM INVESTMENTS			
Increase (decrease) in cash and short-term investments.....	4,299	(2,441)	5,630
Balance, beginning of year.....	9,824	12,265	6,635
	-----	-----	-----
Balance, end of year.....	\$ 14,123	\$ 9,824	\$ 12,265
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year:			
Interest.....	\$ 72,637	\$ 85,167	\$ 37,529
	=====	=====	=====
Income taxes.....	\$ 19,299	\$ 18,802	\$ 17,152
	=====	=====	=====
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Acquisition of Smurfit timberlands.....	--	--	\$ 485,000
Issuance of installment notes.....	--	--	\$ 485,000

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

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands unless otherwise stated)

1. NATURE OF BUSINESS OPERATIONS

Rayonier Inc. (Rayonier or the Company) operates in three reportable segments under Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information, Performance Fibers, Timber and Land, and Wood Products and Trading. The Performance Fibers segment includes two business units: Cellulose Specialties and Absorbent Materials. The Timber and Land segment includes two business units, Timber and Land.

Performance Fibers

Rayonier is a leading manufacturer of high-performance cellulose fibers. The Company owns and operates fiber production facilities at Jesup, GA, and Fernandina Beach, FL, with a combined annual capacity of approximately 720,000 metric tons. These fiber products are sold throughout the world to industrial companies that produce a wide variety of products. Approximately two-thirds of Rayonier's performance fiber sales are to export customers, primarily in Asia, Europe and Latin America. The Performance Fibers segment includes two business units: Cellulose Specialties and Absorbent Materials.

Cellulose Specialties--Rayonier is one of the world's leading producers of specialty cellulose products, most of which are used in dissolving chemical applications that require a highly purified form of cellulose fiber. Rayonier concentrates on producing the most highly valued, technologically demanding forms of cellulose specialty products, such as cellulose acetate and high-purity cellulose ethers, and is a leading supplier of these products.

Absorbent Materials--Rayonier is a major supplier of performance fibers for absorbent hygiene products. These fibers are typically referred to as fluff fibers and are used as an absorbent medium in products such as disposable baby diapers, feminine hygiene products, incontinence pads, convalescent bed pads, industrial towels and wipes and non-woven fabrics.

Timber and Land

The Timber and Land segment includes two business units: Timber and Land.

Timber--Rayonier owns, leases or controls approximately 2.3 million acres of timberlands in the U.S. and New Zealand. The Company manages timberlands and sells standing timber to third parties.

Land--Rayonier invests in timberlands seeking to maximize its returns from a full cycle of ownership. The end cycle includes selling portions of its land base to capture the appreciated value of the underlying asset. This program includes selling general timberland for others to manage and harvest, and selling higher and better use (HBU) real estate properties more valuable for commercial development, residential development and conservation purposes.

Wood Products and Trading

Rayonier is a leading exporter, trader and manufacturer of softwood logs, lumber and wood panel products. The Company manufactures and sells dimension and specialty lumber and medium-density-fiberboard (MDF) products. Rayonier operates three lumber manufacturing facilities in the U.S. and an MDF facility in New Zealand. The Company purchases and harvests timber, sells logs and purchases wood products for resale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Rayonier and its subsidiaries. All significant intercompany balances and transactions are eliminated. All subsidiaries are consolidated for financial reporting purposes. For income tax purposes, several foreign subsidiaries are taxed in foreign jurisdictions and are not included in the consolidated tax return filed in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires the use of certain estimates by management (e.g., useful economic lives of assets) in determining the amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. There are risks inherent in estimating, and therefore, actual results could differ from those estimates. See also - Critical Accounting Policies in Part II, Item 7, of the Management's Discussion and Analysis.

New Accounting Standards

In July 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This statement requires entities to record a legal obligation associated with the retirement of a tangible long-lived asset in the period in which it is incurred. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company will adopt the standard effective January 1, 2003, and is currently assessing the impact on its operations.

Cash and Short-Term Investments

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

Inventory

Inventories are valued at the lower of cost or market. The cost of manufactured performance fibers and MDF products are determined on the first-in, first-out (FIFO) basis. Other products are valued on an average cost basis. Inventory costs include material, labor and manufacturing overhead. Physical counts of inventories are taken at least annually. The provision for potential losses from obsolete, excess or slow-moving inventories is reviewed periodically.

HBU real estate properties that are expected to be sold within one year are included in inventory. HBU real estate properties that are expected to be sold after one year are included in "Other Assets."

Timber Purchase Agreements and Timber-Cutting Contracts

Rayonier purchases timber for use in its Performance Fibers and Wood Products and Trading businesses. Timber that will be harvested within one year of the balance sheet date is classified as a current asset with the remainder classified as a non-current asset. Rayonier evaluates the realizability of timber purchases and timber-cutting contracts based on the estimated aggregate purchase price and harvesting cost of such timber and the sales values to be realized. Losses are recorded in the period that a determination is made that the aggregate costs in a major operating area will not be fully recoverable.

Timber and Land

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

Property, Plant, Equipment and Depreciation

Property, plant and equipment additions are recorded at cost, including applicable freight, taxes, interest, construction and installation costs. Interest capitalized in connection with major construction projects was \$0 for 2001 and 2000 and \$314 for 1999. Pulp mill assets are accounted for using the composite method. Upon ordinary retirement or sale of property, accumulated depreciation is charged with the cost of the property removed, and credited with the proceeds of salvage value, with no gain or loss recognized. Gains and losses with respect to any significant and unusual retirements of assets and all other assets not accounted for under the composite method are included in operating income.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

The Company depreciates its assets using units of production and straight-line depreciation methods. At its Performance Fibers and MDF manufacturing facilities, the units of production method is used for all assets except office, lab, and transportation equipment. These assets are depreciated using the straight-line method over their useful economic lives. In addition, all of the assets at the Company's sawmills are depreciated using the straight-line method over the useful economic lives of the assets involved. Rayonier normally claims the maximum depreciation deduction allowable for tax purposes.

Routine repair and maintenance costs are expensed as incurred. Costs associated with planned major maintenance activities, generally requiring a plant shutdown, are accrued pro rata in the year of the shutdown.

Revenue Recognition

Revenue from domestic sales of Performance Fibers products is recorded when goods are shipped and title passes. Foreign sales are recorded when the customer or agent receives the goods and title passes. Sale of timber is recorded when title passes to the buyer. Timber sales are sold either "lump-sum" with title passing immediately or "pay-as-cut" with title passing when the purchaser harvests the timber. Revenues from "pay-as-cut" sales are based on actual harvest volumes multiplied by contractually agreed upon prices. Land sales are recorded when title passes and when payment or substantial down payment is received.

Environmental Costs

Rayonier expenses environmental costs related to on-going businesses resulting from current operations. Expenditures that meaningfully extend the life or increase the efficiency of operating assets are capitalized. The Company accrues environmental obligations related to past activities or discontinued operations from which no current or future benefit is discernible. These obligations span 25 years into the future and require significant estimates to determine the proper value at any given point in time. Management periodically reviews and adjusts these estimates based on technological, regulatory or other changes that may affect them.

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

Research and Development

Research and development efforts are directed primarily at the development of new and improved cellulose fiber grades and related products, improved manufacturing efficiency, reduction of energy needs, improved product quality and development, and improved environmental controls. Research activities related to timberland operations include genetic tree improvement programs as well as applied silviculture programs to identify management practices that improve financial returns from timberland assets.

Foreign Currency Translation

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

Income Taxes

Deferred income taxes are provided using the liability method under the provisions of SFAS No. 109, Accounting for Income Taxes. Income taxes on foreign operations are provided based upon the statutory tax rates of the applicable foreign country. U.S. income taxes have not been provided on earnings that the Company intends to permanently reinvest overseas.

Pension and Postretirement Benefits

Rayonier records pension and postretirement costs and liabilities, including an additional minimum liability in accordance with SFAS No. 87, Employers' Accounting for Pensions, and SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. Numerous estimates and assumptions are required to record these costs and liabilities, including discount rate, return on assets, salary increases, health care cost trends, longevity and service lives of employees. Management reviews and updates these assumptions periodically. In addition, in the Notes to Financial Statements, the Company provides the disclosures required by SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits.

Reclassifications

Certain 2000 and 1999 amounts have been reclassified to agree with the current year presentation. These changes had no effect on net income or earnings per share (EPS).

3. SEGMENT AND GEOGRAPHICAL INFORMATION

Rayonier operates in three reportable segments under SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information: Performance Fibers, Timber and Land (previously titled Timberland Management), and Wood Products and Trading. The 1999 segment information has been reclassified to agree with the segment presentation changes made in 2000 and 2001.

The accounting policies of all operating segments are the same as those described in the Summary of Significant Accounting Policies. Sales between operating segments are made based on fair market value and intercompany profit or loss is eliminated in consolidation. The Company evaluates financial performance based on the operating income of the segments.

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

Operating income (loss) as stated in the following table and as presented in the Statements of Consolidated Income is equal to segment income (loss). The income (loss) items below "Operating income" in the Statements of Consolidated Income are not allocated to segments. These items, which include interest and miscellaneous income (expense), and income tax (expense) benefit, are not considered by Company management to be part of segment operations.

Segment information for each of the three years ended December 31, 2001, follows (in millions of dollars):

	Sales			Operating Income (Loss)		
	2001	2000	1999	2001	2000	1999
Performance Fibers.....	\$ 547	\$ 576	\$ 491	\$ 35	\$ 83	\$ 40
Timber and Land.....	281	280	177	145	152	116
Wood Products and Trading.....	358	401	462	(11)	(17)	(3)
Corporate, other, and eliminations (a)	(21)	(30)	(22)	(19)	(28)	(17)
Total.....	\$1,165	\$1,227	\$1,108	\$ 150	\$ 190	\$ 136

(a) Includes unallocated corporate expenses and intersegment eliminations.

	Gross Plant Additions (a)			Depreciation Depletion and Amortization			Identifiable Assets		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Performance Fibers.....	\$ 38	\$ 32	\$ 51	\$ 75	\$ 74	\$ 65	\$ 576	\$ 643	\$ 670
Timber and Land.....	37	47	29	89	89	29	1,183	1,243	1,409
Wood Products and Trading	2	9	14	13	13	10	206	234	163
Corporate and other.....	--	2	1	--	1	1	50	32	23
Dispositions.....	--	--	--	--	--	--	10	10	15
Total.....	\$ 77	\$ 90	\$ 95	\$ 177	\$ 177	\$ 105	\$ 2,025	\$ 2,162	\$ 2,280

(a) Custodial capital spending was \$64 million, \$70 million and \$69 million in 2001, 2000 and 1999, respectively. Custodial capital spending is defined as capital expenditures to maintain current earnings level over the cycle and to keep facilities and equipment in safe and reliable condition and to comply with regulatory requirements.

Geographical Operating Information

Information by geographical operating area for each of the three years ended December 31, 2001, is as follows (in millions of dollars):

	Sales			Operating Income/(Loss)			Identifiable Assets		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
United States	\$1,012	\$1,063	\$ 946	\$145	\$189	\$144	\$1,717	\$1,852	\$1,940
New Zealand..	113	115	106	5	(1)	(7)	282	300	326
All other....	40	49	56	--	2	(1)	26	10	14
Total.....	\$1,165	\$1,227	\$1,108	\$150	\$190	\$136	\$2,025	\$2,162	\$2,280

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

Rayonier's sales for the three years ended December 31, 2001, are as follows (in millions of dollars):

Sales by Destination						
	2001		2000		1999	
United States	\$ 656	56%	\$ 662	54%	\$ 590	54%
Europe.....	126	11%	107	9%	101	9%
Japan.....	116	10%	135	11%	135	12%
China.....	81	7%	86	7%	56	5%
Other Asia...	97	8%	124	10%	125	11%
Latin America	45	4%	66	5%	66	6%
Canada.....	34	3%	34	3%	21	2%
All other....	10	1%	13	1%	14	1%
Total.....	\$1,165	100%	\$1,227	100%	\$1,108	100%

The majority of sales to foreign countries are denominated in U. S. dollars.

4. FINANCIAL INSTRUMENTS

The Company is exposed to various market risks, including changes in commodity prices, interest rates and foreign exchange rates. The Company's objective is to minimize the economic impact of these market risks. Derivatives are used, as noted below, in accordance with policies and procedures approved by the Board of Directors and are managed by a senior executive committee, whose responsibilities include initiating, managing and monitoring resulting exposures. The Company does not enter into such financial instruments for trading purposes.

The Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, on January 1, 2001. SFAS No. 133 requires that all derivative financial instruments such as interest rate swap contracts and foreign exchange contracts be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. The adoption did not have a material impact on the Company's consolidated financial position or results of operations. Transactions that provide for the forward purchase or sale of raw materials are not included in the financial statements until physical delivery of the product, as these transactions are done in the normal course of business and qualify for treatment as normal purchases and sales under SFAS No. 133.

Foreign Currency Forward Contracts

In the Company's New Zealand timber operations and at the New Zealand MDF manufacturing facility, normal operating expenses include contractor and license fees, care and maintenance of timberlands, salaries and wages, wood purchases and other production costs incurred. Rayonier hedges U.S./New Zealand dollar currency rate risk with respect to these New Zealand dollar operating expenditures (cash flow hedging).

On September 1, 2001, the Company designated its New Zealand dollar forward contracts as cash flow hedges of certain forecasted New Zealand dollar cash outflows. Prior to this date, the Company marked the contracts to market and recorded the resulting gain or loss in the Statements of Consolidated Income. After the designation on September 1, 2001, changes in the fair value of the forward contracts were deferred and recorded as part of "Accumulated other comprehensive income (loss) (AOCI)." When the forecasted transaction comes to fruition and is recorded, amounts in AOCI are reclassified to the Statements of Consolidated Income. The change in the forward instruments' overall fair value attributable to time value is excluded from the measurement of the

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

derivatives' effectiveness, and those changes are recognized in earnings throughout the life of the contract. These amounts are recorded on the line entitled "Interest and miscellaneous income (expense), net" in the Statements of Consolidated Income.

At September 30, 2001 quarter end, the Company recorded an increase to current liabilities and a charge to accumulated other comprehensive income (loss) of \$209 after tax reflecting unrealized losses on the forward contracts. At December 31, 2001, changes in the fair value of the forward contracts resulted in net after-tax gains of \$216 and an unrealized after-tax gain of \$7 was recorded in accumulated other comprehensive income (loss). In 2001, the gains and losses representing the change in the forward contracts' time value, which is ignored for purposes of measuring the contracts' effectiveness, were insignificant.

The maximum foreign currency forward contracts outstanding at any point in time during 2001 and 2000 totaled \$17.7 million. At December 31, 2001, the Company held New Zealand foreign currency contracts maturing through May of 2002, totaling \$4.6 million.

Interest Rate Swap Agreements

Rayonier periodically uses interest rate swap agreements to manage exposure to interest rate fluctuations. Such agreements involve the exchange of fixed rate interest payments for floating rate interest payments over the life of the agreement without the exchange of any underlying principal amounts. Rayonier's credit exposure is limited to the fair value of the agreements, and the Company enters into agreements only with counterparties having a long-term bond rating of "A" or higher. The Company does not enter into interest rate swap agreements for trading or speculative purposes and matches the terms and contract notional amounts to existing debt or debt expected to be refinanced. At December 31, 2000, the Company had an interest rate swap agreement with a total notional value of \$5 million, which expired on February 23, 2001. There were no interest rate swap agreements outstanding at December 31, 2001.

Fair Value of Financial Instruments

At December 31, 2001, and 2000, the estimated fair values of Rayonier's financial instruments were as follows:

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Asset (liability).....				
Cash and short-term investments...	\$ 14,123	\$ 14,123	\$ 9,824	\$ 9,824
Debt.....	(849,805)	(873,662)	(972,980)	(1,067,485)
Foreign currency forward contracts	59	59	(392)	(392)
Interest rate swap agreements.....	--	--	--	(59)

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

Cash and short-term investments--The carrying amount is equal to fair market value.

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

Foreign currency forward contracts--The fair value of foreign currency forward contracts is based on dealer-quoted market prices of comparable instruments.

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

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

5. GAINS FROM SALES OF ASSETS

In December 2000, Rayonier sold its 25 percent interest in a New Zealand timberland joint venture for \$14.6 million, resulting in a gain of \$7.6 million. In October 1999, Rayonier sold a marine terminal and associated properties in Hoquiam, WA, to the Port of Grays Harbor for \$9.5 million, resulting in a gain of \$7.7 million.

6. CURRENT AND DEFERRED COSTS

Unamortized debt issuance costs of approximately \$6,707 and \$7,438 at December 31, 2001, and 2000, respectively, are included in "Other Assets." Approximately \$4,697 and \$5,862 of the year 2001 and 2000 balances, respectively, relate to the 1999 major timberland acquisition. Such costs are amortized to interest expense over the respective term of the debt instruments and totaled \$1,800, \$2,184 and \$529 in 2001, 2000 and 1999, respectively.

Software costs are capitalized and amortized over a period not exceeding 60 months. Deferred software costs included in "Other Assets," net of accumulated amortization, totaled \$7,732 and \$11,428 as of December 31, 2001, and 2000, respectively. Amortization expense was \$4,833, \$5,323 and \$4,248 in 2001, 2000 and 1999, respectively.

Research and development costs are expensed as incurred and aggregated \$9,309, \$10,252 and \$10,179 in 2001, 2000 and 1999, respectively.

7. MAJOR TIMBERLAND ACQUISITION

On October 25, 1999, Rayonier, through its subsidiary, Rayonier Timberlands Operating Company (RTOC), acquired approximately 968,000 owned and leased acres of timberland in Georgia, Florida and Alabama from Jefferson Smurfit Corporation (U.S.) (JSC) in a business combination accounted for by the purchase method. Under a Timber Cutting Agreement, the Company agreed to sell JSC 1.4 million tons of timber at prevailing market prices for 2000 and 2001. In late 2000, the Company and JSC amended the Agreement, whereby the volume sold was limited to the timber designated prior to September 5, 2000. The acquisition cost of \$716 million, allocated to timberlands and land held for resale, was financed by \$485 million in notes issued to JSC and \$231 million in cash borrowed under a bank credit facility. RTOC manages the timberlands and sells standing timber on an open-market basis.

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

8. INCOME TAXES

The provision for income taxes consists of the following:

	2001	2000	1999
	-----	-----	-----
Current			
U.S. federal...	\$16,974	\$14,516	\$20,200
State and local	759	636	1,004
Foreign.....	2,359	1,450	1,372
	-----	-----	-----
	20,092	16,602	22,576
	-----	-----	-----
Deferred			
U.S. federal...	4,877	13,987	10,582
State and local	376	1,272	902
Foreign.....	(381)	(1,403)	(4,593)
	-----	-----	-----
	4,872	13,856	6,891
	-----	-----	-----
Total.....	\$24,964	\$30,458	\$29,467
	=====	=====	=====

Deferred income taxes represent the tax effects related to recording revenues and expenses in different periods for financial reporting and tax return purposes. Deferred tax assets (liabilities) at December 31, 2001 and 2000 were related to the following principal temporary differences:

	2001	2000
	-----	-----
Accelerated depreciation and depletion.....	\$(150,600)	\$(154,990)
Reserves for dispositions and discontinued operations	41,811	35,837
Deferred gain on land sale.....	(11,678)	--
All other, net.....	(13,874)	(11,180)
	-----	-----
	\$(134,341)	\$(130,333)
	=====	=====

At December 31, 2001, the Company had New Zealand net operating loss carryforwards of \$24 million. In addition, \$1.4 million of foreign tax credit carryforwards and \$7.3 million in deferred tax assets were available to reduce future income taxes. Management believes that it will obtain the full benefit of the deferred tax assets based on its evaluation of the Company's anticipated profitability over the period of years that the temporary differences are expected to be tax deductible. The current portion of the deferred tax liability of \$2.6 million at December 31, 2001, is included in "Accrued taxes" in the accompanying Consolidated Balance Sheet.

The Company has not provided taxes on approximately \$69 million of undistributed foreign earnings, as the Company expects to reinvest such earnings in the future.

In 2001, the tax benefit of \$1.5 million related to the exercise of stock options was credited directly to shareholders' equity and is not included in the consolidated tax provision.

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

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

	2001	2000	1999
	-----	-----	-----
Income tax provision at U.S. statutory rate.....	\$28,897	\$38,026	\$34,342
State and local taxes, net of federal tax benefit.....	746	1,240	1,239
Foreign operations.....	(4,016)	1,438	(2,509)
Foreign sales corporations.....	(2,137)	(4,464)	(2,100)
Permanent differences.....	2,727	385	(1,465)
Reduction in tax reserves resulting from completion of tax audits	--	(4,979)	--
Research and development tax credits and other, net.....	(1,253)	(1,188)	(40)
	-----	-----	-----
Provision for income taxes--reported.....	\$24,964	\$30,458	\$29,467
	=====	=====	=====
Effective tax rate.....	30%	28%	30%
	=====	=====	=====

9. NET INCOME PER COMMON SHARE

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of outstanding stock options. In 2001, 604,970 exercisable stock options were excluded from the computation of diluted earnings per share due to their anti-dilutive effect. In 2000, 1,051,472 stock options were similarly excluded.

The following table provides details of the calculation of basic and diluted EPS for 2001, 2000, and 1999:

	2001	2000	1999
	-----	-----	-----
Net income.....	\$ 57,598	\$ 78,187	\$ 68,653
	=====	=====	=====
Shares used for determining basic EPS..	27,210,802	27,236,377	27,681,845
Dilutive effect of:			
Stock options.....	215,391	153,358	253,580
Contingent shares.....	175,705	313,126	240,000
	-----	-----	-----
Shares used for determining diluted EPS	27,601,898	27,702,861	28,175,425
	=====	=====	=====

10. INVENTORY

Rayonier's inventories included the following at December 31, 2001, and 2000:

	2001	2000
	-----	-----
Finished goods.....	\$55,530	\$60,627
Work in progress.....	8,570	9,076
Raw materials.....	9,636	11,044
Manufacturing and maintenance supplies	17,274	16,359
	-----	-----
Total inventory.....	\$91,010	\$97,106
	=====	=====

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

11. DEBT

Rayonier's debt included the following at December 31, 2001, and 2000:

	2001	2000
	-----	-----
Short-term bank loans at weighted average interest rates of 2.97% at December 31, 2001, and 8.01% at December 31, 2000.....	\$ 10,000	\$ 39,500
Commercial paper at discount rates of 7.75%.....	--	20,000
Medium-term notes due 2001 at an average interest rate of 7.35%.....	--	16,000
Medium-term notes due 2004 at fixed interest rates of 6.00% to 6.15%...	50,000	55,000
Debentures at 7.5% coupon due 2002.....	77,550	77,550
Pollution control and industrial revenue bonds due 2002-2015 at variable interest rates of 1.55% to 6.50%.....	77,255	79,930
RTOC installment notes due 2007-2014 at fixed interest rates of 8.29% to 8.64%.....	485,000	485,000
RTOC term loan due 2004 at a weighted average interest rate of 3.64% at December 31, 2001, and 8.26% at December 31, 2000.....	150,000	200,000
	-----	-----
Total debt.....	849,805	972,980
Less: Short-term bank loans.....	5,000	--
Current maturities.....	2,600	2,565
	-----	-----
Long-term debt.....	\$842,205	\$970,415
	=====	=====

During 2001, the Company reduced its long-term debt by \$123.2 million. The \$77,550 of 7.5% debentures due 2002 and \$5,000 of short-term bank loans are classified as long-term debt maturing in 2004, because the Company has the ability and intent to refinance the notes using its available long-term credit facilities.

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

2002.....	\$ 7,600
2003.....	2,760
2004.....	285,470
2005.....	3,095
2006.....	515
2007-2015	550,365

	\$849,805
	=====

Rayonier has revolving credit agreements with a group of banks that provide the Company with unsecured credit facilities totaling \$225 million. The revolving credit facilities are used for direct borrowings and in the past, as credit support for a commercial paper program. As of December 31, 2001, the Company had \$225 million of available borrowings under this facility. In November 2002, \$55 million of the facility expires and in November 2004, the remaining \$170 million of the facility expires. In addition, in connection with the financing of the Smurfit timberland acquisition, RTOC entered into an agreement with a group of banks that provided RTOC with revolving credit facilities totaling \$75 million and a term loan of \$200 million, of which \$150 million is outstanding at December 31, 2001. As of December 31, 2001, RTOC had \$70 million of available borrowings under the revolving credit portion, which expires in 2004. Also due in 2004 are \$50 million of medium-term notes. In addition, the Company has on file with the Securities and Exchange Commission, shelf registration statements to offer \$150 million of new public debt securities.

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

Rayonier has debt covenants based on earnings before interest, taxes, depreciation, and amortization (EBITDA). EBITDA is defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes, depreciation, depletion, amortization and the non-cash cost of land sales. This measure is not defined by generally accepted accounting principles. The most restrictive long-term debt covenants provide that the ratio of total debt to EBITDA not exceed 4.0 to 1 and EBITDA to consolidated interest expense not be less than 2.5 to 1. The ratio of consolidated cash flow available for fixed charges to consolidated fixed charges, as defined, should not be less than 1.6 to 1 through December 31, 2001, and should not be less than 1.65 to 1 thereafter. Additionally, the ratio of consolidated total debt to consolidated cash flow available for fixed charges should not exceed 4.5 to 1 through December 31, 2001, and should not exceed 4.25 to 1 thereafter. As of December 31, 2001, the Company was in compliance with all its covenants.

12. DISPOSITIONS AND DISCONTINUED OPERATIONS

Dispositions and discontinued operations include Rayonier's Port Angeles, WA, mill, which was closed on February 28, 1997; its wholly owned subsidiary, Southern Wood Piedmont Company (SWP), which ceased operations in 1986; its Eastern Research Division, which ceased operations in 1981; and other miscellaneous assets held for disposition.

As of December 31, 2001, and 2000, Rayonier had \$6.9 million of receivables, net of reserves, from insurance claims included in "Other Assets." Such receivables represent the Company's claim for reimbursements in connection with property damage settlements relating to SWP's discontinued wood preserving operations.

An analysis of activity in the reserves for dispositions and discontinued operations for each of the three years ended December 31, 2001, follows:

	2001	2000	1999
	-----	-----	-----
Balance, January 1.....	\$176,899	\$168,531	\$181,365
Benefit reserves related to dispositions and discontinued operations reclassified from other liabilities.....	--	2,290	--
Expenditures charged to reserves.....	(8,195)	(8,966)	(12,834)
Additions to reserves.....	--	15,044	--
	-----	-----	-----
Balance, December 31.....	\$168,704	\$176,899	\$168,531
	=====	=====	=====

In the fourth quarter of 2000, the Company increased its closure reserve by approximately \$16 million for the Port Angeles, WA, mill to cover future site maintenance costs and environmental remediation obligations. Other reserves were reduced in 2000 by approximately \$1 million based on current evaluations. Charges to the reserve in 1999 relate primarily to the dismantling and demolition of the Port Angeles mill that was completed in 1999. Environmental remediation at the mill site commenced in 2000 with completion expected by 2005.

Rayonier currently estimates that expenditures for environmental remediation and monitoring costs for all dispositions and discontinued operations in 2002 and 2003 will total approximately \$13.1 million and \$13.6 million, respectively. Such costs will be charged against Rayonier's reserves for estimated environmental obligations, which include monitoring and remediation costs. The Company believes such reserves are sufficient for costs expected to be incurred over the next 25-30 years with respect to dispositions and discontinued operations. The amount of actual future environmental costs is dependent on the outcome of negotiations with federal and state agencies and also may be affected by new laws, regulations and administrative interpretations,

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

and changes in environmental remediation technology. Based on information currently available, the Company does not believe that any future changes in estimates, if necessary, would materially affect its consolidated financial position or results of operations.

13. SHAREHOLDERS' EQUITY

An analysis of shareholders' equity for each of the three years ended December 31, 2001, follows:

	Common Shares		Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Shareholders' Equity
	Shares	Amount			
Balance, January 1, 1999.....	27,767,309	\$ 82,031	\$ --	\$559,398	\$641,429
Net income.....	--	--	--	68,653	68,653
Dividends paid (\$1.29 per share).....	--	--	--	(35,669)	(35,669)
Issuance of shares under incentive stock plans.....	191,652	5,469	--	--	5,469
Repurchase of common shares.....	(551,867)	(23,791)	--	--	(23,791)
Balance, December 31, 1999.....	27,407,094	\$ 63,709	\$ --	\$592,382	\$656,091
Net income.....	--	--	--	78,187	78,187
Dividends paid (\$1.44 per share).....	--	--	--	(39,185)	(39,185)
Issuance of shares under incentive stock plans.....	130,368	2,632	--	--	2,632
Repurchase of common shares.....	(433,000)	(17,624)	--	--	(17,624)
Balance, December 31, 2000.....	27,104,462	\$ 48,717	\$ --	\$631,384	\$680,101
Net income.....	--	--	--	57,598	57,598
Dividends paid (\$1.44 per share).....	--	--	--	(39,207)	(39,207)
Issuance of shares under incentive stock plans.....	293,833	11,561	--	--	11,561
Unrealized gain on hedged transactions..	--	--	7	--	7
Minimum pension liability adjustments...	--	--	(709)	--	(709)
Repurchase of common shares.....	(52,900)	(2,031)	--	--	(2,031)
Tax benefit on exercise of stock options	--	1,474	--	--	1,474
Balance, December 31, 2001.....	27,345,395	\$ 59,721	\$ (702)	\$649,775	\$708,794

14. INCENTIVE STOCK PLANS

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

Restricted stock granted under the 1994 Plan vests after three years. No restricted shares were granted in 2001 or 2000. During 1999, 5,000 restricted shares were granted at a price of \$45.56 per share.

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

In 2001, 2000 and 1999, 103,500, 120,000 and 55,500 Common Shares, respectively, were reserved for contingent performance shares. The actual number of performance shares to be issued is contingent upon the Company's total shareholder return, compared with either the Standard and Poor's 1500 Paper and Forest Product Index (2001 class), or a competitive peer group of 12 companies within the forest products industry (2000 and 1999 classes) over a three-year period. The grant-date fair values of the 2001, 2000 and 1999 performance shares were \$38.31, \$46.75 and \$45.56, respectively. The Company applies APB Opinion No. 25, Accounting for Stock Issued to Employees, to account for its stock plans. The compensation cost recognized was \$3,156, \$433 and \$1,252 in 2001, 2000 and 1999, respectively.

The Company adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock Based Compensation. Under SFAS No. 123, net income and basic and diluted earnings per share would have been reduced by \$2,284 or 8 cents per share, \$3,259 or 12 cents per share and \$2,343 or 8 cents per share for 2001, 2000 and 1999, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for grants in 2001, 2000 and 1999, respectively: dividend yield of 3.7 percent, 3.6 percent and 3.4 percent; expected volatility of 28.7 percent, 44.0 percent and 25.7 percent; risk-free interest rates of 4.8 percent, 6.5 percent and 4.7 percent, and an expected life of 7.5 years for all three years. The weighted average fair value of options granted during 2001, 2000 and 1999 was \$9.69, \$18.04 and \$10.91, respectively.

A summary of the status of the Company's stock option plans as of December 31, 2001, 2000 and 1999, and changes during the years then ended is presented below:

	2001		2000		1999	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Options outstanding at beginning of year.....	2,192,410	\$37.78	1,911,642	\$36.01	1,843,496	\$34.20
Granted.....	368,050	\$38.56	373,250	\$46.24	255,500	\$45.43
Exercised.....	(291,333)	\$31.52	(64,318)	\$31.81	(160,349)	\$29.14
Canceled.....	(45,667)	\$43.49	(28,164)	\$43.47	(27,005)	\$42.34
Outstanding at end of year...	2,223,460	\$38.61	2,192,410	\$37.78	1,911,642	\$36.01
Exercisable at end of year...	1,461,100	\$36.77	1,335,181	\$33.66	1,317,190	\$32.85

The following table summarizes information about stock options outstanding and exercisable:

Range of Exercise Prices	Options Outstanding at December 31, 2001			Options Exercisable at December 31, 2001	
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Shares	Weighted Average Exercise Price
\$28.88-\$33.50	709,677	\$31.13	3.1	709,677	\$31.13
\$36.25-\$43.78	961,866	\$39.71	6.9	495,380	\$40.01
\$44.00-\$50.75	551,917	\$46.32	7.6	256,043	\$46.17

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

15. EMPLOYEE BENEFIT PLANS

Employee benefit plan liabilities are estimated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause these estimates to change. Rayonier has pension plans covering substantially all of its employees. Certain plans are subject to union negotiation. The pension plans are non-contributory. The following tables set forth net periodic benefit cost of Rayonier plans, and total pension and postretirement benefit expense for the three years ended December 31, 2001:

	Pension			Postretirement		
	2001	2000	1999	2001	2000	1999
Components of Net Periodic Benefit Cost						
Service cost.....	\$ 5,314	\$ 4,772	\$ 5,312	\$ 411	\$ 394	\$ 438
Interest cost.....	9,772	8,980	8,147	1,777	1,449	1,341
Expected return on plan assets.....	(12,356)	(11,334)	(10,269)	--	--	--
Amortization of prior service cost.....	1,285	1,088	1,088	(53)	(434)	(434)
Amortization of transition amount.....	(661)	(661)	(661)	--	--	--
Amortization of losses.....	81	89	142	463	461	618
Net periodic benefit cost of Rayonier plans.	3,435	2,934	3,759	2,598	1,870	1,963
Defined contribution plans.....	2,362	2,318	2,222	--	--	--
Multi-employer plans.....	--	--	--	--	565	525
Total pension/postretirement benefit expense.....	\$ 5,797	\$ 5,252	\$ 5,981	\$2,598	\$2,435	\$2,488

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

The following tables set forth the funded status of the Rayonier pension and post-retirement benefit plans, the amounts recognized in the balance sheets of the Company at December 31, 2001 and 2000, and the principal weighted average assumptions inherent in their determination:

	Pension		Postretirement	
	2001	2000	2001	2000
Change in Benefit Obligation				
Benefit obligation at beginning of year.....	\$125,267	\$115,661	\$ 19,955	\$ 19,370
Service cost.....	5,314	4,772	411	394
Interest cost.....	9,772	8,980	1,777	1,449
Actuarial loss.....	7,397	3,342	1,984	443
Plan amendments.....	7,213	--	6,894	--
Benefits paid.....	(8,102)	(7,488)	(2,685)	(1,701)
Benefit obligation at end of year.....	\$146,861	\$125,267	\$ 28,336	\$ 19,955
Change in Plan Assets				
Fair value of plan assets at beginning of year...	\$119,951	\$129,746	\$ --	\$ --
Actual return on plan assets.....	(1,284)	(3,261)	--	--
Employer contributions.....	20,753	1,660	2,685	1,701
Other expense.....	(878)	(706)	--	--
Benefits paid.....	(8,102)	(7,488)	(2,685)	(1,701)
Fair value of plan assets at end of year.....	\$130,440	\$119,951	\$ --	\$ --
Reconciliation of Funded Status at End of Year				
Funded status.....	\$(16,421)	\$ (5,316)	\$(28,336)	\$(19,955)
Unrecognized prior service cost.....	14,333	8,405	4,298	(2,649)
Unrecognized actuarial net loss (gain).....	15,024	(7,215)	8,895	7,374
Unrecognized net transition obligation.....	(861)	(1,522)	--	--
Prepaid/(accrued) benefit cost.....	\$ 12,075	\$ (5,648)	\$(15,143)	\$(15,230)
Amounts Recognized in the Consolidated Balance Sheet Consist of:				
Prepaid benefit cost.....	\$ 18,661	\$ 7,817	\$ --	\$ --
Accrued benefit liability.....	(9,506)	(13,465)	(15,143)	(15,230)
Intangible asset.....	1,793	--	--	--
Accumulated other comprehensive loss.....	1,127	--	--	--
Prepaid/(accrued) benefit cost.....	\$ 12,075	\$ (5,648)	\$(15,143)	\$(15,230)
Weighted Average Assumptions as of December 31:				
Discount rate.....	7.40%	7.75%	7.40%	7.75%
Return on plan assets.....	9.75%	9.75%	--	--
Rate of compensation increase.....	5.00%	5.00%	--	--
Ultimate health care trend rate.....	--	--	5.00%	5.50%

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

As of December 31, 2001, Rayonier decreased its plans' weighted average discount rate from 7.75 percent to 7.4 percent to more closely approximate interest rates on high quality, long-term obligations. In 2001, the assumed ultimate health care trend rate used to determine cost was 7.5 percent gradually decreasing to an ultimate rate of 5.5 percent in 2005. The rate to determine cost in 2002 will be 10.0 percent gradually decreasing to an ultimate rate of 5.0 percent in 2007.

The following table shows the effect of a one-percentage point change in assumed health care cost trends:

Effect on: -----	1 Percent	
	----- Increase	Decrease -----
Total of service and interest cost components.....	\$ 54	\$ (49)
Accumulated post-retirement benefit obligation	\$809	\$(750)

The sum of the projected benefit obligations and the sum of the fair value of Plan assets for those pension plans with projected benefit obligations in excess of Plan assets were \$70.5 million and \$50.9 million, respectively at December 31, 2001, and \$59.9 million and \$44.5 million, respectively, as of December 31, 2000. The sum of the accumulated benefit obligations and the sum of the fair value of Plan assets for those pension Plans with accumulated benefit obligations in excess of Plan assets were \$60.4 million and \$50.9 million, respectively, as of December 31, 2001, and \$51.3 million and \$44.5 million, respectively, as of December 31, 2000.

The provisions of SFAS No. 87, Employers' Accounting for Pensions, required Rayonier to record an additional minimum liability of \$2.9 million at December 31, 2001. This liability represents the amount by which the accumulated benefit obligation exceeds the fair market value of Plan assets and accrued amounts previously recorded. The additional liability may be offset by an intangible asset to the extent of previously unrecognized prior service cost. An intangible asset of \$1.8 million was recorded on December 31, 2001, and is included on the line titled "Other assets" in the Consolidated Balance Sheet. The remaining amount of \$1.1 million, net of related tax benefits, is recorded as a component of shareholders' equity on the line titled "Accumulated other comprehensive income (loss)" in the Consolidated Balance Sheet at December 31, 2001.

Rayonier Hourly and Salaried Defined Contribution Plans include Rayonier common shares with a fair market value of \$43,972 and \$38,027 at December 31, 2001 and 2000, respectively.

16. COMMITMENTS

The Company leases certain buildings, machinery and equipment under various operating leases. Total rental expense for operating leases amounted to \$7,203, \$7,490 and \$7,265 in 2001, 2000 and 1999, respectively. Additionally, the Company has indirectly guaranteed approximately \$12.9 million of debt that is secured by equipment used by its vendors to provide products to the Company. The Company also has long-term leases on certain timberlands in the Southeastern U.S. These leases typically have initial terms of approximately 30 to 65 years, with renewal provisions in some cases. Such leases are generally non-cancelable and require minimum annual rental payments.

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

At December 31, 2001, the future minimum rental payments under operating and timberland leases were as follows:

	Operating Leases	Timberland Leases
	-----	-----
2002.....	\$ 5,555	\$ 4,599
2003.....	10,106	4,475
2004.....	2,005	4,408
2005.....	1,768	4,222
2006.....	1,727	4,187
Thereafter through 2036	6,564	73,617
	-----	-----
	\$27,725	\$95,508
	=====	=====

17. CONTINGENCIES

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

Legal Proceedings

The Company is involved in various legal actions, including those involving environmental matters. Some of the actions include claims for substantial amounts. While the ultimate results of these legal actions and related claims cannot be determined, the Company does not expect that they will have a material adverse effect on the Company's consolidated financial position or results of operations.

Rayonier has been designated a potentially responsible party (PRP), or has had other claims made against it, under the U.S. Comprehensive Environmental Response, Compensation and Liability Act and/or comparable state statutes at ten sites, all of which relate to operations classified under "Dispositions and Discontinued Operations." Cost recovery actions against Rayonier and other PRPs are pending with respect to four of these sites. Rayonier has entered into or is in the process of negotiating consent orders for environmental remediation at five of these sites. Rayonier believes that an appropriate provision for remediation costs is included in its reserves for estimated environmental obligations, including the reserves for dispositions and discontinued operations. See Note 12, Dispositions and Discontinued Operations. In addition, there are various lawsuits pending against or affecting Rayonier and its subsidiaries, some of which involve claims for substantial sums, but whose outcomes are not expected to materially impact the Company's consolidated financial position or results of operations.

On February 22, 2001, the Company received a notice of proposed disallowance from the Internal Revenue Service (IRS) for \$28.3 million in tax deficiency and related penalties for an issue in dispute regarding the Company's 1996 and 1997 federal tax returns. The Company has been discussing this issue with the IRS since 1999. As a result, the notice of proposed disallowance was not unanticipated and the Company has provided adequate book reserves. The Company is contesting this matter and believes that the ultimate outcome will not have a material adverse impact on the Company's financial position, liquidity or results of operations.

Environmental Matters

Rayonier is subject to stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal. Such environmental laws and regulations include the Federal Clean Air Act, the

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Dollar amounts in thousands unless otherwise stated)

Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. The Company closely monitors all of its environmental responsibilities, together with trends in environmental laws and believes that the Company is in substantial compliance with current environmental requirements. It is the opinion of management that substantial expenditures over the next 10 years will be required in the area of environmental compliance. During 1997, the Environmental Protection Agency (EPA) finalized its Cluster Rules governing air emissions but, due to the specialty nature of Rayonier's Performance Fibers products and operations, the agency postponed finalizing water discharge rules and certain air emissions rules governing the Company's Performance Fibers mills. The Company continues to work with the EPA to establish such rules for these mills, but the timing and costs associated with such rulemaking are uncertain. In the opinion of management, future capital costs associated with existing environmental rules will not have a material impact on the Company's consolidated financial position or results of operations.

Federal, state and local laws and regulations intended to protect threatened and endangered species, as well as wetlands and waterways, limit and may prevent timber harvesting, road building and other activities on the Company's timberlands. Over the past several years, the harvest of timber on private lands in the state of Washington has been restricted as a result of the listing of several species of birds and fish under the Endangered Species Act. The Company, through industry groups, has worked with the state of Washington to implement workable protective measures with respect to several endangered species. The effect has been to restrict harvesting on portions of the Company's Washington timberlands. The Company has taken account of these restrictions in its harvest plans. Such efforts are ongoing and, in the opinion of management, will not have a material impact on the Company's consolidated financial position or results of operations. Additionally, a number of environmental groups have filed suit in both federal and state courts challenging various aspects of existing and proposed state and federal regulations. This litigation is not expected to have a material impact on Rayonier's annual harvest volume.

18. QUARTERLY RESULTS FOR 2001 AND 2000 (UNAUDITED)

	Quarter Ended				Total Year
	March 31	June 30	Sept. 30	Dec. 31	
(Thousands of dollars, except per share amounts)					
2001					
Sales.....	\$276,487	\$346,362	\$274,961	\$267,103	\$1,164,913
Operating income.	37,878	64,522	22,065	25,309	149,774
Net income.....	12,252	31,463	6,025	7,858	57,598
Basic EPS.....	.45	1.16	.22	.29	2.12
Diluted EPS.....	.45	1.14	.22	.28	2.09
2000					
Sales.....	\$354,597	\$303,911	\$269,502	\$298,868	\$1,226,878
Operating income.	74,653	47,266	33,565	34,027	189,511
Net income.....	35,473	17,431	12,105	13,178	78,187
Basic EPS.....	1.30	.64	.45	.48	2.87
Diluted EPS.....	1.27	.63	.44	.48	2.82

RAYONIER INC. AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 2001, 2000, and 1999

	Balance at Beginning of Year	Charged to Cost and Expenses	Additions/(1)/	Write-Offs	Balance at End of Year
	-----	-----	-----	-----	-----
(In thousands)					
Year ended December 31, 2001					
Allowance for doubtful accounts.	\$3,969	--	--	(577)	\$3,392
	=====	===	===	=====	=====
Year ended December 31, 2000					
Allowance for doubtful accounts.	\$4,859	114	--	(1,004)	\$3,969
	=====	===	===	=====	=====
Year ended December 31, 1999					
Allowance for doubtful accounts.	\$4,843	125	280	(389)	\$4,859
	=====	===	===	=====	=====

- - - - -

(1) Includes collected amounts previously charged to the reserve.

All other required information is included in the accompanying Notes to Consolidated Financial Statements.

SIGNATURES

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

RAYONIER INC.

By: /S/ HANS E. VANDEN NOORT

Hans E. Vanden Noort
Vice President and
Corporate Controller

March 20, 2002

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

Signature -----	Title -----	Date ----
*	Chairman of the Board, President, Chief Executive Officer and Director	
----- W. L. Nutter (Principal Executive Officer)		
/S/ GERALD J. POLLACK	Senior Vice President and Chief Financial Officer	March 20, 2002
----- Gerald J. Pollack (Principal Financial Officer)		
/S/ HANS E. VANDEN NOORT	Vice President and Corporate Controller	March 20, 2002
----- Hans E. Vanden Noort (Principal Accounting Officer)		
*	Director	
----- Rand V. Araskog	Director	
*		
----- Ronald M. Gross	Director	
*		
----- Paul G. Kirk, Jr.	Director	
*		
----- Katherine D. Ortega	Director	
*		
----- Burnell R. Roberts	Director	
*		
----- Carl S. Sloane	Director	
*		
----- Ronald Townsend	Director	
*		
----- Gordon I. Ulmer		
*By: /S/ HANS E. VANDEN NOORT		March 20, 2002
----- Hans E. Vanden Noort Attorney-In-Fact		

EXHIBIT INDEX

Exhibit No. -----	Description -----	Location -----
2.1	Purchase and Sale Agreement dated July 28, 1999 between Rayonier Inc. and Jefferson Smurfit Corporation (U.S.)	Incorporated by reference to Exhibit 2.1 to the Registrant's November 12, 1999 Form 8-K/A, Amendment No. 1
2.2	First Amendment to the Purchase and Sale Agreement dated October 25, 1999 between Rayonier Inc. and Jefferson Smurfit Corporation (U.S.)	Incorporated by reference to Exhibit 2.2 to the Registrant's November 12, 1999 Form 8-K/A, Amendment No. 1
2.3	Assignment and Assumption Agreement dated October 25, 1999 between Jefferson Smurfit Corporation (U.S.) and Timber Capital Holdings LLC	Incorporated by reference to Exhibit 2.3 to the Registrant's November 12, 1999 Form 8-K/A, Amendment No. 1
2.4	Assignment Agreement dated October 25, 1999 between Rayonier Inc. and Rayonier Timberlands Operating Company, L.P.	Incorporated by reference to Exhibit 2.4 to the Registrant's November 12, 1999 Form 8-K/A, Amendment No. 1
3.1	Amended and Restated Articles of Incorporation	Incorporated by reference to Exhibit 4(a) to the Registrant's Registration Statement on Form S-8 (Registration No. 33-52437)
3.2	By-Laws	Incorporated by reference to Exhibit 3.2 to the Registrant's December 31, 1995 Form 10-K
4.1	Indenture dated as of September 1, 1992 between the Company and Bankers Trust Company, as Trustee, with respect to certain debt securities of the Company	Incorporated by reference to Exhibit 4.1 to the Registrant's December 31, 1993 Form 10-K
4.2	First Supplemental Indenture dated as of December 13, 1993	Incorporated by reference to Exhibit 4.2 to the Registrant's December 31, 1993 Form 10-K
4.3	364-Day Credit Agreement dated as of November 19, 2001 among Rayonier Inc. as Borrower, the banks named therein as the Initial Lenders and Citibank, N.A. as Agent for the Lenders.	Filed herewith
4.4	Three Year Credit Agreement dated effective November 19, 2001 among Rayonier Inc. as Borrower, the banks named therein as Initial Lenders, and Citibank, N.A. as Agent for the Lenders.	Filed herewith
4.5	Credit Agreement dated as of October 25, 1999 between Rayonier Timberlands Operating Company, L.P. and Credit Suisse First Boston, Morgan Stanley Senior Funding, Inc. and Citibank, N.A.	Incorporated by reference to Exhibit 4.1 to the Registrant's September 30, 1999 Form 10-Q
4.6	Note Purchase Agreement dated as of October 25, 1999 between Rayonier Timberlands Operating Company, L.P. and Timber Capital Holdings LLC.	Incorporated by reference to Exhibit 4.2 to the Registrant's September 30, 1999 Form 10-Q

Exhibit No. -----	Description -----	Location -----
4.7	Other instruments defining the rights of security holders, including indentures	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any other instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission
9	Voting trust agreement	None
10.1	Rayonier 1994 Incentive Stock Plan, as amended	Incorporated by reference to Exhibit 10.1 to the Registrant's September 30, 1998 Form 10-Q.
10.2	Rayonier Supplemental Senior Executive Severance Pay Plan	Incorporated by reference to Exhibit 10.2 to the Registrant's December 31, 1997 Form 10-K.
10.3	Rayonier Investment and Savings Plan for Salaried Employees	Incorporated by reference to Exhibit 10.3 to the Registrant's December 31, 1997 Form 10-K.
10.4	Retirement Plan for Salaried Employees of Rayonier Inc. effective as of March 1, 1994, Amended and Restated January 1, 2000 and Further Amended Through October 19, 2001.	Filed herewith
10.5	Form of Indemnification Agreement between Rayonier Inc. and its Directors and Officers	Incorporated by reference to Exhibit 10.9 to the Registrant's December 31, 1993 Form 10-K
10.6	Rayonier Inc. Excess Benefit Plan	Incorporated by reference to Exhibit 10.10 to the Registrant's December 31, 1993 Form 10-K
10.7	Amendment to Rayonier Inc. Excess Benefit Plan dated August 18, 1997	Incorporated by reference to Exhibit 10.7 to the Registrant's December 31, 1997 Form 10-K
10.8	Rayonier Inc. Excess Savings and Deferred Compensation Plan	Incorporated by reference to Exhibit 10.8 to the Registrant's December 31, 1997 Form 10-K
10.9	Form of Rayonier Inc. Excess Savings and Deferred Compensation Plan Agreements	Incorporated by reference to Exhibit 10.13 to the Registrant's December 31, 1995 Form 10-K
10.10	Form of Indemnification Agreement between Registrant and directors of Rayonier Forest Resources Company, its wholly owned subsidiary which is Managing General Partner of Rayonier Timberlands, L.P., who are not also directors of Registrant	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 1994 Form 10-Q
10.11	Description of Rayonier 1994 Incentive Stock Plan Contingent Performance Share Awards	Incorporated by reference to Exhibit 10.1 to the Registrant's June 30, 1994 Form 10-Q
10.12	Form of Rayonier 1994 Incentive Stock Plan Contingent Performance Share Award Agreement	Incorporated by reference to Exhibit 10.1 to the Registrant's June 30, 1994 Form 10-Q

Exhibit No. -----	Description -----	Location -----
10.13	Form of Rayonier 1994 Incentive Stock Plan Restricted Share Award Agreement	Incorporated by reference to Exhibit 10.17 to the Registrant's December 31, 1995 Form 10-K
10.14	Form of Rayonier 1994 Incentive Stock Non-qualified Stock Option Award Agreement	Incorporated by reference to Exhibit 10.18 to the Registrant's December 31, 1995 Form 10-K
10.15	Rayonier Substitute Stock Option Plan	Incorporated by reference to Exhibit 4(c) to the Registrant's Registration Statement on Form S-8 (File No. 33-52891)
10.16	Form of Rayonier Substitute Stock Option Award Agreements	Incorporated by reference to Exhibit 10.20 to the Registrant's December 31, 1995 Form 10-K
10.17	Split-Dollar Life Insurance Agreement dated June 22, 1994 between Rayonier Inc. and Ronald M. Gross	Incorporated by reference to Exhibit 10.2 to the Registrant's June 30, 1994 Form 10-Q
10.18	Amendment to Split-Dollar Life Insurance Agreement, dated July 22, 1997	Incorporated by reference to Exhibit 10.18 to the Registrant's December 31, 1997 Form 10-K
10.19	Deferred Compensation / Supplemental Retirement Agreement dated June 28, 1994 between Rayonier Inc. and Ronald M. Gross	Incorporated by reference to Exhibit 10.3 to the Registrant's June 30, 1994 Form 10-Q
10.20	Amendment to Deferred Compensation / Supplemental Retirement Agreement, dated July 22, 1997	Incorporated by reference to Exhibit 10.20 to the Registrant's December 31, 1997 Form 10-K
10.21	Consulting Agreement dated October 19, 1998 between Rayonier Inc. and Ronald M. Gross	Incorporated by reference to Exhibit 10.21 to the Registrant's December 31, 1998 Form 10-K
10.22	Form of Rayonier Outside Directors Compensation Program/Cash Deferral Option Agreement	Incorporated by reference to Exhibit 10.22 to the Registrant's December 31, 1999 Form 10-K
10.23	Description of Rayonier Split-Dollar Life Insurance/Deferred Compensation Retention Benefit Program	Incorporated by reference to Exhibit 10.23 to the Registrant's December 31, 2000 Form 10-K
10.24	Change in Control Agreement for W. Lee Nutter.	Incorporated by reference to Exhibit 10.23 to the Registrant's September 30, 2001, Form 10-Q.
10.25	Trust Agreement for the Rayonier Inc. Legal Resources Trust	Filed herewith
10.26	Trust Agreement for the Rayonier Inc. Supplemental Senior Executive Severance Pay Plan and the Change in Control Agreement for W. Lee Nutter Executive Severance Trust	Filed herewith

Exhibit No. -----	Description -----	Location -----
10.27	Other material contracts	None
11	Statement re computation of per share earnings	Not required to be filed
12	Statements re computation of ratios	Filed herewith
13	Annual report to security holders, Form 10-Q or quarterly report to security holders	Not applicable
16	Letter re change in certifying accountant	Filed herewith
18	Letter re change in accounting principles	Not applicable
21	Subsidiaries of the Registrant	Filed herewith
22	Published report regarding matters submitted to vote of security holders	None
23	Consents of experts and counsel	Filed herewith
24	Powers of attorney	Filed herewith
28	Information from reports furnished to state insurance regulatory authorities	Not applicable
99	Letter re Andersen assurances	Filed herewith

E

U.S. \$55,000,000

364-DAY CREDIT AGREEMENT

Dated as of November 19, 2001

Among

RAYONIER INC.
as Borrower
-- -----

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders
-- -----

and

CITIBANK, N.A.

as Administrative Agent
-- -----

and

BANK OF AMERICA, N.A.
THE BANK OF NEW YORK
SUNTRUST BANK

as Syndication Agents
-- -----

SALOMON SMITH BARNEY INC.
BANC OF AMERICA SECURITIES INC.

as Arrangers
-- -----

TABLE OF CONTENTS

ARTICLE I

SECTION 1.01.	Certain Defined Terms -----	1
SECTION 1.02.	Computation of Time Periods -----	11
SECTION 1.03.	Accounting Terms -----	11

ARTICLE II

SECTION 2.01.	The Revolving Credit Advances -----	11
SECTION 2.02.	Making the Revolving Credit Advances -----	11
SECTION 2.03.	The Competitive Bid Advances -----	13
SECTION 2.04.	Fees -----	15
SECTION 2.05.	Termination or Reduction of the Commitments -----	15
SECTION 2.06.	Repayment of Revolving Credit Advances -----	15
SECTION 2.07.	Interest on Revolving Credit Advances -----	16
SECTION 2.08.	Interest Rate Determination -----	16
SECTION 2.09.	Optional Conversion of Revolving Credit Advances -----	17
SECTION 2.10.	Prepayments of Revolving Credit Advances -----	17
SECTION 2.11.	Increased Costs -----	17
SECTION 2.12.	Illegality -----	18
SECTION 2.13.	Payments and Computations -----	18
SECTION 2.14.	Taxes -----	19
SECTION 2.15.	Sharing of Payments, Etc. -----	21
SECTION 2.16.	Evidence of Debt -----	21
SECTION 2.17.	Use of Proceeds -----	22
SECTION 2.18.	Extension of Termination Date -----	22

ARTICLE III

SECTION 3.01.	Conditions Precedent to Effectiveness of Sections 2.01 and 2.03	23
SECTION 3.02.	Conditions Precedent to Each Revolving Credit Borrowing and Extension Date. -----	25
SECTION 3.03.	Conditions Precedent to Each Competitive Bid Borrowing -----	25
SECTION 3.04.	Determinations Under Section 3.01 -----	25

ARTICLE IV

SECTION 4.01.	Representations and Warranties of the Borrower	26
---------------	--	----

ARTICLE V

SECTION 5.01.	Affirmative Covenants -----	28
SECTION 5.02.	Negative Covenants -----	31
SECTION 5.03.	Financial Covenant -----	33

ARTICLE VI

SECTION 6.01.	Events of Default -----	33
---------------	----------------------------	----

ARTICLE VII

SECTION 7.01.	Authorization and Action -----	35
SECTION 7.02.	Agent's Reliance, Etc. -----	36
SECTION 7.03.	Citibank and Affiliates -----	36
SECTION 7.04.	Lender Credit Decision -----	36
SECTION 7.05.	Indemnification -----	36
SECTION 7.06.	Successor Agent -----	37
SECTION 7.07.	Other Agents. -----	37

ARTICLE VIII

SECTION 8.01.	Amendments, Etc. -----	37
SECTION 8.02.	Notices, Etc. -----	37
SECTION 8.03.	No Waiver; Remedies -----	38

SECTION 8.04.	Costs and Expenses -----	38
SECTION 8.05.	Right of Set-off -----	39
SECTION 8.06.	Binding Effect -----	39
SECTION 8.07.	Assignments and Participations -----	39
SECTION 8.08.	Confidentiality -----	41
SECTION 8.09.	Governing Law -----	41
SECTION 8.10.	Execution in Counterparts -----	41
SECTION 8.11.	Jurisdiction, Etc. -----	42
SECTION 8.12.	Waiver of Jury Trial -----	43

Schedules
- - - - -

- Schedule I - List of Applicable Lending Offices
- Schedule 3.01(b) - Disclosed Litigation
- Schedule 4.01(i) - Environmental Matters
- Schedule 4.01(o) - Post Retirement Benefit Obligations
- Schedule 5.02(a) - Existing Liens
- Schedule 5.02(d) - Existing Subsidiary Debt

Exhibits
- - - - -

- Exhibit A-1 - Form of Revolving Credit Note
- Exhibit A-2 - Form of Competitive Bid Note
- Exhibit B-1 - Form of Notice of Revolving Credit Borrowing
- Exhibit B-2 - Form of Notice of Competitive Bid Borrowing
- Exhibit C - Form of Assignment and Acceptance
- Exhibit D - Form of Opinion of Counsel for the Borrower

364-DAY CREDIT AGREEMENT

Dated as of November 19, 2001

RAYONIER INC., a North Carolina corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as agent (the "Agent") for the Lenders (as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid

Advance.

"Affiliate" means, as to any Person, any other Person that, directly

or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means the account of the Agent maintained by the

Agent at Citibank at its office at 388 Greenwich Street, New York, New York 10013, Account No. 36852248, Attention: Bank Loan Syndications.

"Applicable Lending Office" means, with respect to each Lender, such

Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means (a) for Base Rate Advances, 0% per annum and

(b) for Eurodollar Rate Advances, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Margin for Eurodollar Rate Advances
Level 1 BBB+ or Baa1 or above	0.475%
Level 2 Lower than Level 1 but at least BBB or Baa2	0.700%
Level 3 Lower than Level 2 but at least BBB- and Baa3	0.900%

Level 4 Lower than Level 3 but at least BBB- or Baa3	0.975%
Level 5 Lower than Level 4 but at least BB+ and Ba1	1.150%
Level 6 Lower than Level 5	1.400%

"Applicable Percentage" means, as of any date, a percentage per annum

determined by reference to the Public Debt Rating in effect on such date as
set forth below:

Public Debt Rating S&P/Moody's	Applicable Percentage
-----	-----
Level 1 ----- BBB+ or Baa1 or above	0.150%
Level 2 ----- Lower than Level 1 but at least BBB or Baa2	0.175%
Level 3 ----- Lower than Level 2 but at least BBB- and Baa3	0.225%
Level 4 ----- Lower than Level 3 but at least BBB- or Baa3	0.275%
Level 5 ----- Lower than Level 4 but at least BB+ and Ba1	0.350%
Level 6 ----- Lower than Level 5	0.475%

"Applicable Utilization Fee" means, as of any date that the aggregate

Advances exceed 33% of the aggregate Commitments, a percentage per annum
determined by reference to the Public Debt Rating in effect on such date as
set forth below:

Public Debt Rating S&P/Moody's	Applicable Utilization Fee
-----	-----
Level 1 ----- BBB+ or Baa1 or above	0.125%
Level 2 ----- Lower than Level 1 but at least BBB or Baa2	0.125%
Level 3 ----- Lower than Level 2 but at least BBB- and Baa3	0.250%
Level 4 ----- Lower than Level 3 but at least BBB- or Baa3	0.250%
Level 5 ----- Lower than Level 4 but at least BB+ and Ba1	0.250%

Level 6

- - - - -

Lower than Level 5

0.375%

"Arrangers" means Salomon Smith Barney Inc. and Banc of America

Securities LLC.

"Assignment and Acceptance" means an assignment and acceptance entered

into by a Lender and an Eligible Assignee, and accepted by the Agent, in
substantially the form of Exhibit C hereto.

"Assuming Lender" has the meaning specified in Section 2.18(c).

"Assumption Agreement" has the meaning specified in Section 2.18(c).

"Base Rate" means a fluctuating interest rate per annum in effect from

time to time, which rate per annum shall at all times be equal to the
higher of:

(a) the rate of interest announced publicly by Citibank in New
York, New York, from time to time, as Citibank's base rate; and

(b) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance that bears

interest as provided in Section 2.07(a)(i).

"Borrower's Form 10-K for 2000" has the meaning specified in Section

4.01(f).

"Borrowing" means a Revolving Credit Borrowing or a Competitive Bid

Borrowing.

"Business Day" means a day of the year on which banks are not required

or authorized by law to close in New York City and, if the applicable
Business Day relates to any Eurodollar Rate Advances, on which dealings are
carried on in the London interbank market.

"CERCLA" means the Comprehensive Environmental Response, Compensation

and Liability Act of 1980, as amended.

"CERCLIS" has the meaning specified in Section 4.01(k).

"Commitment" means, with respect to any Lender at any time (a) the

amount set forth opposite such Lender's name on the signature pages hereof,
(b) if such Lender has become a Lender hereunder pursuant to an Assumption
Agreement, the amount set forth in such Assumption Agreement or (c) if such
Lender has entered into any Assignment and Acceptance, the amount set forth
for such Lender in the Register maintained by the Agent pursuant to Section
8.07(d), as such amount may be reduced pursuant to Section 2.05.

"Competitive Bid Advance" means an advance by a Lender to the Borrower

as part of a Competitive Bid Borrowing resulting from the competitive
bidding procedure described in Section 2.03.

"Competitive Bid Borrowing" means a borrowing consisting of

simultaneous Competitive Bid Advances from each of the Lenders whose offer
to make one or more Competitive Bid Advances as part of such borrowing has
been accepted under the competitive bidding procedure described in Section
2.03.

"Competitive Bid Note" means a promissory note of the Borrower payable

to the order of any Lender, in substantially the form of Exhibit A-2
hereto, evidencing the indebtedness of the Borrower to such Lender
resulting from a Competitive Bid Advance made by such Lender.

"Competitive Bid Reduction" has the meaning specified in Section 2.01.

"Confidential Information" means information that the Borrower

furnishes to the Agent or any Lender in a writing designated as
confidential, but does not include any such information that is or becomes
generally available to the public or that is or becomes available to the
Agent or such Lender from a source other than the Borrower, that is not
acting in violation of a confidentiality agreement with the Borrower.

"Consenting Lender" has the meaning specified in Section 2.18(b).

"Consolidated" refers to the consolidation of accounts in accordance

with GAAP.

"Consolidated Assets" means on any date of determination, all amounts

that are or should, in accordance with GAAP be included under assets on a
Consolidated balance sheet of the Borrower and its Subsidiaries determined
in accordance with GAAP as at such date.

"Convert", "Conversion" and "Converted" each refers to a conversion of

Revolving Credit Advances of one Type into Revolving Credit Advances of the
other Type pursuant to Section 2.08 or 2.09.

"Debt" of any Person means, without duplication, (a) all indebtedness

of such Person for borrowed money, (b) all obligations of such Person for
the deferred purchase price of property or services (other than trade
payables incurred in the ordinary course of such Person's business and that
are not overdue for a period that is not consistent with the ordinary
course of business of such Person), (c) all obligations of such Person
evidenced by notes, bonds, debentures or other similar instruments, (d) all
obligations of such Person created or arising under any conditional sale or
other title retention agreement with respect to property acquired by such
Person (even though the rights and remedies of the seller or lender under
such agreement in the event of default are limited to repossession or sale
of such property), (e) all obligations of such Person as lessee under
leases that have been or should be, in accordance with GAAP, recorded as
capital leases, (f) all obligations, contingent or otherwise, of such
Person in respect of acceptance, letter of credit or similar facilities
(other than obligations under (i) Trade Letters of Credit, (ii) performance
bonds or letters of credit issued in connection with the purchase of
inventory, including prepaid timber stumpage, by the Borrower or any of its
Subsidiaries in the ordinary course of business, (iii) performance bonds or
letters of credit to secure obligations under workers' compensation laws or
similar legislation, (iv) performance bonds or letters of credit issued for
the account of the Borrower or any of its Subsidiaries to secure
obligations under self-insurance programs to the extent permitted by the
terms of this Agreement and in an aggregate maximum available amount with
respect to all such performance bonds and letters of credit not to exceed
at any one time \$20,000,000 and (v) performance bonds or letters of credit
issued for the account of the Borrower or any of its Subsidiaries not
otherwise excluded from this definition in an aggregate maximum available
amount with respect to all such performance bonds and letters of credit not
to exceed at any one time \$2,000,000, provided that in each case such

performance bond or letter of credit (including, without limitation, any
Trade Letters of Credit but excluding performance bonds or letters of
credit described in clause (f)(v) above) does not secure Debt, (g) all
Guarantees issued by such Person and (h) all Debt referred to in clauses
(a) through (g) above secured by (or for which the holder of such Debt has
an existing right, contingent or otherwise, to be secured by) any Lien on
property (including, without limitation, accounts and contract rights)
owned by such Person, even though such Person has not assumed or become
liable for the payment of such Debt. The Debt of any Person shall include
the Debt of any partnership in which such Person is a general partner, but
shall not include obligations under a financial assurance statement that a
Person is required to provide under Environmental Law in support of the
closure and post-closure obligations of one or more of its Subsidiaries.

"Default" means any Event of Default or any event that would

constitute an Event of Default but for the requirement that notice be given
or time elapse or both.

"Disclosed Litigation" has the meaning specified in Section 3.01(b).

"Domestic Lending Office" means, with respect to any Lender, the

office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"EBITDA" means, for any Person during any period, earnings (income)

from continuing operations before the cumulative effect of accounting changes and any provision for dispositions, income taxes, interest expense and depreciation, depletion and amortization and the non-cash cost of timberland and real estate sales, provided, that for purposes of calculating compliance with Section 5.03(a), the EBITDA attributable to any Person or business unit acquired by the Borrower or any of its Subsidiaries during any period of four full fiscal quarters shall be included on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such acquisition occurred on the first day of such period of four full fiscal quarters).

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (a) any Lender; (b) an Affiliate of a

Lender; (c) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$10,000,000,000; (d) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow or of the Cayman Islands, or a political subdivision of any such country, and having total assets in excess of \$10,000,000,000, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (d); (e) the central bank of any country that is a member of the Organization for Economic Cooperation and Development; and (f) any other Person approved by the Agent; provided, however, that (x) each Eligible

Assignee shall maintain a branch or representative office or similar presence in the United States and (y) neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Environmental Action" means any (a) administrative, regulatory or

judicial action, suit, written demand, demand letter, written claim, notice of noncompliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment including, without limitation, (i) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (ii) by any governmental or regulatory authority for damages, contribution, indemnification, cost recovery, compensatory or injunctive relief; and (b) any administrative, regulatory or judicial action, suit or proceeding brought by any third party properly before a forum of competent jurisdiction relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" means any federal, state, local or foreign

statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials all as amended or hereafter amended.

"Environmental Permit" means any permit, approval, identification

number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as

amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of

ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event,

within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any of its ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any of its ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could constitute grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Eurocurrency Liabilities" has the meaning assigned to that term in

Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the

office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar

Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Telerate Markets Page 3750 (or any successor page) as the London interbank offered rate for deposits in U.S. dollars at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in U.S. dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurodollar Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Interest Period. If the Telerate Markets Page 3750 (or any successor page) is unavailable, the Eurodollar Rate for any Interest Period for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section

2.08.

"Eurodollar Rate Advance" means a Revolving Credit Advance that bears

interest as provided in Section 2.07(a)(ii).

"Eurodollar Rate Reserve Percentage" for any Interest Period for all

Eurodollar Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Existing Subsidiary Debt" has the meaning specified in Section 5.02(d)(ii).

"Extension Date" has the meaning specified in Section 2.18(b).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fiscal Quarter" means each consecutive three calendar month period ending March 31, June 30, September 30 or December 31 of any fiscal year.

"GAAP" has the meaning specified in Section 1.03.

"Guarantee" by any Person, means any obligation, contingent or otherwise, of such Person guaranteeing directly or indirectly in any manner the Debt of any other Person, or in effect guaranteeing directly or indirectly the Debt of any other Person through an agreement (i) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss.

"Hazardous Materials" means petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and any other chemicals, materials or substances designated, classified or regulated as being "hazardous" or "toxic" or words of similar import, under any applicable Environmental Law.

"Indemnified Liabilities" has the meaning specified in Section 8.04(b).

"Indemnified Party" has the meaning specified in Section 8.04(b).

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last

period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, and subject to clause (c) of this definition, nine months, as the Borrower may, upon notice received by the Agent not later than 12:00 Noon (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(a) the Borrower may not select any Interest Period that ends after the Termination Date;

(b) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Revolving Credit Borrowing shall be of the same duration;

(c) in the case of any such Revolving Credit Borrowing, the Borrower shall not be entitled to select an Interest Period having duration of nine months unless, by 2:00 P.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, each Lender notifies the Agent that such Lender will be providing funding for such Revolving Credit Borrowing with such Interest Period (the failure of any Lender to so respond by such time being deemed for all purposes of this Agreement as an objection by such Lender to the requested duration of such Interest Period); provided that, if any or

all of the Lenders object to the requested duration of such Interest Period, the duration of the Interest Period for such Revolving Credit Borrowing shall be one, two, three or six months, as specified by the Borrower in the applicable Notice of Revolving Credit Borrowing as the desired alternative to an Interest Period of nine months;

(d) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause

the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(e) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as

amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Lenders" means the Initial Lenders, each Assuming Lender that shall

become a party hereto pursuant to Section 2.18 and each Person that shall become a party hereto pursuant to Section 8.07.

"Lien" means any lien, security interest or other charge or

encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Material Adverse Change" means any material adverse change in the

business, condition (financial or otherwise), operations, performance or properties of the Borrower and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the

business, condition (financial or otherwise), operations, performance or properties of the Borrower and its Subsidiaries taken as a whole,

(b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of the Borrower to perform its obligations under this Agreement or any Note.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan, as defined in Section

4001(a)(3) of ERISA, to which the Borrower or any of its ERISA Affiliates is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in

Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and its ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any of its ERISA Affiliates could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Non-Consenting Lender" has the meaning specified in Section 2.18(b).

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Competitive Bid Borrowing" has the meaning specified in

Section 2.03(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in

Section 2.02(a).

"NPL" has the meaning specified in Section 4.01(k).

"Other Taxes" has the meaning specified in Section 2.15(b).

"PBGC" means the Pension Benefit Guaranty Corporation (or any

successor).

"Permitted Liens" means such of the following as to which no

enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue for a reasonable period and which, individually or when aggregated with all other Permitted Liens outstanding on any date, do not materially affect the use of the property to which they relate; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; and (d) easements, rights of way, encumbrances and minor defects or irregularities in title to real property not interfering in any material respect with the ordinary conduct of the business of the Borrower or any of its Subsidiaries.

"Person" means an individual, partnership, corporation (including a

business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Public Debt Rating" means, as of any date, the highest rating that

has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Borrower. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating, the Applicable Margin,

and the Applicable Utilization Fee will be set in accordance with Level 6 under the definition of "Applicable Margin", "Applicable Percentage" or

"Applicable Utilization Fee", as the case may be; (c) if any rating

established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (d) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Reference Banks" means Citibank, Bank of America, N.A.,

and

"Register" has the meaning specified in Section 8.07(d).

"Required Lenders" means at any time Lenders owed at least a majority in interest of the then aggregate unpaid principal amount of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least a majority in interest of the Commitments.

"Revolving Credit Advance" means an advance by a Lender to the Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Credit Note" means a promissory note of the Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Significant Subsidiary" means, at any time, a Subsidiary of the Borrower having (a) at least 10% of the total Consolidated Assets of the Borrower and its Subsidiaries (determined as of the last day of the most recent Fiscal Quarter of the Borrower ended on or prior to such date) or (b) at least 5% of the Consolidated revenues of the Borrower and its Subsidiaries for the four most recent Fiscal Quarters of the Borrower ended on or prior to such date.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any of its ERISA Affiliates and no Person other than the Borrower and its ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any of its ERISA Affiliates could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether, at the time, capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Tangible Net Worth" means, with respect to any Person as of any date

of determination, the excess of total assets over total liabilities, total
assets and total liabilities each to be determined in accordance with GAAP,
excluding, however, from the determination of total assets, (a) goodwill,

experimental or organizational expenses, research and development expenses, franchises, trademarks, service marks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, (b) all unamortized debt discount and expense, (c) treasury stock and capital stock, obligations or other securities of, or capital contributions to, or investments in, any Subsidiary, and (d) any items not included in clauses (a) through (c) above which are treated as intangibles in conformity with GAAP, in each case, determined on a Consolidated basis and in accordance with GAAP.

"Taxes" has the meaning specified in Section 2.14(a).

"Termination Date" means the earlier of (a) November 18, 2002, subject

to the extension thereof pursuant to Section 2.18 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01; provided, however, that the Termination Date of any Lender that is a

Non-Consenting Lender to any requested extension pursuant to Section 2.18 shall be the Termination Date in effect immediately prior to the applicable Extension Date for all purposes of this Agreement.

"Trade Letter of Credit" means any letter of credit that is issued for

the benefit of a supplier of inventory or provider of a service necessary for the conduct of the business of the Borrower or any of its Subsidiaries (other than any financial services) to the Borrower or any of its Subsidiaries to effect payment for such inventory or service.

"Voting Stock" means capital stock issued by a corporation, or

equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part 1 of Subtitle

E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the

computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically

defined herein shall be construed in accordance with United States generally accepted accounting principles as in effect from time to time ("GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances. Each Lender severally

agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount not to exceed at any time outstanding such Lender's Commitment provided that the

aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction"). Each Revolving Credit

Borrowing shall be in an aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.10 and reborrow under this Section 2.01.

SECTION 2.02. Making the Revolving Credit Advances. (a) Each Revolving

Credit Borrowing shall be made on notice, given not later than (x) 12:00 Noon (New York City time) on the third Business Day prior

to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing to be comprised of Eurodollar Rate Advances or (y) 11:00 A.M. (New York City time) on the Business Day of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing to be comprised of Base Rate Advances, by the Borrower to the Agent, which shall give to each Lender prompt notice thereof by telecopier or by telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be

by telephone, confirmed immediately in writing, or telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Revolving Credit Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a Revolving Credit Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Revolving Credit Advance. Each Lender shall on the date of such Revolving Credit Borrowing, before 11:00 A.M. (New York City time) , in the case of a Revolving Credit Borrowing to be comprised of Eurodollar Rate Advances, and before 1:00 P.M. (New York City time), in the case of a Revolving Credit Borrowing to be comprised of Base Rate Advances, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Section 3.02, the Agent will make such funds available to the Borrower at the Agent's address referred to in Section 8.02.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurodollar Rate Advances for any Revolving Credit Borrowing if the obligation of the Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurodollar Rate Advances may not be outstanding as part of more than eight separate Revolving Credit Borrowings.

(c) Each Notice of Revolving Credit Borrowing shall be irrevocable and binding on the Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Section 3.02, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Revolving Credit Borrowing (in the case of a Revolving Credit Borrowing to be comprised of Eurodollar Rate Advances) and not later than 12:00 Noon (New York City time) on the Business Day of the proposed Revolving Credit Borrowing (in the case of a Revolving Credit Borrowing to be comprised of Base Rate Advances) that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at such time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally

agrees that the Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the Effective Date until the date occurring 7 days prior to the Termination Date in the manner set forth below; provided that (x) each Competitive Bid Borrowing shall be in an

aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and (y) following the making of each Competitive Bid Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders.

(i) The Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent, by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"),

in substantially the form of Exhibit B-2 hereto, specifying the date and aggregate amount of the proposed Competitive Bid Borrowing, the maturity date for repayment of each Competitive Bid Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring 7 days after the date of such Competitive Bid Borrowing or later than the earlier of (x) 180 days after the date of such Competitive Bid Borrowing and (y) the Termination Date), the interest payment date or dates relating thereto, and any other terms to be applicable to such Competitive Bid Borrowing, not later than 10:00 A.M. (New York City time) (A) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum and (B) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall instead specify in the Notice of Competitive Bid Borrowing the basis to be used by the Lenders in determining the rates of interest to be offered by them. The Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from the Borrower by sending such Lender a copy of the applicable Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to the Borrower), before 10:00 A.M. (New York City time) (x) on the date of such proposed Competitive Bid Borrowing, in the case of a Notice of Competitive Bid Borrowing delivered pursuant to clause (A) of paragraph (i) above and (y) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Notice of Competitive Bid Borrowing delivered pursuant to clause (B) of paragraph (i) above of the minimum amount and maximum amount of each Competitive Bid Advance that such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance, provided that if the Agent in its capacity

as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer before 9:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent, by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent before 10:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice

shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower shall, in turn, (x) before 11:00 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Notice of Competitive Bid Borrowing delivered pursuant to clause (A) of paragraph (i) above and (y) before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Notice of Competitive Bid Borrowing delivered pursuant to clause (B) of paragraph (i) above, either:

(A) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(B) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in order of the lowest to the highest rates of interest or margins (or if two or more Lenders bid at the same rate of interest, and the amount of accepted offers is less than the aggregate amount of such offers, the amount to be borrowed from such Lenders as part of such Competitive Bid Borrowing shall be allocated among such Lenders pro rata on the basis of the

--- ---

maximum amount offered by such Lenders at such rates or margin in connection with such Competitive Bid Borrowing), by giving notice to the Agent of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Agent on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent notice to that effect.

(iv) If the Borrower notifies the Agent that such Competitive Bid Borrowing is cancelled pursuant to subsection (iii)(A) above, the Agent shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(B) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Section 3.03. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 12:00 Noon (New York City time) on the date of such Competitive Bid Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's portion of such Competitive Bid Borrowing. Upon fulfillment of the applicable conditions set forth in Section 3.03 and after receipt by the Agent of such funds, the Agent will make such funds available to the Borrower at the Agent's address referred to in Section 8.02. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of the Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate and the range of interest rates with respect to the Competitive Bid Advances made as part of such Competitive Bid Borrowing.

(vi) If the Borrower notifies the Agent that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Section 3.03, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay pursuant to subsection (c) below and reborrow under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing.

(c) The Borrower shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of such Competitive Bid Advance (such maturity date being that specified by the Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. The Borrower shall have the right to prepay any Competitive Bid Advance only upon the terms agreed to in connection with such Competitive Bid Advance.

(d) The Borrower shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance until the date the principal amount of such Competitive Bid Advance is paid in full at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in the notice delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. At any time during which the Borrower shall fail (x) to pay any principal of any Advance, any interest on any Advance or make any other payment in connection with this Agreement when the same becomes due and payable or (y) to perform or observe any term, covenant or agreement contained in Section 5.03, the Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(e) The indebtedness of the Borrower resulting from each Competitive Bid Advance made to the Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Advance.

(f) Following the making of each Competitive Bid Borrowing, the Borrower shall be in compliance with the limitation set forth in clause (y) of the proviso to the first sentence of Section 2.03(a).

(g) The Borrower shall pay to the Agent for its own account such fees as may be agreed between the Borrower and the Agent in connection with each request for a Competitive Bid Borrowing whether or not any Competitive Bid Borrowing is in fact made.

SECTION 2.04. Fees. (a) Facility Fee. The Borrower agrees to pay to

the Agent for the ratable account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the date hereof until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 2001, and on the Termination Date.

(b) Agent's Fees. The Borrower shall pay to the Agent for its own

account such fees as may from time to time be agreed between the Borrower and the Agent.

SECTION 2.05. Termination or Reduction of the Commitments. The

Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or permanently reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that the

aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Competitive Bid Advances then outstanding, and provided further that each partial reduction

shall be in the aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof.

SECTION 2.06. Repayment of Revolving Credit Advances. The Borrower

shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Credit Advances then outstanding.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled

Interest. The Borrower shall pay interest on the unpaid principal amount of each

Revolving Credit Advance owing to each Lender from the date of such Revolving
Credit Advance until such principal amount shall be paid in full, at the
following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit

Advance is a Base Rate Advance, a rate per annum equal at all times to the
sum of (x) the Base Rate in effect from time to time plus (y) the

Applicable Margin in effect from time to time plus (z) the Applicable

Utilization Fee in effect from time to time, payable in arrears quarterly
on the last day of each March, June, September and December during such
periods and on the date such Base Rate Advance shall be Converted or paid
in full.

(ii) Eurodollar Rate Advances. During such periods as such Revolving

Credit Advance is a Eurodollar Rate Advance, a rate per annum equal at all
times during each Interest Period for such Revolving Credit Advance to the
sum of (x) the Eurodollar Rate for such Interest Period for such Revolving
Credit Advance plus (y) the Applicable Margin in effect from time to time

plus (z) the Applicable Utilization Fee in effect from time to time,

payable in arrears on the last day of such Interest Period and, if such
Interest Period has a duration of more than three months, on each day that
occurs during such Interest Period every three months from the first day of
such Interest Period and on the date such Eurodollar Rate Advance shall be
Converted or paid in full.

(b) Default Interest. At any time during which the Borrower shall fail

(i) to pay any principal of any Advance, any interest on any Advance or make any
other payment in connection with this Agreement when the same becomes due and
payable or (ii) to perform or observe any term, covenant or agreement contained
in Section 5.03, the Agent may, and upon the request of the Required Lenders
shall, require the Borrower to pay interest ("Default Interest") on (i) the

unpaid principal amount of each Revolving Credit Advance owing to each Lender,
payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above,
at a rate per annum equal at all times to 2% per annum above the rate per annum
required to be paid on such Revolving Credit Advance pursuant to clause (a)(i)
or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of
any interest, fee or other amount payable hereunder that is not paid when due,
from the date such amount shall be due until such amount shall be paid in full,
payable in arrears on the date such amount shall be paid in full and on demand,
at a rate per annum equal at all times to 2% per annum above the rate per annum
required to be paid on Base Rate Advances pursuant to clause (a)(i) above,
provided, however, that following acceleration of the Advances pursuant to

Section 6.01, Default Interest shall accrue and be payable hereunder whether or
not previously required by the Agent.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank

agrees to furnish to the Agent timely information for the purpose of determining
each Eurodollar Rate. If any one or more of the Reference Banks shall not
furnish such timely information to the Agent for the purpose of determining such
interest rate, the Agent shall determine such interest rate on the basis of
timely information furnished by the remaining Reference Banks.

(b) The Agent shall give prompt notice to the Borrower and the Lenders
of the applicable interest rate determined by the Agent for purposes of Section
2.07(a)(i) or (ii), and the applicable rate, if any, furnished by each Reference
Bank for the purpose of determining the applicable interest rate under Section
2.07(a)(ii).

(c) If Telerate Markets Page 3750 is unavailable and fewer than two
Reference Banks furnish timely information to the Agent for determining the
Eurodollar Rate for any Eurodollar Rate Advances,

(i) the Agent shall forthwith notify the Borrower and the Lenders that
the interest rate cannot be determined for such Eurodollar Rate Advances,

(ii) each such Advance will automatically, on the last day of the then
existing Interest Period therefor, Convert into a Base Rate Advance (or if
such Advance is then a Base Rate Advance, will continue as a Base Rate
Advance), and

(iii) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(d) If, with respect to any Eurodollar Rate Advances, the Required Lenders notify the Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and (ii) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(e) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Eurodollar Rate Advances having an Interest Period of one month.

(f) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$5,000,000, such Advances shall automatically Convert into Base Rate Advances.

(g) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

SECTION 2.09. Optional Conversion of Revolving Credit Advances. The

Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Credit Advances of one Type comprising the same Borrowing into Revolving Credit Advances of the other Type; provided, however, that any

Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances, any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified for Revolving Credit Borrowings in Section 2.01 and no Conversion of any Revolving Credit Advances shall result in more separate Revolving Credit Borrowings than permitted under Section 2.02(b). Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Revolving Credit Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower.

SECTION 2.10. Prepayments of Revolving Credit Advances. The Borrower

may, upon notice to the Agent no later than 11:00 A.M. (New York City time) on the proposed date of the prepayment in the case of Base Rate Advances and on the second Business Day prior to the proposed date of the prepayment in the case of Eurodollar Rate Advances, in each case stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment

shall be in an aggregate principal amount not less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and (y) in the event of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(c).

SECTION 2.11. Increased Costs. (a) If, due to either (i) the

introduction of or any change in or in the interpretation of any law or regulation after the date hereof or (ii) the compliance with any guideline or

request from any central bank or other governmental authority (whether or not having the force of law) issued after the date hereof, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.14 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost provided, however, that, any Lender claiming additional amounts under this

Section 2.12 shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if such change would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost, submitted to the Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority enacted or made after the date hereof (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

(c) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.11 shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be

required to compensate a Lender pursuant to this Section 2.11 for any increased costs or reductions incurred more than four months prior to the date that such Lender notifies the Borrower of the change giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the change giving rise to such increased costs or

reductions is retroactive, than the four-month period referred to above shall be included to include the period of retroactive effect thereof.

SECTION 2.12. Illegality. Notwithstanding any other provision of this

Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist and (ii) the Borrower shall forthwith prepay in full all Eurodollar Rate Advances of all Lenders then outstanding, together with interest accrued thereon, unless the Borrower, within five Business Days of notice from the Agent, Converts all Eurodollar Rate Advances of all Lenders then outstanding into Base Rate Advances in accordance with Section 2.09.

SECTION 2.13. Payments and Computations. (a) The Borrower shall make

each payment hereunder, irrespective of any right of counterclaim or set-off, not later than 12:00 Noon (New York City time) on the day when due in U.S. dollars to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.11, 2.14 or 8.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon any Assuming Lender becoming a Lender hereunder as a result of an extension of the Termination Date pursuant to Section 2.18, and upon the Agent's receipt of such Lender's Assumption Agreement

and recording of the information contained therein in the Register, from and after the

applicable Extension Date, the Agent shall make all payments hereunder and under any Notes issued in connection therewith in respect of the interest assumed thereby to the Assuming Lender. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of facility fees shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of

interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.14. Taxes. (a) Any and all payments by the Borrower to or

for the account of any Lender or the Agent hereunder or under the Notes or any other documents to be delivered hereunder shall be made, in accordance with Section 2.13 or the applicable provisions of such other documents, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on

its overall net income, minimum taxes, alternative minimum taxes, doing business taxes, franchise taxes and value added taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized (federal or state) or doing business or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, minimum taxes, alternative minimum taxes, doing business taxes, franchise taxes and value added taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Applicable Lending Office (federal or state) or in which such Lender is doing business or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If the Borrower shall be required by

law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note or any other documents to be delivered hereunder to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or any other documents to be delivered hereunder or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes or any other documents to be delivered

hereunder imposed by the jurisdiction under the laws of which the Borrower is organized or any political subdivision thereof, or by the jurisdiction in which the Borrower's principal office is located or from which any payments hereunder are made (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Lender and the Agent for and hold it harmless against the full amount of Taxes or Other Taxes (including, without limitation, taxes of any kind imposed or asserted by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor; provided, however, that in no event shall any

such indemnification be due earlier than five Business Days after such Lender or the Agent (as the case may be) has paid such Taxes or Other Taxes; provided,

further, that any such demand shall be accompanied by copies of all

correspondence to and from the applicable taxing authority and a copy of the calculation of such Taxes or Other Taxes.

(d) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing such payment to the extent such a receipt is issued therefor, or other written proof of payment thereof that is reasonably satisfactory to the Agent. In the case of any payment hereunder or under the Notes or any other documents to be delivered hereunder by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel reasonably acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person"

shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assumption Agreement or the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as reasonably requested in writing by the Borrower (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Borrower with two original Internal Revenue Service forms W-8BEN or W-8ECI, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance

pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form W-8BEN or W-8ECI, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form, certificate or other document described in Section 2.14(e) (other than if such failure is due to a change in

law, or in the interpretation or application thereof, occurring subsequent to the date on which a form, certificate or other document originally was required to be provided, or if such form, certificate or other document otherwise is not required under subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.14(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a

Lender become subject to Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist

the Lender to recover such Taxes (and such Lender reimburse the Borrower for reasonable out-of-pocket costs and expenses of the Borrower in connection therewith).

(g) Any Lender claiming any additional amounts payable pursuant to this Section 2.14 shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Eurodollar Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender, provided, that should the Borrower be required

to pay any amounts under Section 2.14(a) or (c), and the Borrower delivers to each Lender that received such amounts an opinion of counsel that payments to the Lender or the Agent were not in fact subject to Taxes, each Lender shall use reasonable efforts to cooperate with the Borrower, including, but not limited to filing and pursuing a claim of refund in its own name (provided that the Borrower agrees in writing to indemnify and reimburse such Lender for its actual out-of-pocket expenses in connection with such claim for refund), in obtaining a refund of Taxes, and if such Lender receives a refund of Taxes shall promptly pay such Taxes over to the Borrower.

(h) If any Lender determines, in its sole discretion, that it has actually and finally realized, by reason of a refund, deduction or credit of any Taxes paid or reimbursed by the Borrower pursuant to subsection (a) or (c) above in respect of payments under the Credit Agreement or the Notes, a current monetary benefit that it would otherwise not have obtained, and that would result in the total payments under this Section 2.14 exceeding the amount needed to make such Lender whole, such Lender shall pay to the Borrower, with reasonable promptness following the date on which it actually realized such benefit, an amount equal to the lesser of the amount of such benefit or the amount of such excess, in each case net of all out-of-pocket expenses in securing such refund, deduction or credit.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any

payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.11, 2.14 or 8.04(c)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess

payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.16. Evidence of Debt. (a) Each Lender shall maintain in

accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Agent) to the effect that a Revolving Credit Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 8.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and

payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of

principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an

entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

SECTION 2.17. Use of Proceeds. The proceeds of the Advances shall be

available (and the Borrower agrees that it shall use such proceeds) solely for working capital and general corporate purposes of the Borrower and its Subsidiaries (including, without limitation, acquisitions, repayment of debt and repurchase of stock).

SECTION 2.18. Extension of Termination Date. (a) At least 30 days but

not more than 45 days prior to the Termination Date, the Borrower, by written notice to the Agent, may request an extension of the Termination Date in effect at such time by 364 days from its then scheduled expiration. The Agent shall promptly notify each Lender of such request, and each Lender shall in turn, in its sole discretion, not later than 20 days prior to the Termination Date, notify the Borrower and the Agent in writing as to whether such Lender will consent to such extension. If any Lender shall fail to notify the Agent and the Borrower in writing of its consent to any such request for extension of the Termination Date at least 20 days prior to the Termination Date, such Lender shall be deemed to be a Non-Consenting Lender with respect to such request. The Agent shall notify the Borrower not later than 15 days prior to the Termination Date of the decision of the Lenders regarding the Borrower's request for an extension of the Termination Date.

(b) If all the Lenders consent in writing to any such request in accordance with subsection (a) of this Section 2.18, the Termination Date in effect at such time shall, effective as at the Termination Date (the "Extension

Date"), be extended for 364 days; provided that on each Extension Date the

applicable conditions set forth in Section 3.02 shall be satisfied. If less than all of the Lenders consent in writing to any such request in accordance with subsection (a) of this Section 2.18, the Termination Date in effect at such time shall, effective as at the applicable Extension Date and subject to subsection (d) of this Section 2.18, be extended as to those Lenders that so consented (each a "Consenting Lender") but shall not be extended as to any other Lender

(each a "Non-Consenting Lender"). To the extent that the Termination Date is not

extended as to any Lender pursuant to this Section 2.18 and the Commitment of such Lender is not assumed in accordance with subsection (c) of this Section 2.18 on or prior to the applicable Extension Date, the Commitment of such Non-Consenting Lender shall automatically terminate in whole on such unextended Termination Date without any further notice or other action by the Borrower, such Lender or any other Person; provided that such Non-Consenting Lender's

rights under Sections 2.11, 2.14 and 8.04, and its obligations under Section 7.05, shall survive the Termination Date for such Lender as to matters occurring prior to such date. It is understood and agreed that no Lender shall have any obligation whatsoever to agree to any request made by the Borrower for any requested extension of the Termination Date.

(c) If less than all of the Lenders consent to any such request pursuant to subsection (a) of this Section 2.18, the Agent shall promptly so notify the Consenting Lenders, and each Consenting Lender may, in its sole discretion, give written notice to the Agent not later than 10 days prior to the Termination Date of the amount of the Non-Consenting Lenders' Commitments for which it is willing to accept an assignment. If the Consenting Lenders notify the Agent that they are willing to accept assignments of Commitments in an aggregate amount that exceeds the amount of the Commitments of the Non-Consenting Lenders, such Commitments shall be allocated among the Consenting Lenders willing to accept such assignments in such amounts as are agreed between the Borrower and the Agent. If after giving effect to the assignments of Commitments described above there remains any Commitments of Non-Consenting Lenders, the Borrower may arrange for one or more Consenting Lenders or other Eligible Assignees (each, an "Assuming Lender") to assume, effective as of the

Extension Date and by execution and delivery of an agreement in form and substance satisfactory to the Agent and the Borrower (an "Assumption Agreement"), any Non-Consenting Lender's Commitment and all of the obligations of such Non-Consenting Lender under this Agreement thereafter arising, without recourse to or warranty by, or expense to, such

Non-Consenting Lender; provided, however, that the amount of the Commitment of

any such Assuming Lender as a result of such substitution shall in no event be less than \$5,000,000 unless the amount of the Commitment of such Non-Consenting Lender is less than \$5,000,000, in which case such Assuming Lender shall assume all of such lesser amount; and provided further that:

(i) any such Consenting Lender or Assuming Lender shall have paid to such Non-Consenting Lender (A) the aggregate principal amount of, and any interest accrued and unpaid to the effective date of the assignment on, the outstanding Advances, if any, of such Non-Consenting Lender plus (B) any

accrued but unpaid facility fees owing to such Non-Consenting Lender as of the effective date of such assignment;

(ii) all additional costs reimbursements, expense reimbursements and indemnities payable to such Non-Consenting Lender, and all other accrued and unpaid amounts owing to such Non-Consenting Lender hereunder, as of the effective date of such assignment shall have been paid to such Non-Consenting Lender; and

(iii) with respect to any such Assuming Lender, the applicable processing and recordation fee required under Section 8.07(a) for such assignment shall have been paid;

provided further that such Non-Consenting Lender's rights under Sections 2.11,

2.14 and 8.04, and its obligations under Section 7.05, shall survive such substitution as to matters occurring prior to the date of substitution. At least three Business Days prior to any Extension Date, (A) each such Assuming Lender, if any, shall have delivered to the Borrower and the Agent an Assumption Agreement, duly executed by such Assuming Lender, such Non-Consenting Lender, the Borrower and the Agent, (B) any such Consenting Lender shall have delivered confirmation in writing satisfactory to the Borrower and the Agent as to the increase in the amount of its Commitment and (C) each Non-Consenting Lender being replaced pursuant to this Section 2.18 shall have delivered to the Agent any Note or Notes held by such Non-Consenting Lender. Upon the payment or prepayment of all amounts referred to in clauses (i), (ii) and (iii) of the immediately preceding sentence, each such Consenting Lender or Assuming Lender, as of the Extension Date, will be substituted for such Non-Consenting Lender under this Agreement and shall be a Lender for all purposes of this Agreement, without any further acknowledgment by or the consent of the other Lenders, and the obligations of each such Non-Consenting Lender hereunder shall, by the provisions hereof, be released and discharged.

(d) If (after giving effect to any assignments or assumptions pursuant to subsection (c) of this Section 2.18) Lenders having Commitments equal to at least 50% of the Commitments in effect immediately prior to the Extension Date consent in writing to a requested extension (whether by execution or delivery of an Assumption Agreement or otherwise) not later than one Business Day prior to such Extension Date, the Agent shall so notify the Borrower, and, subject to the satisfaction to the applicable conditions in Section 3.02, the Termination Date then in effect shall be extended for the additional 364-day period as described in subsection (a) of this Section 2.18, and all references in this Agreement, and in the Notes, if any, to the "Termination Date" shall, with respect to each

Consenting Lender and each Assuming Lender for such Extension Date, refer to the Termination Date as so extended. Promptly following each Extension Date, the Agent shall notify the Lenders (including, without limitation, each Assuming Lender) of the extension of the scheduled Termination Date in effect immediately prior thereto and shall thereupon record in the Register the relevant information with respect to each such Consenting Lender and each such Assuming Lender.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01

and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions

precedent have been satisfied:

(a) There shall have occurred no Material Adverse Change since December 31, 2000.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Borrower or any of its Subsidiaries pending or, to the best knowledge of the Borrower, threatened before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect, except as set forth in Schedule 3.01(b) (the "Disclosed Litigation") or i) purports to affect the legality,

validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there shall have been no material adverse change in the status or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b).

(c) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not reasonably acceptable to the Lenders) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(d) The Borrower shall have notified each Lender and the Agent in writing as to the proposed Effective Date.

(e) The Borrower shall have paid all accrued fees and expenses of the Agent and the Arrangers (including the accrued fees and expenses of counsel to the Agent and the Arrangers then due and payable).

(f) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) the representations and warranties contained in Section 4.01 are correct on and as of the Effective Date; and

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

(g) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(i) The Revolving Credit Notes to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(ii) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of Womble Carlyle Sandridge & Rice, PLLC, special counsel for the Borrower, substantially in the form of Exhibit E hereto and as to such other matters as any Lender through the Agent may reasonably request.

(v) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(h) The Borrower shall have terminated the commitments, and paid in full all Debt, interest, fees and other amounts outstanding under the Amended and Restated Revolving Credit Agreement dated as of April 11, 1997, as amended, among the Borrower, the lenders parties thereto and Citibank, as administrative agent, and each of the Lenders that is a party to such Amended and Restated Revolving Credit Agreement hereby waives the requirement of three Business Days' prior notice to the termination of their commitments thereunder as provided in Section 2.06 of said agreement.

SECTION 3.02. Conditions Precedent to Each Revolving Credit Borrowing

and Extension Date. The obligation of each Lender to make a Revolving Credit

Advance on the occasion of each Revolving Credit Borrowing and each extension of Commitments pursuant to Section 2.18 shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing or the applicable Extension Date (a) the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing request for Commitment Extension and the acceptance by the Borrower of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing or such Extension Date such statements are true):

(i) the representations and warranties contained in Section 4.01 (except, in the case of Revolving Credit Borrowings, the representations set forth in subsection (e) and subsection (f)(i) thereof) are correct on and as of such date, before and after giving effect to such Revolving Credit Borrowing or such Extension Date and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or such Extension Date or from the application of the proceeds therefrom, that constitutes a Default;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.03. Conditions Precedent to Each Competitive Bid Borrowing.

The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that the Effective Date shall have occurred and (a) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (b) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(i) the representations and warranties contained in Section 4.01 (except the representations set forth in subsection (e) and subsection (f)(i) thereof) are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

SECTION 3.04. Determinations Under Section 3.01. For purposes of

determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions

contemplated by this Agreement shall have received notice from such Lender prior to the date that the Borrower, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders, with a copy to the Borrower, of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The

Borrower represents and warrants as follows:

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

(b) The execution, delivery and performance by the Borrower of this Agreement and the Notes to be delivered by it, and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any material contractual restriction binding on or affecting the Borrower or, to the actual knowledge of a responsible officer of the Borrower, any other contractual restriction binding on or affecting the Borrower.

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

(d) This Agreement has been, and each of the Notes to be delivered by it when delivered hereunder will have been, duly executed and delivered by the Borrower. This Agreement is, and each of the Notes when delivered hereunder will be, the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms; provided that the enforceability hereof and thereof is subject in each case

to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2000, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Arthur Andersen L.L.P., independent public accountants, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at June 30, 2001, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the six months then ended, duly certified by the chief financial officer of the Borrower, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at June 30, 2001, and said statements of income and cash flows for the six months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles consistently applied. Since December 31, 2000, there has been no Material Adverse Change.

(f) There is no pending or, to the knowledge of the Borrower, threatened action or proceeding, including, without limitation, any Environmental Action, affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation), and since the date of Schedule 3.01(b) was prepared there has been no material adverse change in the status, or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described in Schedule 3.01(b) or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby.

(g) No written information, report, financial statement, exhibit or schedule furnished by or on behalf of the Borrower to the Agent or any Lender in connection with the negotiation of this Agreement or included herein or delivered pursuant hereto contained or contains any material misstatement of fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

(h) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

(i) (A) Except as set forth in Schedule 4.01(i), the operations and properties of the Borrower and each of its Subsidiaries comply in all material respects with all Environmental Laws, all material and necessary Environmental Permits have been obtained and are in effect for the operations and properties of the Borrower and each of its Subsidiaries, and the Borrower and each of its Subsidiaries are in compliance in all material respects with all such Environmental Permits.

(B) Except as set forth in the Borrower's Form 10-K for 2000 and in Schedule 4.01(i), to the knowledge of the Borrower, there are no circumstances that are reasonably likely to form the basis of an Environmental Action against the Borrower or any of its Subsidiaries that could be reasonably likely to have a Material Adverse Effect.

(j) Except as set forth in Schedule 4.01(i), none of the properties currently or formerly owned or operated by the Borrower or any of its Subsidiaries is listed or, to the knowledge of the Borrower, proposed for listing on the National Priorities List under CERCLA (the "NPL") or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency ("CERCLIS") or any analogous state list if such listing or proposed listing could reasonably be likely to have a Material Adverse Effect.

(k) Except as set forth in Schedule 4.01(i), to the knowledge of the Borrower, neither the Borrower nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Materials to any location that is listed or proposed for listing on the NPL or on the CERCLIS, which could reasonably be likely to lead to claims against the Borrower or such Subsidiary for any remedial work, damage to natural resources or personal injury that have, or could reasonably be likely to have, a Material Adverse Effect.

(l) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan.

(m) Neither the Borrower nor any of its ERISA Affiliates has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan.

(n) Neither the Borrower nor any of its ERISA Affiliates has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA.

(o) Except as set forth in Schedule 4.01(o), as of the date indicated on Schedule 4.01(o) the Borrower and its Subsidiaries have no material liability with respect to "accumulated post-retirement benefit obligations" within the meaning of Statement of Financial Accounting Standards No. 106.

(p) Schedule B (Actuarial Information) to the most recent annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and, if requested, furnished to the Agent pursuant to Section 5.01(l)(ix) hereof, is complete and accurate in all material

respects and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no material adverse change in such funding status.

(q) The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall

remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its

Subsidiaries to comply in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with (i) ERISA and (ii) Environmental Laws to the extent set forth in Section 5.01(d).

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its

Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all federal and other material taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Borrower nor any of its Subsidiaries

shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves, if any, to the extent required in accordance with GAAP, are being maintained.

(c) Payment of Obligations. Pay, discharge or otherwise satisfy at or

before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, or in the case of any trade payable before such trade payable becomes Debt, except where the amount or validity thereof is currently being contested in good faith and by appropriate proceedings and as to which appropriate reserves, if any, to the extent required in accordance with GAAP, are being maintained.

(d) Compliance with Environmental Laws. (i) Comply and cause each of

its Subsidiaries to comply, in all material respects, with all Environmental Laws and Environmental Permits that are material to the conduct of the business of the Borrower or any of its Subsidiaries or necessary for their operations and properties, and (ii) obtain and renew, and cause each of its Subsidiaries to obtain and renew, all Environmental Permits that are material to the conduct of the business of the Borrower or any of its Subsidiaries or necessary for their operations and properties; except, with respect to (i) and (ii) above, to the extent that any such Environmental Law or the terms of any Environmental Permit are being contested in good faith and by proper proceedings and as to which appropriate reserves, if any, to the extent required in accordance with GAAP, are being maintained.

(e) Maintenance of Insurance. Maintain, and cause each of its

Subsidiaries to maintain, insurance (including self-insurance, in amounts consistent with industry practice and custom) with responsible insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates.

(f) Preservation of Corporate Existence, Etc. Preserve and maintain,

and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided,

however, that the Borrower and its Subsidiaries may consummate any merger

or consolidation permitted under Section 5.02(b) and provided further that

neither the Borrower nor any of its Subsidiaries shall be required to preserve any right or franchise or the corporate existence of any Subsidiary of the

Borrower if the Board of Directors of the Borrower or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower and its Subsidiaries taken as a whole or the Lenders.

(g) Visitation Rights. At any reasonable time and from time to time,

upon reasonable prior notice, permit the Agent or, subject to the proviso hereto, any of the Lenders or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of the Borrower and any of its Subsidiaries, as shall be reasonably requested, and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers and with their independent certified public accountants, provided, that unless (x) an Event of Default has occurred and is

continuing or (y) the Public Debt Rating assigned by S&P is lower than BBB- and the Public Debt Rating assigned by Moody's is lower than Baa3, the Borrower shall not be required to comply with this subsection (g) with respect to any of the Lenders or any agents or representatives thereof (other than the Agent).

(h) Keeping of Books. Keep, and cause each of its Subsidiaries to

keep, proper books of record and account, in which appropriate entries that are correct in all material respects shall be made, of all financial transactions and the assets and business of the Borrower and each such Subsidiary so as to permit preparation of their Consolidated financial statements in accordance with GAAP.

(i) Maintenance of Properties, Etc. Maintain and preserve, and cause

each of its Subsidiaries to maintain and preserve, all of its properties that are necessary or, in the reasonable judgment of the Borrower or such Subsidiary, useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(j) Transactions with Affiliates. Conduct, and cause each of its

Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate other than:

(i) transactions among the Borrower and any of its wholly owned Subsidiaries; and

(ii) transactions among wholly owned Subsidiaries of the Borrower.

(k) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, Consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such quarter and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to year-end audit adjustments) by the chief financial officer of the Borrower as having been prepared in accordance with GAAP;

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, containing Consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal year, in each case accompanied by an opinion reasonably acceptable to the Required Lenders by Arthur Andersen L.L.P. or other independent public accountants acceptable to the Required Lenders;

(iii) together with the financial statements required to be delivered in accordance with clauses (i) and (ii) above, (A) a certificate of the chief financial officer of the Borrower stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto and (B) a schedule in form and substance satisfactory to the Agent of the computations used by the Borrower in determining compliance with the covenants contained in Section 5.03;

(iv) promptly after the Borrower becomes aware of and in any event within five Business Days after becoming aware of each Default, continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its securityholders, and copies of all reports and registration statements that the Borrower or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

(vi) promptly after the Borrower becomes aware of the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in the first sentence of Section 4.01(f);

(vii) promptly and in any event within 10 days after the Borrower or any of its ERISA Affiliates knows that any ERISA Event has occurred, a statement of the chief financial officer of the Borrower describing such ERISA Event and the action, if any, that the Borrower or such ERISA Affiliate has taken and proposes to take with respect thereto;

(viii) promptly and in any event within three Business Days after receipt thereof by the Borrower or any of its ERISA Affiliates, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any such Plan;

(ix) upon the request of the Agent after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan;

(x) promptly and in any event within five Business Days after receipt thereof by the Borrower or any of its ERISA Affiliates from the sponsor of a Multiemployer Plan, copies of each notice concerning (x) the imposition of Withdrawal Liability by any such Multiemployer Plan, (y) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (z) the amount of liability incurred, or that may be incurred, by the Borrower or any of its ERISA Affiliates in connection with any event described in clause (x) or (y);

(xi) as soon as practical and in any event promptly after the receipt thereof by the Borrower, copies of all written claims, complaints, notices or inquiries relating to compliance by the Borrower or any of its Subsidiaries with any Environmental Law or Environmental Permit that could reasonably be likely to have a Material Adverse Effect or could reasonably be likely to (x) form the basis of an Environmental Action against the Borrower or any of its Subsidiaries or such property that could reasonably be likely to have a Material Adverse Effect or (y) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that could reasonably be likely to have a Material Adverse Effect; and

(xii) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

Notwithstanding any of the foregoing, at any time when the Borrower is subject to the reporting requirements of Section 13(a)(2) of the Securities Exchange Act of 1934, the Borrower shall be deemed to have complied with the requirements of clauses (i), (ii) and (v) above, if the Borrower shall include such information in timely filings made with the Securities and Exchange Commission by the Borrower.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain

unpaid or any Lender shall have any Commitment hereunder, the Borrower will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its

Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens,

(ii) purchase money Liens upon or in any property acquired or held by the Borrower or any Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure Debt incurred solely for the purpose of financing the acquisition of such property, or Liens existing on such property at the time of its acquisition (other than any such Lien created in contemplation of such acquisition) or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; provided, however, that no

such Lien shall extend to or cover any property other than the property being acquired, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced,

(iii) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower; provided that such Liens were not created in contemplation of such

merger, consolidation or acquisition and do not extend to any assets other than those of the Person so merged into or consolidated with the Borrower or such Subsidiary or acquired by the Borrower or such Subsidiary,

(iv) the Liens described on Schedule 5.02(a),

(v) the replacement, extension or renewal of any Lien permitted by clauses (ii), (iii) and (iv) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby,

(vi) Liens on margin stock (as defined in Regulation U issued by the Board of Governors of the Federal Reserve Bank) to the extent that such margin stock exceeds 25% of the value of all assets subject to this Section 5.02(a); and

(vii) other Liens securing Debt; provided that the principal

amount of Debt secured pursuant to this clause (vii), together with the principal amount of Debt permitted to be outstanding in accordance with Section 5.02(d)(vi), shall not in the aggregate at any time outstanding exceed 15% of the Consolidated Tangible Net Worth of the Borrower and its Subsidiaries.

(b) Mergers, Etc. Merge or consolidate with or into, or convey,

transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets

(whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that (i) any wholly owned Subsidiary of the Borrower may merge or consolidate with or into, or dispose of all or substantially all of its assets to, any other wholly owned Subsidiary of the Borrower, (ii) any wholly owned Subsidiary of the Borrower may merge into or dispose of all or substantially all of its assets to the Borrower, and (iii) the Borrower may merge with any other Person, provided in each

case that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom and, in the case of any merger to which the Borrower is a party, (A) the Borrower is the surviving corporation, (B) after giving effect to the consummation of such merger, the Borrower shall be in compliance with the covenants set forth in Section 5.03 (calculated on a pro forma basis, as of the date of the consummation of such merger) and (C) the Borrower shall be in the same line of business as conducted by it immediately prior to such merger.

(c) Sales, Etc. of Assets. Sell, lease, transfer or otherwise dispose

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

(d) Subsidiary Debt. Permit any of its Subsidiaries to create or

suffer to exist, any Debt other than:

(i) Debt owed to the Borrower or to a wholly owned Subsidiary of the Borrower,

(ii) Debt existing on the Effective Date and described on Schedule 5.02(d) (including as Debt permitted under this subsection any credit facilities or credit lines of any Subsidiary listed on such Schedule 5.02(d), whether or not such facilities or lines have been drawn upon by such Subsidiary) (the "Existing Subsidiary Debt"), and

any Debt extending the maturity of, or refunding or refinancing, in whole or in part, the Existing Subsidiary Debt, provided that the

terms of any such extending, refunding or refinancing Debt, and of any agreement entered into and of any instrument issued in connection therewith, are otherwise permitted by this Agreement and provided

further that the principal amount of such Existing Subsidiary Debt

shall not be increased above the principal amount thereof outstanding immediately prior to such extension, refunding or refinancing, and the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such extension, refunding or refinancing,

(iii) Debt secured by Liens permitted by Section 5.02(a)(ii) or (iii),

(iv) Debt permitted to be outstanding in accordance with Section 5.03(c),

(v) endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, and

(vi) Debt other than Debt described in clauses (i) through (v) of this Section 5.02(d); provided that the principal amount of Debt

permitted to be outstanding pursuant to this clause (vi), together with the principal amount of Debt permitted to be secured pursuant to Section 5.02(a)(vii), shall not in the aggregate at any time outstanding exceed 15% of the Consolidated Tangible Net Worth of the Borrower and its Subsidiaries.

(e) Change in Nature of Business. Make, or permit any of its

Subsidiaries to make, any material change in the nature of the business of the Borrower and its Subsidiaries taken as a whole as carried on at the date hereof.

(f) Accounting Changes. Make or permit, or permit any of its

Subsidiaries to make or permit, any change in accounting policies or reporting practices that would prevent the Borrower from preparing its Consolidated financial statements in accordance with GAAP.

SECTION 5.03. Financial Covenants. So long as any Advance shall remain

unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Leverage Ratio. Cause, on the last day of each Fiscal Quarter of

the Borrower, the ratio of (i) Consolidated Debt of the Borrower and its Subsidiaries on such date of determination to (ii) Consolidated EBITDA of the Borrower and its Subsidiaries for the four Fiscal Quarters ended on such date not to exceed 4.0 to 1.

(b) Interest Coverage Ratio. Cause, on the last day of each Fiscal

Quarter of the Borrower, the ratio of (i) Consolidated EBITDA of the Borrower and its Subsidiaries for the four Fiscal Quarters ended on such date of determination to (ii) Consolidated interest expense of the Borrower and its Subsidiaries to the four Fiscal Quarters ended on such date not to be less than 2.5 to 1.

(c) Certain Subsidiary Debt. Cause the aggregate outstanding principal

amount of all Debt of Rayonier Timberlands Operating Company not to exceed \$800,000,000 at any time outstanding.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events

("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable or the Borrower shall fail to pay any interest on any Advance or make any other payment due in connection with this Agreement or any Note within five days after the same becomes due and payable; or

(b) Any representation or warranty made or deemed made by or on behalf of the Borrower herein or in any notice, report, certificate, financial statement, instrument, agreement or other writing delivered or prepared in connection with this Agreement, shall prove to have been incorrect in any material respect when made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(f), (g) or (k), Section 5.02(a), (b), (c), (d) or (e) or Section 5.03, or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d) (i) The Borrower or any of its Subsidiaries shall fail to pay any principal of or premium, interest or other amount payable with respect to any Debt that is outstanding in a principal amount of at least \$10,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or (ii) any event shall occur or condition shall exist (including, without limitation, any event of the type described in clause (i) above) under any agreement or instrument relating to any Debt that is outstanding in a principal amount of at least \$25,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or any of its Subsidiaries (as the case may be) and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Debt, or any such Debt shall be accelerated, declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(e) The Borrower or any of its Significant Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Significant Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts, in each such case, under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Significant Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of \$10,000,000 shall be rendered against the Borrower or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) Any non-monetary judgment or order shall be rendered against the Borrower or any of its Subsidiaries that could be reasonably expected to have a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) (i) Any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 30% or more of the combined voting power of all Voting Stock of the Borrower; or (ii) during any period of up to 24 consecutive months, commencing after the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Borrower shall cease for any reason (other than due to death or disability) to constitute a majority of the board of directors of the Borrower (except to the extent that individuals who at the beginning of such 24-month period were replaced by individuals (x) elected by 66-2/3% of the remaining members of the board of directors of the Borrower or (y) nominated for election by a majority of the remaining members of the board of directors of the Borrower and thereafter elected as directors by the shareholders of the Borrower); or (iii) any Person or two or more Persons acting in concert shall have acquired by contract or

otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of, the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Borrower; or (iv) the Borrower or an Affiliate of the Borrower shall cease to be the managing partner of Rayonier Timberlands Operating Company, L.P. ("RTOC") or the Borrower

ceases to consolidate RTOC in its consolidated financial statements; or

(i) Any ERISA Event shall have occurred and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of the Plan with respect to which such ERISA Event shall have occurred and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Borrower and its ERISA Affiliates related to any such ERISA Event) exceeds \$10,000,000; or

(j) The Borrower or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds \$10,000,000 or requires payments exceeding \$5,000,000 per annum; or

(k) The Borrower or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Borrower and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding \$10,000,000;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the

event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

THE AGENT

SECTION 7.01. Authorization and Action. Each Lender hereby appoints

and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be

required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Agent's Reliance, Etc. Neither the Agent nor any of its

directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assumption Agreement entered into by an Assuming Lender as provided in Section 2.18 or an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance, observance or satisfaction of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or the existence at any time of any Default or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. Citibank and Affiliates. With respect to its Commitment,

the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders. The Agent shall have no duty to disclose information obtained or received by it or any of its Affiliates relating to the Borrower or its Subsidiaries to the extent such information was obtained or received in any capacity other than as Agent.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it

has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. The Lenders agree to indemnify the

Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Revolving Credit Advances then owed to each of them (or if no Revolving Credit Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement (collectively, the "Indemnified

Costs"), provided that no Lender shall be liable for any portion of the

Indemnified Costs resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any Lender or a third party.

SECTION 7.06. Successor Agent. The Agent may resign at any time by

giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) if no Event of Default has occurred and is continuing. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 7.07. Other Agents. Each Lender hereby acknowledges that

neither the documentation agent nor any other Lender designated as any "Agent" on the signature pages hereof has any liability hereunder other than in its capacity as a Lender.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision

of this Agreement or the Revolving Credit Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall,

unless in writing and signed by each of the Lenders directly affected thereby, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Commitments of such Lenders or subject such Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances (other than pursuant to Section 2.18) or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Credit Advances that shall be required for the Lenders or any of them to take any action hereunder or (f) amend this Section 8.01; and provided further that no amendment, waiver or

consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 8.02. Notices, Etc. All notices and other communications

provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, if to the Borrower, at its address at 50 North Laura Street, Suite 1900, Jacksonville, Florida 32202, Attention: Treasurer, with a copy to: Corporate Secretary; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or telexed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by telex answerback, respectively, except that notices and communications to the Agent pursuant to Article II, III or VII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any

Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses. (a) The Borrower agrees to pay on

demand all out-of-pocket costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement, provided that all such costs and expenses of the Agent (other than

(i) fees and expenses of counsel for the Agent, (ii) printing costs of the Arrangers incurred in connection with the syndication of the Commitments and (iii) expenses arising under Section 5.01(h)) in excess of \$1,000 shall be subject to the prior consent of the Borrower, such consent not to be unreasonably withheld. The Borrower further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to indemnify, exonerate and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents, advisors, representatives and controlling persons (each, an "Indemnified Party") from and against any and all claims, damages,

losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on any property currently or formerly owned or operated by the Borrower or any of its Subsidiaries or any Environmental Action relating in any way to the Borrower or any of its Subsidiaries, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, equityholders or creditors or an Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Borrower also agrees not to assert any claim for special, indirect, consequential or punitive damages against the Agent, any Lender, any of their Affiliates, or any of their respective officers, directors, employees, agents, advisors, representatives and controlling persons, on any theory of liability, arising out of or otherwise relating to (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on an property of the Borrower or any of its Subsidiaries or any Environmental Action relating in any way to the Borrower or any of its Subsidiaries.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.08(f) or (g), 2.09, 2.10 or 2.12, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any

Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 8.05. Right of Set-off. Upon (i) the occurrence and during the

continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmaturing. Each Lender agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such

notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective

(other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may and,

if demanded by the Borrower (following a demand by such Lender pursuant to Section 2.11 or 2.14) upon at least five Business Days' notice to such Lender and the Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) other

than in the case of an assignment to an Affiliate of such Lender, another Lender, or assignments of the type described in subsection (g) below, such Lender shall have obtained the prior written consent of the Agent and, unless an Event of Default has occurred and is continuing, the Borrower, such consent not to be unreasonably withheld, (ii) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes), (iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 and shall be an integral multiple of \$1,000,000 unless the Borrower and the Agent otherwise agree, and if the assigning Lender is assigning less than all of its Commitments after giving effect to such assignment, the amount of the commitment of the assigning Lender shall be equal to or greater than \$5,000,000, (iv) each such assignment shall be to an Eligible Assignee, (v) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (vi) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and a processing and recordation fee of \$3,500 (such fee payable by the assignor or assignee, as agreed by the parties). Upon such

execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Section 2.11, 2.14 and 8.04 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(d) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of each of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The

entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations

under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on,

the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or

participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest (or any other similar interest) in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Bank") may grant to a special purpose funding vehicle (a

"SPC"), identified as such in writing from time to time by the Granting Bank to

the Agent and the Borrower, the option to provide to the Borrower all or any part of any Advance that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein

shall constitute a commitment by any SPC to make any Advance, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the Granting Bank shall be obligated to make such Advance pursuant to the terms hereof. The making of an Advance by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Advances to the Granting Bank or to any financial institutions (consented to by the Borrower and Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Advances and (ii) disclose on a confidential basis any non-public information relating to its Advances to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This section may not be amended without the written consent of the SPC.

SECTION 8.08. Confidentiality. Neither the Agent nor any Lender shall

disclose any Confidential Information to any other Person without the consent of the Borrower other than (a) to the Agent's or such Lender's Affiliates and their officers, directors, employees, agents and advisors and, as contemplated by Section 8.07(f), to actual or prospective assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process and (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

SECTION 8.09. Governing Law. This Agreement and the Notes shall be

governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Agreement may be

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

SECTION 8.11. Jurisdiction, Etc. (a) Each of the parties hereto hereby

irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 8.12. Waiver of Jury Trial. Each of the Borrower, the Agent

and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

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

RAYONIER INC.

By _____
Title:

CITIBANK, N.A.,
as Agent

By _____
Title:

Initial Lenders

Commitment

Administrative Agent

\$8,555,555

CITIBANK, N.A.

By _____
Title:

Syndication Agents

\$8,555,555

BANK OF AMERICA, N.A.

By _____
Title:

\$7,333,333

THE BANK OF NEW YORK

By _____
Title:

\$7,333,333

SUNTRUST BANK

By _____
Title:

Lenders

\$3,666,667

COMPASS BANK

By _____
Title:

\$3,666,667

CREDIT SUISSE FIRST BOSTON

By _____
Title:

\$6,111,111

JPMORGAN CHASE BANK

By _____
Title:

\$3,666,667

THE NORTHERN TRUST COMPANY

By _____
Title:

\$6,111,111

WACHOVIA BANK N.A.

By _____
Title:

\$55,000,000

Total of the Commitments

U.S. \$170,000,000

THREE YEAR CREDIT AGREEMENT

Dated as of November 19, 2001

Among

RAYONIER INC.
as Borrower
-- -----

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders
-- -----

and

CITIBANK, N.A.

as Administrative Agent
-- -----

and

BANK OF AMERICA, N.A.
THE BANK OF NEW YORK
SUNTRUST BANK

as Syndication Agents
-- -----

SALOMON SMITH BARNEY INC.
BANC OF AMERICA SECURITIES INC.

as Arrangers
-- -----

TABLE OF CONTENTS

ARTICLE I		
SECTION 1.01.	Certain Defined Terms -----	1
SECTION 1.02.	Computation of Time Periods -----	11
SECTION 1.03.	Accounting Terms -----	11
ARTICLE II		
SECTION 2.01.	The Revolving Credit Advances -----	11
SECTION 2.02.	Making the Revolving Credit Advances -----	11
SECTION 2.03.	The Competitive Bid Advances -----	12
SECTION 2.04.	Fees -----	15
SECTION 2.05.	Termination or Reduction of the Commitments -----	15
SECTION 2.06.	Repayment of Revolving Credit Advances -----	15
SECTION 2.07.	Interest on Revolving Credit Advances -----	15
SECTION 2.08.	Interest Rate Determination -----	16
SECTION 2.09.	Optional Conversion of Revolving Credit Advances -----	17
SECTION 2.10.	Prepayments of Revolving Credit Advances -----	17
SECTION 2.11.	Increased Costs -----	17
SECTION 2.12.	Illegality -----	18
SECTION 2.13.	Payments and Computations -----	18
SECTION 2.14.	Taxes -----	19
SECTION 2.15.	Sharing of Payments, Etc. -----	21
SECTION 2.16.	Evidence of Debt -----	21
SECTION 2.17.	Use of Proceeds -----	22
SECTION 2.18.	Increase in the Aggregate Commitments -----	22

ARTICLE III		
SECTION 3.01.	Conditions Precedent to Effectiveness of Sections 2.01 and 2.03	23
SECTION 3.02.	Conditions Precedent to Each Revolving Credit Borrowing and Commitment Increase. -----	24
SECTION 3.03.	Conditions Precedent to Each Competitive Bid Borrowing -----	24
SECTION 3.04.	Determinations Under Section 3.01 -----	25
ARTICLE IV		
SECTION 4.01.	Representations and Warranties of the Borrower	25
ARTICLE V		
SECTION 5.01.	Affirmative Covenants -----	27
SECTION 5.02.	Negative Covenants -----	30
SECTION 5.03.	Financial Covenant -----	32
ARTICLE VI		
SECTION 6.01.	Events of Default -----	33
ARTICLE VII		
SECTION 7.01.	Authorization and Action -----	35
SECTION 7.02.	Agent's Reliance, Etc. -----	35
SECTION 7.03.	Citibank and Affiliates -----	35
SECTION 7.04.	Lender Credit Decision -----	35
SECTION 7.05.	Indemnification -----	36
SECTION 7.06.	Successor Agent -----	36
SECTION 7.07.	Other Agents. -----	36
ARTICLE VIII		
SECTION 8.01.	Amendments, Etc. -----	36
SECTION 8.02.	Notices, Etc. -----	37
SECTION 8.03.	No Waiver; Remedies -----	37

SECTION 8.04.	Costs and Expenses -----	37
SECTION 8.05.	Right of Set-off -----	38
SECTION 8.06.	Binding Effect -----	38
SECTION 8.07.	Assignments and Participations -----	38
SECTION 8.08.	Confidentiality -----	41
SECTION 8.09.	Governing Law -----	41
SECTION 8.10.	Execution in Counterparts -----	41
SECTION 8.11.	Jurisdiction, Etc. -----	41
SECTION 8.12.	Waiver of Jury Trial -----	42

Schedules
- - - - -

- Schedule I - List of Applicable Lending Offices
- Schedule 3.01(b) - Disclosed Litigation
- Schedule 4.01(i) - Environmental Matters
- Schedule 4.01(o) - Post Retirement Benefit Obligations
- Schedule 5.02(a) - Existing Liens
- Schedule 5.02(d) - Existing Subsidiary Debt

Exhibits
- - - - -

- Exhibit A-1 - Form of Revolving Credit Note
- Exhibit A-2 - Form of Competitive Bid Note
- Exhibit B-1 - Form of Notice of Revolving Credit Borrowing
- Exhibit B-2 - Form of Notice of Competitive Bid Borrowing
- Exhibit C - Form of Assignment and Acceptance
- Exhibit D - Form of Opinion of Counsel for the Borrower

THREE YEAR CREDIT AGREEMENT

Dated as of November 19, 2001

RAYONIER INC., a North Carolina corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as agent (the "Agent") for the Lenders (as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means the account of the Agent maintained by the Agent at Citibank at its office at 388 Greenwich Street, New York, New York 10013, Account No. 36852248, Attention: Bank Loan Syndications.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means (a) for Base Rate Advances, 0% per annum and (b) for Eurodollar Rate Advances, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Margin for Eurodollar Rate Advances
Level 1 BBB+ or Baa1 or above	0.450%
Level 2 Lower than Level 1 but at least BBB or Baa2	0.675%
Level 3 Lower than Level 2 but at least BBB- and Baa3	0.875%

Level 4
 - - - - -
 Lower than Level 3 but at least BBB- or Baa3 0.950%

Level 5
 - - - - -
 Lower than Level 4 but at least BB+ and Ba1 1.125%

Level 6
 - - - - -
 Lower than Level 5 1.375%

"Applicable Percentage" means, as of any date, a percentage per annum

 determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Percentage
-----	-----
Level 1 -----	
BBB+ or Baa1 or above	0.175%
Level 2 -----	
Lower than Level 1 but at least BBB or Baa2	0.200%
Level 3 -----	
Lower than Level 2 but at least BBB- and Baa3	0.250%
Level 4 -----	
Lower than Level 3 but at least BBB- or Baa3	0.300%
Level 5 -----	
Lower than Level 4 but at least BB+ and Ba1	0.375%
Level 6 -----	
Lower than Level 5	0.500%

"Applicable Utilization Fee" means, as of any date that the aggregate

 Advances exceed 33% of the aggregate Commitments, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Utilization Fee
-----	-----
Level 1 -----	
BBB+ or Baa1 or above	0.125%
Level 2 -----	
Lower than Level 1 but at least BBB or Baa2	0.125%
Level 3 -----	
Lower than Level 2 but at least BBB- and Baa3	0.250%
Level 4 -----	
Lower than Level 3 but at least BBB- or Baa3	0.250%
Level 5 -----	
Lower than Level 4 but at least BB+ and Ba1	0.250%

Level 6

- - - - -

Lower than Level 5

0.375%

"Arrangers" means Salomon Smith Barney Inc. and Banc of America

Securities LLC.

"Assignment and Acceptance" means an assignment and acceptance entered

into by a Lender and an Eligible Assignee, and accepted by the Agent, in
substantially the form of Exhibit C hereto.

"Assuming Lender" has the meaning specified in Section 2.18(d).

"Assumption Agreement" has the meaning specified in Section

2.18(d)(ii).

"Base Rate" means a fluctuating interest rate per annum in effect from

time to time, which rate per annum shall at all times be equal to the
higher of:

(a) the rate of interest announced publicly by Citibank in New
York, New York, from time to time, as Citibank's base rate; and

(b) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance that bears

interest as provided in Section 2.07(a)(i).

"Borrower's Form 10-K for 2000" has the meaning specified in Section

4.01(f).

"Borrowing" means a Revolving Credit Borrowing or a Competitive Bid

Borrowing.

"Business Day" means a day of the year on which banks are not required

or authorized by law to close in New York City and, if the applicable
Business Day relates to any Eurodollar Rate Advances, on which dealings are
carried on in the London interbank market.

"CERCLA" means the Comprehensive Environmental Response, Compensation

and Liability Act of 1980, as amended.

"CERCLIS" has the meaning specified in Section 4.01(k).

"Commitment" means, with respect to any Lender at any time (a) the

amount set forth opposite such Lender's name on the signature pages hereof,
(b) if such Lender has become a Lender hereunder pursuant to an Assumption
Agreement, the amount set forth in such Assumption Agreement or (c) if such
Lender has entered into any Assignment and Acceptance, the amount set forth
for such Lender in the Register maintained by the Agent pursuant to Section
8.07(d), as such amount may be reduced pursuant to Section 2.05 or
increased pursuant to Section 2.18.

"Commitment Date" has the meaning specified in Section 2.18(b).

"Commitment Increase" has the meaning specified in Section 2.18(a).

"Competitive Bid Advance" means an advance by a Lender to the Borrower

as part of a Competitive Bid Borrowing resulting from the competitive
bidding procedure described in Section 2.03.

"Competitive Bid Borrowing" means a borrowing consisting of

simultaneous Competitive Bid Advances from each of the Lenders whose offer
to make one or more Competitive Bid Advances as part of such borrowing has
been accepted under the competitive bidding procedure described in Section
2.03.

"Competitive Bid Note" means a promissory note of the Borrower payable

to the order of any Lender, in substantially the form of Exhibit A-2
hereto, evidencing the indebtedness of the Borrower to such Lender
resulting from a Competitive Bid Advance made by such Lender.

"Competitive Bid Reduction" has the meaning specified in Section 2.01.

"Confidential Information" means information that the Borrower

furnishes to the Agent or any Lender in a writing designated as
confidential, but does not include any such information that is or becomes
generally available to the public or that is or becomes available to the
Agent or such Lender from a source other than the Borrower, that is not
acting in violation of a confidentiality agreement with the Borrower.

"Consolidated" refers to the consolidation of accounts in accordance

with GAAP.

"Consolidated Assets" means on any date of determination, all amounts

that are or should, in accordance with GAAP be included under assets on a
Consolidated balance sheet of the Borrower and its Subsidiaries determined
in accordance with GAAP as at such date.

"Convert", "Conversion" and "Converted" each refers to a conversion of

Revolving Credit Advances of one Type into Revolving Credit Advances of the
other Type pursuant to Section 2.08 or 2.09.

"Debt" of any Person means, without duplication, (a) all indebtedness

of such Person for borrowed money, (b) all obligations of such Person for
the deferred purchase price of property or services (other than trade
payables incurred in the ordinary course of such Person's business and that
are not overdue for a period that is not consistent with the ordinary
course of business of such Person), (c) all obligations of such Person
evidenced by notes, bonds, debentures or other similar instruments, (d) all
obligations of such Person created or arising under any conditional sale or
other title retention agreement with respect to property acquired by such
Person (even though the rights and remedies of the seller or lender under
such agreement in the event of default are limited to repossession or sale
of such property), (e) all obligations of such Person as lessee under
leases that have been or should be, in accordance with GAAP, recorded as
capital leases, (f) all obligations, contingent or otherwise, of such
Person in respect of acceptance, letter of credit or similar facilities
(other than obligations under (i) Trade Letters of Credit, (ii) performance
bonds or letters of credit issued in connection with the purchase of
inventory, including prepaid timber stumpage, by the Borrower or any of its
Subsidiaries in the ordinary course of business, (iii) performance bonds or
letters of credit to secure obligations under workers' compensation laws or
similar legislation, (iv) performance bonds or letters of credit issued for
the account of the Borrower or any of its Subsidiaries to secure
obligations under self-insurance programs to the extent permitted by the
terms of this Agreement and in an aggregate maximum available amount with
respect to all such performance bonds and letters of credit not to exceed
at any one time \$20,000,000 and (v) performance bonds or letters of credit
issued for the account of the Borrower or any of its Subsidiaries not
otherwise excluded from this definition in an aggregate maximum available
amount with respect to all such performance bonds and letters of credit not
to exceed at any one time \$2,000,000, provided that in each case such

performance bond or letter of credit (including, without limitation, any
Trade Letters of Credit but excluding performance bonds or letters of
credit described in clause (f)(v) above) does not secure Debt, (g) all
Guarantees issued by such Person and (h) all Debt referred to in clauses
(a) through (g) above secured by (or for which the holder of such Debt has
an existing right, contingent or otherwise, to be secured by) any Lien on
property (including, without limitation, accounts and contract rights)
owned by such Person, even though such Person has not assumed or become
liable for the payment of such Debt. The Debt of any Person shall include
the Debt of any partnership in which such Person is a general partner, but
shall not include obligations under a financial assurance statement that a
Person is required to provide under Environmental Law in support of the
closure and post-closure obligations of one or more of its Subsidiaries.

"Default" means any Event of Default or any event that would

constitute an Event of Default but for the requirement that notice be given
or time elapse or both.

"Disclosed Litigation" has the meaning specified in Section 3.01(b).

"Domestic Lending Office" means, with respect to any Lender, the

office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"EBITDA" means, for any Person during any period, earnings (income)

from continuing operations before the cumulative effect of accounting changes and any provision for dispositions, income taxes, interest expense and depreciation, depletion and amortization and the non-cash cost of timberland and real estate sales, provided, that for purposes of calculating compliance with Section 5.03(a), the EBITDA attributable to any Person or business unit acquired by the Borrower or any of its Subsidiaries during any period of four full fiscal quarters shall be included on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such acquisition occurred on the first day of such period of four full fiscal quarters).

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (a) any Lender; (b) an Affiliate of a

Lender; (c) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$10,000,000,000; (d) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow or of the Cayman Islands, or a political subdivision of any such country, and having total assets in excess of \$10,000,000,000, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (d); (e) the central bank of any country that is a member of the Organization for Economic Cooperation and Development; and (f) any other Person approved by the Agent; provided, however, that (x) each Eligible

Assignee shall maintain a branch or representative office or similar presence in the United States and (y) neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Environmental Action" means any (a) administrative, regulatory or

judicial action, suit, written demand, demand letter, written claim, notice of noncompliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment including, without limitation, (i) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (ii) by any governmental or regulatory authority for damages, contribution, indemnification, cost recovery, compensatory or injunctive relief; and (b) any administrative, regulatory or judicial action, suit or proceeding brought by any third party properly before a forum of competent jurisdiction relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" means any federal, state, local or foreign

statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials all as amended or hereafter amended.

"Environmental Permit" means any permit, approval, identification

number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as

amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of

ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event,

within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any of its ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any of its ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could constitute grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Eurocurrency Liabilities" has the meaning assigned to that term in

Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the

office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar

Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Telerate Markets Page 3750 (or any successor page) as the London interbank offered rate for deposits in U.S. dollars at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in U.S. dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurodollar Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Interest Period. If the Telerate Markets Page 3750 (or any successor page) is unavailable, the Eurodollar Rate for any Interest Period for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section

2.08.

"Eurodollar Rate Advance" means a Revolving Credit Advance that bears

interest as provided in Section 2.07(a)(ii).

"Eurodollar Rate Reserve Percentage" for any Interest Period for all

Eurodollar Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Existing Subsidiary Debt" has the meaning specified in Section 5.02(d)(ii).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fiscal Quarter" means each consecutive three calendar month period ending March 31, June 30, September 30 or December 31 of any fiscal year.

"GAAP" has the meaning specified in Section 1.03.

"Guarantee" by any Person, means any obligation, contingent or otherwise, of such Person guaranteeing directly or indirectly in any manner the Debt of any other Person, or in effect guaranteeing directly or indirectly the Debt of any other Person through an agreement (i) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss.

"Hazardous Materials" means petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and any other chemicals, materials or substances designated, classified or regulated as being "hazardous" or "toxic" or words of similar import, under any applicable Environmental Law.

"Increase Date" has the meaning specified in Section 2.18(a).

"Increasing Lender" has the meaning specified in Section 2.18(b).

"Indemnified Liabilities" has the meaning specified in Section 8.04(b).

"Indemnified Party" has the meaning specified in Section 8.04(b).

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Period" means, for each Eurodollar Rate Advance comprising

part of the same Revolving Credit Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, and subject to clause (c) of this definition, nine or twelve months, as the Borrower may, upon notice received by the Agent not later than 12:00 Noon (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(a) the Borrower may not select any Interest Period that ends after the Termination Date;

(b) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Revolving Credit Borrowing shall be of the same duration;

(c) in the case of any such Revolving Credit Borrowing, the Borrower shall not be entitled to select an Interest Period having duration of nine or twelve months unless, by 2:00 P.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, each Lender notifies the Agent that such Lender will be providing funding for such Revolving Credit Borrowing with such Interest Period (the failure of any Lender to so respond by such time being deemed for all purposes of this Agreement as an objection by such Lender to the requested duration of such Interest Period); provided that, if any or all of the Lenders object to the requested

duration of such Interest Period, the duration of the Interest Period for such Revolving Credit Borrowing shall be one, two, three or six months, as specified by the Borrower in the applicable Notice of Revolving Credit Borrowing as the desired alternative to an Interest Period of nine or twelve months;

(d) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause

the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(e) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as

amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Lenders" means the Initial Lenders, each Assuming Lender that shall

become a party hereto pursuant to Section 2.18 and each Person that shall become a party hereto pursuant to Section 8.07.

"Lien" means any lien, security interest or other charge or

encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Material Adverse Change" means any material adverse change in the

business, condition (financial or otherwise), operations, performance or properties of the Borrower and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the

business, condition (financial or otherwise), operations, performance or
properties of the Borrower and its Subsidiaries taken as a whole, (b) the
rights and remedies of the Agent or any Lender under this Agreement or any
Note or (c) the ability of the Borrower to perform its obligations under
this Agreement or any Note.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan, as defined in Section

4001(a)(3) of ERISA, to which the Borrower or any of its ERISA Affiliates
is making or accruing an obligation to make contributions, or has within
any of the preceding five plan years made or accrued an obligation to make
contributions.

"Multiple Employer Plan" means a single employer plan, as defined in

Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the
Borrower or any ERISA Affiliate and at least one Person other than the
Borrower and its ERISA Affiliates or (b) was so maintained and in respect
of which the Borrower or any of its ERISA Affiliates could have liability
under Section 4064 or 4069 of ERISA in the event such plan has been or were
to be terminated.

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Competitive Bid Borrowing" has the meaning specified in

Section 2.03(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in

Section 2.02(a).

"NPL" has the meaning specified in Section 4.01(k).

"Other Taxes" has the meaning specified in Section 2.15(b).

"PBGC" means the Pension Benefit Guaranty Corporation (or any

successor).

"Permitted Liens" means such of the following as to which no

enforcement, collection, execution, levy or foreclosure proceeding shall
have been commenced: (a) Liens for taxes, assessments and governmental
charges or levies to the extent not required to be paid under Section
5.01(b) hereof; (b) Liens imposed by law, such as materialmen's,
mechanics', carriers', workmen's and repairmen's Liens and other similar
Liens arising in the ordinary course of business securing obligations that
are not overdue for a reasonable period and which, individually or when
aggregated with all other Permitted Liens outstanding on any date, do not
materially affect the use of the property to which they relate; (c) pledges
or deposits to secure obligations under workers' compensation laws or
similar legislation or to secure public or statutory obligations; and (d)
easements, rights of way, encumbrances and minor defects or irregularities
in title to real property not interfering in any material respect with the
ordinary conduct of the business of the Borrower or any of its
Subsidiaries.

"Person" means an individual, partnership, corporation (including a

business trust), limited liability company, joint stock company, trust,
unincorporated association, joint venture or other entity, or a government
or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Public Debt Rating" means, as of any date, the highest rating that

has been most recently announced by either S&P or Moody's, as the case may
be, for any class of non-credit enhanced long-term senior unsecured debt
issued by the Borrower. For purposes of the foregoing, (a) if only one of
S&P and Moody's shall have in effect a Public Debt Rating, the Applicable
Margin, the Applicable Percentage and the Applicable Utilization Fee shall
be determined by reference to the available rating; (b) if neither S&P nor

Moody's shall have in effect a Public Debt Rating, the Applicable Margin,
the Applicable Percentage

and the Applicable Utilization Fee will be set in accordance with Level 6 under the definition of "Applicable Margin", "Applicable Percentage" or

"Applicable Utilization Fee", as the case may be; (c) if any rating

established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (d) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Reference Banks" means Citibank, Bank of America, N.A.,

and

"Register" has the meaning specified in Section 8.07(d).

"Required Lenders" means at any time Lenders owed at least a majority in interest of the then aggregate unpaid principal amount of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least a majority in interest of the Commitments.

"Revolving Credit Advance" means an advance by a Lender to the Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Credit Note" means a promissory note of the Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Significant Subsidiary" means, at any time, a Subsidiary of the Borrower having (a) at least 10% of the total Consolidated Assets of the Borrower and its Subsidiaries (determined as of the last day of the most recent Fiscal Quarter of the Borrower ended on or prior to such date) or (b) at least 5% of the Consolidated revenues of the Borrower and its Subsidiaries for the four most recent Fiscal Quarters of the Borrower ended on or prior to such date.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any of its ERISA Affiliates and no Person other than the Borrower and its ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any of its ERISA Affiliates could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether, at the time, capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Tangible Net Worth" means, with respect to any Person as of any date

of determination, the excess of total assets over total liabilities, total
assets and total liabilities each to be determined in accordance with GAAP,
excluding, however, from the determination of total assets, (a) goodwill,

experimental or organizational expenses, research and development expenses, franchises, trademarks, service marks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, (b) all unamortized debt discount and expense, (c) treasury stock and capital stock, obligations or other securities of, or capital contributions to, or investments in, any Subsidiary, and (d) any items not included in clauses (a) through (c) above which are treated as intangibles in conformity with GAAP, in each case, determined on a Consolidated basis and in accordance with GAAP.

"Taxes" has the meaning specified in Section 2.14(a).

"Termination Date" means the earlier of (a) November 19, 2004 and (b)

the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01.

"Trade Letter of Credit" means any letter of credit that is issued for

the benefit of a supplier of inventory or provider of a service necessary for the conduct of the business of the Borrower or any of its Subsidiaries (other than any financial services) to the Borrower or any of its Subsidiaries to effect payment for such inventory or service.

"Voting Stock" means capital stock issued by a corporation, or

equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part 1 of Subtitle

E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the

computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically

defined herein shall be construed in accordance with United States generally accepted accounting principles as in effect from time to time ("GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances. Each Lender severally

agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount not to exceed at any time outstanding such Lender's Commitment provided that the

aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction"). Each Revolving Credit

Borrowing shall be in an aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.10 and reborrow under this Section 2.01.

SECTION 2.02. Making the Revolving Credit Advances. (a) Each Revolving

Credit Borrowing shall be made on notice, given not later than (x) 12:00 Noon (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing to be comprised of Eurodollar Rate Advances or (y) 11:00 A.M. (New York City time) on the Business Day of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing to be comprised of Base Rate Advances, by the Borrower to the Agent, which shall give to each Lender prompt notice thereof by

telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving

Credit Borrowing") shall be by telephone, confirmed immediately in writing, or

telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying
therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of
Revolving Credit Advances comprising such Revolving Credit Borrowing, (iii)
aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a
Revolving Credit Borrowing consisting of Eurodollar Rate Advances, initial
Interest Period for each such Revolving Credit Advance. Each Lender shall on the
date of such Revolving Credit Borrowing, before 11:00 A.M. (New York City time)
, in the case of a Revolving Credit Borrowing to be comprised of Eurodollar Rate
Advances, and before 1:00 P.M. (New York City time), in the case of a Revolving
Credit Borrowing to be comprised of Base Rate Advances, make available for the
account of its Applicable Lending Office to the Agent at the Agent's Account, in
same day funds, such Lender's ratable portion of such Revolving Credit
Borrowing. After the Agent's receipt of such funds and upon fulfillment of the
applicable conditions set forth in Section 3.02, the Agent will make such funds
available to the Borrower at the Agent's address referred to in Section 8.02.

(b) Anything in subsection (a) above to the contrary notwithstanding,
(i) the Borrower may not select Eurodollar Rate Advances for any Revolving
Credit Borrowing if the obligation of the Lenders to make Eurodollar Rate
Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the
Eurodollar Rate Advances may not be outstanding as part of more than eight
separate Revolving Credit Borrowings.

(c) Each Notice of Revolving Credit Borrowing shall be irrevocable and
binding on the Borrower. In the case of any Revolving Credit Borrowing that the
related Notice of Revolving Credit Borrowing specifies is to be comprised of
Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any
loss, cost or expense incurred by such Lender as a result of any failure to
fulfill on or before the date specified in such Notice of Revolving Credit
Borrowing for such Revolving Credit Borrowing the applicable conditions set
forth in Section 3.02, including, without limitation, any loss, cost or expense
incurred by reason of the liquidation or reemployment of deposits or other funds
acquired by such Lender to fund the Revolving Credit Advance to be made by such
Lender as part of such Revolving Credit Borrowing when such Revolving Credit
Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to
the date of any Revolving Credit Borrowing (in the case of a Revolving Credit
Borrowing to be comprised of Eurodollar Rate Advances) and not later than 12:00
Noon (New York City time) on the Business Day of the proposed Revolving Credit
Borrowing (in the case of a Revolving Credit Borrowing to be comprised of Base
Rate Advances) that such Lender will not make available to the Agent such
Lender's ratable portion of such Revolving Credit Borrowing, the Agent may
assume that such Lender has made such portion available to the Agent on the date
of such Revolving Credit Borrowing in accordance with subsection (a) of this
Section 2.02 and the Agent may, in reliance upon such assumption, make available
to the Borrower on such date a corresponding amount. If and to the extent that
such Lender shall not have so made such ratable portion available to the Agent,
such Lender and the Borrower severally agree to repay to the Agent forthwith on
demand such corresponding amount together with interest thereon, for each day
from the date such amount is made available to the Borrower until the date such
amount is repaid to the Agent, at (i) in the case of the Borrower, the interest
rate applicable at such time to Revolving Credit Advances comprising such
Revolving Credit Borrowing and (ii) in the case of such Lender, the Federal
Funds Rate. If such Lender shall repay to the Agent such corresponding amount,
such amount so repaid shall constitute such Lender's Revolving Credit Advance as
part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to
be made by it as part of any Revolving Credit Borrowing shall not relieve any
other Lender of its obligation, if any, hereunder to make its Revolving Credit
Advance on the date of such Revolving Credit Borrowing, but no Lender shall be
responsible for the failure of any other Lender to make the Revolving Credit
Advance to be made by such other Lender on the date of any Revolving Credit
Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally

agrees that the Borrower may make Competitive Bid Borrowings under this Section
2.03 from time to time on any Business Day during the period from the Effective
Date until the date occurring 7 days prior to the Termination Date in the manner
set forth below; provided that (x) each Competitive Bid Borrowing shall be in an

aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess
thereof and (y) following the making of each Competitive Bid

Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders.

(i) The Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent, by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"),

in substantially the form of Exhibit B-2 hereto, specifying the date and aggregate amount of the proposed Competitive Bid Borrowing, the maturity date for repayment of each Competitive Bid Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring 7 days after the date of such Competitive Bid Borrowing or later than the earlier of (x) 180 days after the date of such Competitive Bid Borrowing and (y) the Termination Date), the interest payment date or dates relating thereto, and any other terms to be applicable to such Competitive Bid Borrowing, not later than 10:00 A.M. (New York City time) (A) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum and (B) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall instead specify in the Notice of Competitive Bid Borrowing the basis to be used by the Lenders in determining the rates of interest to be offered by them. The Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from the Borrower by sending such Lender a copy of the applicable Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to the Borrower), before 10:00 A.M. (New York City time) (x) on the date of such proposed Competitive Bid Borrowing, in the case of a Notice of Competitive Bid Borrowing delivered pursuant to clause (A) of paragraph (i) above and (y) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Notice of Competitive Bid Borrowing delivered pursuant to clause (B) of paragraph (i) above of the minimum amount and maximum amount of each Competitive Bid Advance that such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance, provided that if the Agent in its capacity

as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer before 9:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent, by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent before 10:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice

shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower shall, in turn, (x) before 11:00 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Notice of Competitive Bid Borrowing delivered pursuant to clause (A) of paragraph (i) above and (y) before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Notice of Competitive Bid Borrowing delivered pursuant to clause (B) of paragraph (i) above, either:

(A) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(B) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in order of the lowest to the highest rates of interest or margins (or if two or more Lenders bid at the same rate of interest, and the amount of accepted offers is less than the aggregate amount of such offers, the amount to be borrowed from such Lenders as part of such

Competitive Bid Borrowing shall be allocated among such Lenders pro

rata on the basis of the maximum amount offered by such Lenders at

such rates or margin in connection with such Competitive Bid Borrowing), by giving notice to the Agent of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Agent on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent notice to that effect.

(iv) If the Borrower notifies the Agent that such Competitive Bid Borrowing is cancelled pursuant to subsection (iii)(A) above, the Agent shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(B) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Section 3.03. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 12:00 Noon (New York City time) on the date of such Competitive Bid Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's portion of such Competitive Bid Borrowing. Upon fulfillment of the applicable conditions set forth in Section 3.03 and after receipt by the Agent of such funds, the Agent will make such funds available to the Borrower at the Agent's address referred to in Section 8.02. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of the Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate and the range of interest rates with respect to the Competitive Bid Advances made as part of such Competitive Bid Borrowing.

(vi) If the Borrower notifies the Agent that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Section 3.03, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay pursuant to subsection (c) below and reborrow under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing.

(c) The Borrower shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of such Competitive Bid Advance (such maturity date being that specified by the Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such

Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. The Borrower shall have the right to prepay any Competitive Bid Advance only upon the terms agreed to in connection with such Competitive Bid Advance.

(d) The Borrower shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance until the date the principal amount of such Competitive Bid Advance is paid in full at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in the notice delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. At any time during which the Borrower shall fail (x) to pay any principal of any Advance, any interest on any Advance or make any other payment in connection with this Agreement when the same becomes due and payable or (y) to perform or observe any term, covenant or agreement contained in Section 5.03, the Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(e) The indebtedness of the Borrower resulting from each Competitive Bid Advance made to the Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Advance.

(f) Following the making of each Competitive Bid Borrowing, the Borrower shall be in compliance with the limitation set forth in clause (y) of the proviso to the first sentence of Section 2.03(a).

(g) The Borrower shall pay to the Agent for its own account such fees as may be agreed between the Borrower and the Agent in connection with each request for a Competitive Bid Borrowing whether or not any Competitive Bid Borrowing is in fact made.

SECTION 2.04. Fees. (a) Facility Fee. The Borrower agrees to pay to

the Agent for the ratable account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the date hereof until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 2001, and on the Termination Date.

(b) Agent's Fees. The Borrower shall pay to the Agent for its own

account such fees as may from time to time be agreed between the Borrower and the Agent.

SECTION 2.05. Termination or Reduction of the Commitments. The

Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or permanently reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that the

aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Competitive Bid Advances then outstanding, and provided further that each partial reduction

shall be in the aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof.

SECTION 2.06. Repayment of Revolving Credit Advances. The Borrower

shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Credit Advances then outstanding.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled

Interest. The Borrower shall pay interest on the unpaid principal amount of each

Revolving Credit Advance owing to each Lender from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit

Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable

Utilization Fee in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Revolving

Credit Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurodollar Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time

plus (z) the Applicable Utilization Fee in effect from time to time,

payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) Default Interest. At any time during which the Borrower shall fail

(i) to pay any principal of any Advance, any interest on any Advance or make any other payment in connection with this Agreement when the same becomes due and payable or (ii) to perform or observe any term, covenant or agreement contained in Section 5.03, the Agent may, and upon the request of the Required Lenders shall, require the Borrower to pay interest ("Default Interest") on (i) the

unpaid principal amount of each Revolving Credit Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above, provided, however, that following acceleration of the Advances pursuant to

Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Agent.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank

agrees to furnish to the Agent timely information for the purpose of determining each Eurodollar Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks.

(b) The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the applicable rate, if any, furnished by each Reference Bank for the purpose of determining the applicable interest rate under Section 2.07(a)(ii).

(c) If Telerate Markets Page 3750 is unavailable and fewer than two Reference Banks furnish timely information to the Agent for determining the Eurodollar Rate for any Eurodollar Rate Advances,

(i) the Agent shall forthwith notify the Borrower and the Lenders that the interest rate cannot be determined for such Eurodollar Rate Advances,

(ii) each such Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(d) If, with respect to any Eurodollar Rate Advances, the Required Lenders notify the Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and (ii) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(e) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Eurodollar Rate Advances having an Interest Period of one month.

(f) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$5,000,000, such Advances shall automatically Convert into Base Rate Advances.

(g) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

SECTION 2.09. Optional Conversion of Revolving Credit Advances. The

Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Credit Advances of one Type comprising the same Borrowing into Revolving Credit Advances of the other Type; provided, however, that any

Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances, any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified for Revolving Credit Borrowings in Section 2.01 and no Conversion of any Revolving Credit Advances shall result in more separate Revolving Credit Borrowings than permitted under Section 2.02(b). Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Revolving Credit Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower.

SECTION 2.10. Prepayments of Revolving Credit Advances. The Borrower

may, upon notice to the Agent no later than 11:00 A.M. (New York City time) on the proposed date of the prepayment in the case of Base Rate Advances and on the second Business Day prior to the proposed date of the prepayment in the case of Eurodollar Rate Advances, in each case stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment

shall be in an aggregate principal amount not less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and (y) in the event of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(c).

SECTION 2.11. Increased Costs. (a) If, due to either (i) the

introduction of or any change in or in the interpretation of any law or regulation after the date hereof or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) issued after the date hereof, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.14 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state

under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost provided, however, that, any

Lender claiming additional amounts under this Section 2.12 shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if such change would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost, submitted to the Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority enacted or made after the date hereof (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

(c) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.11 shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be

required to compensate a Lender pursuant to this Section 2.11 for any increased costs or reductions incurred more than four months prior to the date that such Lender notifies the Borrower of the change giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the change giving rise to such increased costs or

reductions is retroactive, then the four-month period referred to above shall be included to include the period of retroactive effect thereof.

SECTION 2.12. Illegality. Notwithstanding any other provision of this

Agreement, if any Lender shall notify the Agent that the introduction of or any change in, or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist and (ii) the Borrower shall forthwith prepay in full all Eurodollar Rate Advances of all Lenders then outstanding, together with interest accrued thereon, unless the Borrower, within five Business Days of notice from the Agent, Converts all Eurodollar Rate Advances of all Lenders then outstanding into Base Rate Advances in accordance with Section 2.09.

SECTION 2.13. Payments and Computations. (a) The Borrower shall make

each payment hereunder, irrespective of any right of counterclaim or set-off, not later than 12:00 Noon (New York City time) on the day when due in U.S. dollars to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.11, 2.14 or 8.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon any Assuming Lender becoming a Lender hereunder as a result of a Commitment Increase pursuant to Section 2.18, and upon the Agent's receipt of such Lender's Assumption Agreement and recording of the information contained therein in the Register, from and after the applicable Increase Date, the Agent shall make all payments hereunder and under any Notes issued in connection therewith in respect of the interest assumed thereby to the Assuming Lender. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder,

Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of facility fees shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of

interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.14. Taxes. (a) Any and all payments by the Borrower to or

for the account of any Lender or the Agent hereunder or under the Notes or any other documents to be delivered hereunder shall be made, in accordance with Section 2.13 or the applicable provisions of such other documents, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on

its overall net income, minimum taxes, alternative minimum taxes, doing business taxes, franchise taxes and value added taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized (federal or state) or doing business or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, minimum taxes, alternative minimum taxes, doing business taxes, franchise taxes and value added taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Applicable Lending Office (federal or state) or in which such Lender is doing business or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If the Borrower shall be required by

law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note or any other documents to be delivered hereunder to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or any other documents to be delivered hereunder or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes or any other documents to be delivered hereunder imposed by the jurisdiction under the laws of which the Borrower is organized or any political subdivision thereof, or by the jurisdiction in which the Borrower's principal office is located or from which any payments hereunder are made (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Lender and the Agent for and hold harmless against the full amount of Taxes or Other Taxes (including, without limitation, taxes of any kind imposed or asserted by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor; provided, however, that in no event shall any

such indemnification be due earlier than five Business Days after such Lender or the Agent (as the case may be) has paid such Taxes or Other Taxes; provided,

further, that any such demand shall be accompanied by copies of all

correspondence to and from the applicable taxing authority and a copy of the calculation of such Taxes or Other Taxes.

(d) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing such payment to the extent such a receipt is issued therefor, or other written proof of payment thereof that is reasonably satisfactory to the Agent. In the case of any payment hereunder or under the Notes or any other documents to be delivered hereunder by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel reasonably acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person"

shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assumption Agreement or the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as reasonably requested in writing by the Borrower (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Borrower with two original Internal Revenue Service forms W-8BEN or W-8ECI, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance

pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form W-8BEN or W-8ECI, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form, certificate or other document described in Section 2.14(e) (other than if such failure is due to a change in

law, or in the interpretation or application thereof, occurring subsequent to the date on which a form, certificate or other document originally was required to be provided, or if such form, certificate or other document otherwise is not required under subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.14(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a

Lender become subject to Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist the Lender to recover such Taxes (and such Lender reimburse the Borrower for reasonable out-of-pocket costs and expenses of the Borrower in connection therewith).

(g) Any Lender claiming any additional amounts payable pursuant to this Section 2.14 shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Eurodollar Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender, provided, that should the Borrower be required

to pay any amounts under Section 2.14(a) or (c), and the Borrower delivers to each Lender that received such amounts an opinion of counsel that payments to the Lender or the Agent were not in fact subject to Taxes, each Lender shall use reasonable efforts to cooperate with the Borrower, including, but not limited to filing and pursuing a claim of refund in its own name (provided that the Borrower agrees in writing to indemnify and reimburse such Lender for its actual out-of-pocket expenses in connection with such claim for refund), in obtaining a refund of Taxes, and if such Lender receives a refund of Taxes shall promptly pay such Taxes over to the Borrower.

(h) If any Lender determines, in its sole discretion, that it has actually and finally realized, by reason of a refund, deduction or credit of any Taxes paid or reimbursed by the Borrower pursuant to subsection (a) or (c) above in respect of payments under the Credit Agreement or the Notes, a current monetary benefit that it would otherwise not have obtained, and that would result in the total payments under this Section 2.14 exceeding the amount needed to make such Lender whole, such Lender shall pay to the Borrower, with reasonable promptness following the date on which it actually realized such benefit, an amount equal to the lesser of the amount of such benefit or the amount of such excess, in each case net of all out-of-pocket expenses in securing such refund, deduction or credit.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any

payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.11, 2.14 or 8.04(c)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess

payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.16. Evidence of Debt. (a) Each Lender shall maintain in

accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Agent) to the effect that a Revolving Credit Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 8.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of

principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an

entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

SECTION 2.17. Use of Proceeds. The proceeds of the Advances shall be

available (and the Borrower agrees that it shall use such proceeds) solely for working capital and general corporate purposes of the Borrower and its Subsidiaries (including, without limitation, acquisitions, repayment of debt and repurchase of stock).

SECTION 2.18. Increase in the Aggregate Commitments. (a) The Borrower

may, at any time but in any event not more than once in any calendar year prior to the Termination Date, by notice to the Agent, request that the aggregate amount of the Commitment be increased by an amount of \$25,000,000 or an integral multiple of \$25,000,000 in excess thereof (each a "Commitment Increase") to be

effective as of a date that is at least 90 days prior to the scheduled Termination Date then in effect (the "Increase Date") as specified in the

related notice to the Agent; provided, however that (i) in no event shall the

aggregate amount of the Commitments at any time exceed \$245,000,000 and (ii) on the date of any request by the Borrower for a Commitment Increase and on the related Increase Date, no Default shall have occurred and be continuing.

(b) The Agent shall promptly notify the Lenders of a request by the Borrower for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which Lenders wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Commitments (the "Commitment Date"). Each Lender that is willing to participate

in such requested Commitment Increase (each an "Increasing Lender") shall, in

its sole discretion, give written notice to the Agent on or prior to the Commitment Date of the amount by which it is willing to increase its Commitment. If the Lenders notify the Agent that they are willing to increase the amount of their respective Commitments by an aggregate amount that exceeds the amount of the requested Commitment Increase, the requested Commitment Increase shall be allocated among the Lenders willing to participate therein in such amounts as are agreed between the Borrower and the Agent.

(c) Promptly following each Commitment Date, the Agent shall notify the Borrower as to the amount, if any, by which the Lenders are willing to participate in the requested Commitment Increase. If the aggregate amount by which the Lenders are willing to participate in any requested Commitment Increase on any such Commitment Date is less than the requested Commitment Increase, then the Borrower may extend offers to one or more Eligible Assignees to participate in any portion of the requested Commitment Increase that has not been committed to by the Lenders as of the applicable Commitment Date; provided,

however, that the Commitment of each such Eligible Assignee shall be in an

amount of not less than \$10,000,000.

(d) On each Increase Date, each Eligible Assignee that accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.18(b) (each such Eligible Assignee, an "Assuming Lender") shall become

a Lender party to this Agreement as of such Increase Date and the Commitment of each Increasing Lender for such requested Commitment Increase shall be so increased by such amount (or by the amount allocated to such Lender pursuant to the last sentence of Section 2.18(b)) as of such Increase Date; provided,

however, that the Agent shall have received on or before such Increase Date the

following, each dated such date:

- (i) (A) certified copies of resolutions of the Board of Directors of the Borrower or the Executive Committee of such Board approving the Commitment Increase and the corresponding modifications to this Agreement and (B) an opinion of counsel for the Borrower (which may be in-house

counsel), in substantially the form of Exhibit E hereto;

(ii) an assumption agreement from each Assuming Lender, if any, in form and substance satisfactory to the Borrower and the Agent (each an "Assumption Agreement"), duly executed by such Eligible Assignee, the Agent -----
and the Borrower; and

(iii) confirmation from each Increasing Lender of the increase in the amount of its Commitment in a writing satisfactory to the Borrower and the Agent.

On each Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.18(d), the Agent shall notify the Lenders (including, without limitation, each Assuming Lender) and the Borrower, on or before 1:00 P.M. (New York City time), by telecopier or telex, of the occurrence of the Commitment Increase to be effected on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Lender and each Assuming Lender on such date.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01

and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and -----
as of the first date (the "Effective Date") on which the following conditions -----
precedent have been satisfied:

(a) There shall have occurred no Material Adverse Change since December 31, 2000.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Borrower or any of its Subsidiaries pending or, to the best knowledge of the Borrower, threatened before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect, except as set forth in Schedule 3.01(b) (the "Disclosed Litigation") or (ii) purports to affect the legality,

validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there shall have been no material adverse change in the status or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b).

(c) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not reasonably acceptable to the Lenders) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(d) The Borrower shall have notified each Lender and the Agent in writing as to the proposed Effective Date.

(e) The Borrower shall have paid all accrued fees and expenses of the Agent and the Arrangers (including the accrued fees and expenses of counsel to the Agent and the Arrangers then due and payable).

(f) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) the representations and warranties contained in Section 4.01 are correct on and as of the Effective Date; and

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

(g) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(i) The Revolving Credit Notes to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(ii) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of Womble Carlyle Sandridge & Rice, PLLC, special counsel for the Borrower, substantially in the form of Exhibit E hereto and as to such other matters as any Lender through the Agent may reasonably request.

(v) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(h) The Borrower shall have terminated the commitments, and paid in full all Debt, interest, fees and other amounts outstanding under the Amended and Restated Revolving Credit Agreement dated as of April 11, 1997, as amended, among the Borrower, the lenders parties thereto and Citibank, as administrative agent, and each of the Lenders that is a party to such Amended and Restated Revolving Credit Agreement hereby waives the requirement of three Business Days' prior notice to the termination of their commitments thereunder as provided in Section 2.06 of said agreement.

SECTION 3.02. Conditions Precedent to Each Revolving Credit Borrowing.

The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing (a) the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing and the acceptance by the Borrower of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing such statements are true):

(i) the representations and warranties contained in Section 4.01 (except the representations set forth in subsection (e) and in subsection (f)(i) thereof) are correct on and as of such date, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.03. Conditions Precedent to Each Competitive Bid Borrowing.

The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that the Effective Date shall have occurred and (a) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (b) on or before the date of such Competitive Bid Borrowing, but

prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(i) the representations and warranties contained in Section 4.01 (except the representations set forth in subsection (e) and subsection (f)(i) thereof) are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

SECTION 3.04. Determinations Under Section 3.01. For purposes of

determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Borrower, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders, with a copy to the Borrower, of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The

Borrower represents and warrants as follows:

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

(b) The execution, delivery and performance by the Borrower of this Agreement and the Notes to be delivered by it, and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any material contractual restriction binding on or affecting the Borrower or, to the actual knowledge of a responsible officer of the Borrower, any other contractual restriction binding on or affecting the Borrower.

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

(d) This Agreement has been, and each of the Notes to be delivered by it when delivered hereunder will have been, duly executed and delivered by the Borrower. This Agreement is, and each of the Notes when delivered hereunder will be, the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms; provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2000, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Arthur Andersen L.L.P., independent public accountants, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at June 30, 2001, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the six months then ended, duly certified by the chief financial officer of the Borrower, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at June 30, 2001, and said statements of income and cash flows for the six months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles consistently applied. Since December 31, 2000, there has been no Material Adverse Change.

(f) There is no pending or, to the knowledge of the Borrower, threatened action or proceeding, including, without limitation, any Environmental Action, affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation), and since the date of Schedule 3.01(b) was prepared there has been no material adverse change in the status, or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described in Schedule 3.01(b) or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby.

(g) No written information, report, financial statement, exhibit or schedule furnished by or on behalf of the Borrower to the Agent or any Lender in connection with the negotiation of this Agreement or included herein or delivered pursuant hereto contained or contains any material misstatement of fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

(h) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

(i) (A) Except as set forth in Schedule 4.01(i), the operations and properties of the Borrower and each of its Subsidiaries comply in all material respects with all Environmental Laws, all material and necessary Environmental Permits have been obtained and are in effect for the operations and properties of the Borrower and each of its Subsidiaries, and the Borrower and each of its Subsidiaries are in compliance in all material respects with all such Environmental Permits.

(B) Except as set forth in the Borrower's Form 10-K for 2000 and in Schedule 4.01(i), to the knowledge of the Borrower, there are no circumstances that are reasonably likely to form the basis of an Environmental Action against the Borrower or any of its Subsidiaries that could be reasonably likely to have a Material Adverse Effect.

(j) Except as set forth in Schedule 4.01(i), none of the properties currently or formerly owned or operated by the Borrower or any of its Subsidiaries is listed or, to the knowledge of the Borrower, proposed for listing on the National Priorities List under CERCLA (the "NPL") or on the

Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency ("CERCLIS") or any analogous state list if such listing or proposed listing

could reasonably be likely to have a Material Adverse Effect.

(k) Except as set forth in Schedule 4.01(i), to the knowledge of the Borrower, neither the Borrower nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Materials to any location that is listed or proposed for listing on the NPL or on the CERCLIS, which could reasonably be likely to lead to claims against the Borrower or such Subsidiary for any remedial work,

damage to natural resources or personal injury that have, or could reasonably be likely to have, a Material Adverse Effect.

(l) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan.

(m) Neither the Borrower nor any of its ERISA Affiliates has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan.

(n) Neither the Borrower nor any of its ERISA Affiliates has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA.

(o) Except as set forth in Schedule 4.01(o), as of the date indicated on Schedule 4.01(o) the Borrower and its Subsidiaries have no material liability with respect to "accumulated post-retirement benefit obligations" within the meaning of Statement of Financial Accounting Standards No. 106.

(p) Schedule B (Actuarial Information) to the most recent annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and, if requested, furnished to the Agent pursuant to Section 5.01(1)(ix) hereof, is complete and accurate in all material respects and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no material adverse change in such funding status.

(q) The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall

remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its

Subsidiaries to comply in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with (i) ERISA and (ii) Environmental Laws to the extent set forth in Section 5.01(d).

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its

Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all federal and other material taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Borrower nor any of its Subsidiaries

shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves, if any, to the extent required in accordance with GAAP, are being maintained.

(c) Payment of Obligations. Pay, discharge or otherwise satisfy at or

before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, or in the case of any trade payable before such trade payable becomes Debt, except where the amount or validity thereof is currently being contested in good faith and by appropriate proceedings and as to which appropriate reserves, if any, to the extent required in accordance with GAAP, are being maintained.

(d) Compliance with Environmental Laws. (i) Comply and cause each of

its Subsidiaries to comply, in all material respects, with all Environmental Laws and Environmental Permits that are material to the conduct of the business of the Borrower or any of its Subsidiaries or necessary for their operations and properties, and (ii) obtain and renew, and cause each of its Subsidiaries to obtain and renew, all Environmental Permits that are material to the conduct of the business of the Borrower or any of its Subsidiaries or necessary for their operations and properties; except, with respect to (i) and (ii) above, to the extent that any such Environmental Law or the terms of any Environmental Permit are being contested in good faith and by proper proceedings and as to which appropriate reserves, if any, to the extent required in accordance with GAAP, are being maintained.

(e) Maintenance of Insurance. Maintain, and cause each of its

Subsidiaries to maintain, insurance (including self-insurance, in amounts consistent with industry practice and custom) with responsible insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates.

(f) Preservation of Corporate Existence, Etc. Preserve and maintain,

and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided,

however, that the Borrower and its Subsidiaries may consummate any merger

or consolidation permitted under Section 5.02(b) and provided further that

neither the Borrower nor any of its Subsidiaries shall be required to preserve any right or franchise or the corporate existence of any Subsidiary of the Borrower if the Board of Directors of the Borrower or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower and its Subsidiaries taken as a whole or the Lenders.

(g) Visitation Rights. At any reasonable time and from time to time,

upon reasonable prior notice, permit the Agent or, subject to the proviso hereto, any of the Lenders or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of the Borrower and any of its Subsidiaries, as shall be reasonably requested, and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers and with their independent certified public accountants, provided, that unless (x) an Event of Default has occurred and is

continuing or (y) the Public Debt Rating assigned by S&P is lower than BBB- and the Public Debt Rating assigned by Moody's is lower than Baa3, the Borrower shall not be required to comply with this subsection (g) with respect to any of the Lenders or any agents or representatives thereof (other than the Agent).

(h) Keeping of Books. Keep, and cause each of its Subsidiaries to

keep, proper books of record and account, in which appropriate entries that are correct in all material respects shall be made, of all financial transactions and the assets and business of the Borrower and each such Subsidiary so as to permit preparation of their Consolidated financial statements in accordance with GAAP.

(i) Maintenance of Properties, Etc. Maintain and preserve, and cause

each of its Subsidiaries to maintain and preserve, all of its properties that are necessary or, in the reasonable judgment of the Borrower or such Subsidiary, useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(j) Transactions with Affiliates. Conduct, and cause each of its

Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate other than:

(i) transactions among the Borrower and any of its wholly owned

(ii) transactions among wholly owned Subsidiaries of the Borrower.

(k) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, Consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such quarter and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to year-end audit adjustments) by the chief financial officer of the Borrower as having been prepared in accordance with GAAP;

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, containing Consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal year, in each case accompanied by an opinion reasonably acceptable to the Required Lenders by Arthur Andersen L.L.P. or other independent public accountants acceptable to the Required Lenders;

(iii) together with the financial statements required to be delivered in accordance with clauses (i) and (ii) above, (A) a certificate of the chief financial officer of the Borrower stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto and (B) a schedule in form and substance satisfactory to the Agent of the computations used by the Borrower in determining compliance with the covenants contained in Section 5.03;

(iv) promptly after the Borrower becomes aware of and in any event within five Business Days after becoming aware of each Default, continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its securityholders, and copies of all reports and registration statements that the Borrower or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

(vi) promptly after the Borrower becomes aware of the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in the first sentence of Section 4.01(f);

(vii) promptly and in any event within 10 days after the Borrower or any of its ERISA Affiliates knows that any ERISA Event has occurred, a statement of the chief financial officer of the Borrower describing such ERISA Event and the action, if any, that the Borrower or such ERISA Affiliate has taken and proposes to take with respect thereto;

(viii) promptly and in any event within three Business Days after receipt thereof by the Borrower or any of its ERISA Affiliates, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any such Plan;

(ix) upon the request of the Agent after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan;

(x) promptly and in any event within five Business Days after receipt thereof by the Borrower or any of its ERISA Affiliates from the sponsor of a Multiemployer Plan, copies of each notice concerning (x) the imposition of Withdrawal Liability by any such Multiemployer Plan, (y) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (z) the amount of liability incurred, or that may be incurred, by the Borrower or any of its ERISA Affiliates in connection with any event described in clause (x) or (y);

(xi) as soon as practical and in any event promptly after the receipt thereof by the Borrower, copies of all written claims, complaints, notices or inquiries relating to compliance by the Borrower or any of its Subsidiaries with any Environmental Law or Environmental Permit that could reasonably be likely to have a Material Adverse Effect or could reasonably be likely to (x) form the basis of an Environmental Action against the Borrower or any of its Subsidiaries or such property that could reasonably be likely to have a Material Adverse Effect or (y) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that could reasonably be likely to have a Material Adverse Effect; and

(xii) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

Notwithstanding any of the foregoing, at any time when the Borrower is subject to the reporting requirements of Section 13(a)(2) of the Securities Exchange Act of 1934, the Borrower shall be deemed to have complied with the requirements of clauses (i), (ii) and (vi) above, if the Borrower shall include such information in timely filings made with the Securities and Exchange Commission by the Borrower.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain

unpaid or any Lender shall have any Commitment hereunder, the Borrower will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its

Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens,

(ii) purchase money Liens upon or in any property acquired or held by the Borrower or any Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure Debt incurred solely for the purpose of financing the acquisition of such property, or Liens existing on such property at the time of its acquisition (other than any such Lien created in contemplation of such acquisition) or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; provided, however, that no

such Lien shall extend to or cover any property other than the property being acquired, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced,

(iii) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower; provided that such Liens were not created in contemplation of such

merger, consolidation or acquisition and do not extend to any assets other than those of the Person so

merged into or consolidated with the Borrower or such Subsidiary or acquired by the Borrower or such Subsidiary,

(iv) the Liens described on Schedule 5.02(a),

(v) the replacement, extension or renewal of any Lien permitted by clauses (ii), (iii) and (iv) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby,

(vi) Liens on margin stock (as defined in Regulation U issued by the Board of Governors of the Federal Reserve Bank) to the extent that such margin stock exceeds 25% of the value of all assets subject to this Section 5.02(a); and

(vii) other Liens securing Debt; provided that the principal

amount of Debt secured pursuant to this clause (vii), together with the principal amount of Debt permitted to be outstanding in accordance with Section 5.02(d)(vi), shall not in the aggregate at any time outstanding exceed 15% of the Consolidated Tangible Net Worth of the Borrower and its Subsidiaries.

(b) Mergers, Etc. Merge or consolidate with or into, or convey,

transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that (i) any wholly owned Subsidiary of the Borrower may merge or consolidate with or into, or dispose of all or substantially all of its assets to, any other wholly owned Subsidiary of the Borrower, (ii) any wholly owned Subsidiary of the Borrower may merge into or dispose of all or substantially all of its assets to the Borrower, and (iii) the Borrower may merge with any other Person, provided in each

case that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom and, in the case of any merger to which the Borrower is a party, (A) the Borrower is the surviving corporation, (B) after giving effect to the consummation of such merger, the Borrower shall be in compliance with the covenants set forth in Section 5.03 (calculated on a pro forma basis, as of the date of the consummation of such merger) and (C) the Borrower shall be in the same line of business as conducted by it immediately prior to such merger.

(c) Sales, Etc. of Assets. Sell, lease, transfer or otherwise dispose

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

(d) Subsidiary Debt. Permit any of its Subsidiaries to create or

suffer to exist, any Debt other than:

(i) Debt owed to the Borrower or to a wholly owned Subsidiary of the Borrower,

(ii) Debt existing on the Effective Date and described on Schedule 5.02(d) (including as Debt permitted under this subsection any credit facilities or credit lines of any Subsidiary listed on such Schedule 5.02(d), whether or not such facilities or lines have been drawn upon by such Subsidiary) (the "Existing Subsidiary Debt"), and

any Debt extending the maturity of, or refunding or refinancing, in whole or in part, the Existing Subsidiary Debt, provided that the

terms of any such extending, refunding or refinancing Debt, and of any agreement entered into and of any instrument issued in connection therewith, are otherwise permitted by this Agreement and provided

further that the principal amount of such Existing Subsidiary Debt

shall not be increased above the principal amount thereof outstanding immediately prior to such extension, refunding or refinancing, and the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such extension, refunding or refinancing,

(iii) Debt secured by Liens permitted by Section 5.02(a)(ii) or (iii),

(iv) Debt permitted to be outstanding in accordance with Section 5.03(c),

(v) endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, and

(vi) Debt other than Debt described in clauses (i) through (v) of this Section 5.02(d); provided that the principal amount of Debt

permitted to be outstanding pursuant to this clause (vi), together with the principal amount of Debt permitted to be secured pursuant to Section 5.02(a)(vii), shall not in the aggregate at any time outstanding exceed 15% of the Consolidated Tangible Net Worth of the Borrower and its Subsidiaries.

(e) Change in Nature of Business. Make, or permit any of its

Subsidiaries to make, any material change in the nature of the business of the Borrower and its Subsidiaries taken as a whole as carried on at the date hereof.

(f) Accounting Changes. Make or permit, or permit any of its

Subsidiaries to make or permit, any change in accounting policies or reporting practices that would prevent the Borrower from preparing its Consolidated financial statements in accordance with GAAP.

SECTION 5.03. Financial Covenants. So long as any Advance shall remain

unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Leverage Ratio. Cause, on the last day of each Fiscal Quarter of

the Borrower, the ratio of (i) Consolidated Debt of the Borrower and its Subsidiaries on such date of determination to (ii) Consolidated EBITDA of the Borrower and its Subsidiaries for the four Fiscal Quarters ended on such date not to exceed 4.0 to 1.

(b) Interest Coverage Ratio. Cause, on the last day of each Fiscal

Quarter of the Borrower, the ratio of (i) Consolidated EBITDA of the Borrower and its Subsidiaries for the four Fiscal Quarters ended on such date of determination to (ii) Consolidated interest expense of the Borrower and its Subsidiaries to the four Fiscal Quarters ended on such date not to be less than 2.5 to 1.

(c) Certain Subsidiary Debt. Cause the aggregate outstanding principal

amount of all Debt of Rayonier Timberlands Operating Company not to exceed \$800,000,000 at any time outstanding.

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events

("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable or the Borrower shall fail to pay any interest on any Advance or make any other payment due in connection with this Agreement or any Note within five days after the same becomes due and payable; or

(b) Any representation or warranty made or deemed made by or on behalf of the Borrower herein or in any notice, report, certificate, financial statement, instrument, agreement or other writing delivered or prepared in connection with this Agreement, shall prove to have been incorrect in any material respect when made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(f), (g) or (k), Section 5.02(a), (b), (c), (d) or (e) or Section 5.03, or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d) (i) The Borrower or any of its Subsidiaries shall fail to pay any principal of or premium, interest or other amount payable with respect to any Debt that is outstanding in a principal amount of at least \$10,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or (ii) any event shall occur or condition shall exist (including, without limitation, any event of the type described in clause (i) above) under any agreement or instrument relating to any Debt that is outstanding in a principal amount of at least \$25,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or any of its Subsidiaries (as the case may be) and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Debt, or any such Debt shall be accelerated, declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(e) The Borrower or any of its Significant Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Significant Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts, in each such case, under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Significant Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of \$10,000,000 shall be rendered against the Borrower or any of its Subsidiaries and either (i) enforcement proceedings shall have

been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) Any non-monetary judgment or order shall be rendered against the Borrower or any of its Subsidiaries that could be reasonably expected to have a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) (i) Any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 30% or more of the combined voting power of all Voting Stock of the Borrower; or (ii) during any period of up to 24 consecutive months, commencing after the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Borrower shall cease for any reason (other than due to death or disability) to constitute a majority of the board of directors of the Borrower (except to the extent that individuals who at the beginning of such 24-month period were replaced by individuals (x) elected by 66-2/3% of the remaining members of the board of directors of the Borrower or (y) nominated for election by a majority of the remaining members of the board of directors of the Borrower and thereafter elected as directors by the shareholders of the Borrower); or (iii) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of, the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Borrower; or (iv) the Borrower or an Affiliate of the Borrower shall cease to be the managing partner of Rayonier Timberlands Operating Company, L.P. ("RTOC") or the Borrower ceases to consolidate RTOC in its consolidated

financial statements; or

(i) Any ERISA Event shall have occurred and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of the Plan with respect to which such ERISA Event shall have occurred and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Borrower and its ERISA Affiliates related to any such ERISA Event) exceeds \$10,000,000; or

(j) The Borrower or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds \$10,000,000 or requires payments exceeding \$5,000,000 per annum; or

(k) The Borrower or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Borrower and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding \$10,000,000;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the

event of an actual or deemed

entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

THE AGENT

SECTION 7.01. Authorization and Action. Each Lender hereby appoints

and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be

required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Agent's Reliance, Etc. Neither the Agent nor any of its

directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assumption Agreement entered into by an Assuming Lender as provided in Section 2.18 or an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance, observance or satisfaction of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or the existence at any time of any Default or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. Citibank and Affiliates. With respect to its Commitment,

the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders. The Agent shall have no duty to disclose information obtained or received by it or any of its Affiliates relating to the Borrower or its Subsidiaries to the extent such information was obtained or received in any capacity other than as Agent.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it

has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem

appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. The Lenders agree to indemnify the

Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Revolving Credit Advances then owed to each of them (or if no Revolving Credit Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement (collectively, the "Indemnified

Costs"), provided that no Lender shall be liable for any portion of the

Indemnified Costs resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any Lender or a third party.

SECTION 7.06. Successor Agent. The Agent may resign at any time by

giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) if no Event of Default has occurred and is continuing. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 7.07. Other Agents. Each Lender hereby acknowledges that

neither the documentation agent nor any other Lender designated as any "Agent" on the signature pages hereof has any liability hereunder other than in its capacity as a Lender.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision

of this Agreement or the Revolving Credit Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall,

unless in writing and signed by each of the Lenders directly affected thereby, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Commitments of such Lenders (other than pursuant to Section 2.18) or subject such Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Credit Advances that shall be required for the Lenders or any of them to take any action hereunder or (f) amend this Section 8.01; and provided further that no amendment, waiver or

consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 8.02. Notices, Etc. All notices and other communications

provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, if to the Borrower, at its address at 50 North Laura Street, Suite 1900, Jacksonville, Florida 32202, Attention: Treasurer, with a copy to: Corporate Secretary; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or telexed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by telex answerback, respectively, except that notices and communications to the Agent pursuant to Article II, III or VII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any

Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses. (a) The Borrower agrees to pay on

demand all out-of-pocket costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement, provided that all such costs and expenses of the Agent (other than

(i) fees and expenses of counsel for the Agent, (ii) printing costs of the Arrangers incurred in connection with the syndication of the Commitments and (iii) expenses arising under Section 5.01(h)) in excess of \$1,000 shall be subject to the prior consent of the Borrower, such consent not to be unreasonably withheld. The Borrower further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to indemnify, exonerate and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents, advisors, representatives and controlling persons (each, an "Indemnified Party") from and against any and all claims, damages,

losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on any property currently or formerly owned or operated by the Borrower or any of its Subsidiaries or any Environmental Action relating in any way to the Borrower or any of its Subsidiaries, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or

proceeding is brought by the Borrower, its directors, equityholders or creditors or an Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto and

whether or not the transactions contemplated hereby are consummated. The Borrower also agrees not to assert any claim for special, indirect, consequential or punitive damages against the Agent, any Lender, any of their Affiliates, or any of their respective officers, directors, employees, agents, advisors, representatives and controlling persons, on any theory of liability, arising out of or otherwise relating to (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on an property of the Borrower or any of its Subsidiaries or any Environmental Action relating in any way to the Borrower or any of its Subsidiaries.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.08(f) or (g), 2.09, 2.10 or 2.12, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 8.05. Right of Set-off. Upon (i) the occurrence and during the

continuation of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmaturred. Each Lender agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such

notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective

(other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may and,

if demanded by the Borrower (following a demand by such Lender pursuant to Section 2.11 or 2.14) upon at least five Business Days' notice to such Lender and the Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) other

than in the case of an assignment to an Affiliate of such Lender, another Lender, or assignments of the type described in subsection (g) below, such Lender shall have obtained the prior written consent of the Agent and, unless an Event of Default has occurred and is continuing, the Borrower, such consent not to be unreasonably withheld, (ii) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive

Bid Notes), (iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 and shall be an integral multiple of \$1,000,000 unless the Borrower and the Agent otherwise agree, and if the assigning Lender is assigning less than all of its Commitments after giving effect to such assignment, the amount of the commitment of the assigning Lender shall be equal to or greater than \$5,000,000, (iv) each such assignment shall be to an Eligible Assignee, (v) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (vi) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and a processing and recordation fee of \$3,500 (such fee payable by the assignor or assignee, as agreed by the parties). Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Section 2.11, 2.14 and 8.04 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(d) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of each of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The

entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations

under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or

participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest (or any other similar interest) in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Bank") may grant to a special purpose funding vehicle (a

"SPC"), identified as such in writing from time to time by the Granting Bank to

the Agent and the Borrower, the option to provide to the Borrower all or any part of any Advance that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein

shall constitute a commitment by any SPC to make any Advance, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the Granting Bank shall be obligated to make such Advance pursuant to the terms hereof. The making of an Advance by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Advances to the Granting Bank or to any financial institutions (consented to by the Borrower and Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Advances and (ii) disclose on a confidential basis any non-public information

relating to its Advances to any rating agency,

commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This section may not be amended without the written consent of the SPC.

SECTION 8.08. Confidentiality. Neither the Agent nor any Lender shall

disclose any Confidential Information to any other Person without the consent of the Borrower other than (a) to the Agent's or such Lender's Affiliates and their officers, directors, employees, agents and advisors and, as contemplated by Section 8.07(f), to actual or prospective assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process and (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

SECTION 8.09. Governing Law. This Agreement and the Notes shall be

governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Agreement may be

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

SECTION 8.11. Jurisdiction, Etc. (a) Each of the parties hereto hereby

irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 8.12. Waiver of Jury Trial. Each of the Borrower, the Agent

and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

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

RAYONIER INC.

By _____
Title:

CITIBANK, N.A.,
as Agent

By _____
Title:

Initial Lenders

Commitment

Administrative Agent

\$26,444,445

CITIBANK, N.A.

By _____
Title:

Syndication Agents

\$26,444,444

BANK OF AMERICA, N.A.

By _____
Title:

\$22,666,667

THE BANK OF NEW YORK

By _____
Title:

\$22,666,667

SUNTRUST BANK

By -----
Title:

Lenders

\$11,333,333

COMPASS BANK

By -----
Title:

\$11,333,333

CREDIT SUISSE FIRST BOSTON

By -----
Title:

\$18,888,889

JPMORGAN CHASE BANK

By -----
Title:

\$11,333,333

THE NORTHERN TRUST COMPANY

By -----
Title:

\$18,888,889

WACHOVIA BANK N.A.

By -----
Title:

\$170,000,000

Total of the Commitments

RETIREMENT PLAN
FOR SALARIED EMPLOYEES
OF RAYONIER INC.

Effective as of March 1, 1994
Amended and Restated January 1, 2000
And Further Amended Through October 19, 2001

FOREWORD

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

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

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

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

RETIREMENT PLAN FOR SALARIED EMPLOYEES
OF RAYONIER INC.

TABLE OF CONTENTS

	Page
ARTICLE 1 -- DEFINITIONS..... -----	1
ARTICLE 2 -- SERVICE..... -----	14
2.01 Eligibility Service..... -----	14
2.02 Benefit Service..... -----	21
2.03 Questions Relating to Service Under the Plan..... -----	25
ARTICLE 3 -- MEMBERSHIP..... -----	27
3.01 Persons Employed on the Effective Date..... -----	27
3.02 Persons First Employed as Employees On or After the Effective Date..... -----	27
3.03 Reemployment After March 1, 1994 of ITT Rayonier Incorporated Salaried Employees..... -----	28
3.04 Persons Employed as a Leased Employee With the Company or an Associated Company..... -----	28
3.05 Persons Employed as Other Than Employees by the Company..... -----	28
3.06 Reemployment of Former Employees, Former Members and Retired Members..... -----	29
3.07 Termination of Membership..... -----	29
3.08 Questions Relating to Membership in the Plan..... -----	30
ARTICLE 4 -- BENEFITS..... -----	31
4.01 Normal Retirement Allowance..... -----	31
4.02 Postponed Retirement Allowance..... -----	33
4.03 Standard Early Retirement Allowance..... -----	35
4.04 Special Early Retirement Allowance..... -----	36
4.05 Vested Benefit..... -----	38
4.06 Forms of Benefit Payment After Retirement..... -----	39
4.07 Survivor's Benefit Applicable Before Retirement..... -----	46
4.08 Maximum Benefits..... -----	62

RETIREMENT PLAN FOR SALARIED EMPLOYEES
OF RAYONIER INC.

TABLE OF CONTENTS

(cont'd)

	Page
4.09 No Duplication.....	63
4.10 Payment of Benefits.....	64
4.11 Reemployment of Former Member or Retired Member.....	67
4.12 Top-heavy Provisions.....	71
4.13 Payment of Medical Benefits for Benefits for Certain Members Who Retire Under the Plan.....	74
4.14 Transfers From Hourly Plans Maintained by the Company or an Associated Company.....	76
4.15 Direct Rollover of Certain Distributions.....	77
ARTICLE 5 -- ADMINISTRATION OF PLAN.....	79
5.01 Appointment of Retirement Committee.....	79
5.02 Pension Trust Fund and Investment Committee.....	79
5.03 Named Fiduciaries.....	80
5.04 Meetings and Action of Majority.....	80
5.05 Duties of Committees.....	80
5.06 Management of Plan Assets.....	81
5.07 Establishment of Rules and Rights of Retirement Committee.....	81
5.09 Claims and Review Procedure.....	83
ARTICLE 6 -- CONTRIBUTIONS.....	86
6.01 Company Contributions.....	86
6.02 Return of Contributions.....	86
ARTICLE 7 -- MANAGEMENT OF FUNDS.....	87
7.01 Trustee.....	87
7.02 Exclusive Benefit Rule.....	87
7.03 Investment in Company Securities or Real Property.....	88

7.04	Appointment of Investment Managers.....	88
------	---	----

ARTICLE 8 -- CERTAIN RIGHTS AND LIMITATIONS.....	89
--	----

RETIREMENT PLAN FOR SALARIED EMPLOYEES
OF RAYONIER INC.

TABLE OF CONTENTS

(cont'd)

	Page
8.01 Termination of the Plan.....	89
8.02 Limitation Concerning Highly Compensated Employees or Highly Compensated Former Employees.....	90
8.03 Conditions of Employment Not Affected by Plan.....	91
8.04 Offsets.....	92
8.05 Denial of Benefits.....	92
8.06 Change in Control.....	93
8.07 Prevention of Escheat.....	96
ARTICLE 9 -- NONALIENATION OF BENEFITS.....	98
ARTICLE 10 -- AMENDMENTS.....	100
APPENDIX A	
APPENDIX B	
APPENDIX C	
APPENDIX D	
APPENDIX E	
APPENDIX F	

RETIREMENT PLAN FOR SALARIED EMPLOYEES
OF RAYONIER INC.

ARTICLE 1 -- DEFINITIONS

- 1.01 Accrued Benefit shall mean, as of any date of determination, the

retirement allowance computed under Section 4.01(b) on the basis of the
Member's Benefit Service and applicable components of the Plan formula
as of the determination date and with respect to the amount determined
under Section 4.01(b)(i)(4), the applicable components of the Prior
Salaried Plan as of the determination date.
- 1.02 Annuity Starting Date shall mean the first day of the first period for

which an amount is due on behalf of a Member or former Member as an
annuity or any other form of payment under the Plan.
- 1.03 Appendix shall mean the tables of factors which are used in determining

the amount of the various forms of benefits payable under the Plan.
- 1.04 Associated Company shall mean any subsidiary or affiliated company of

Rayonier Inc. not participating in the Plan which is (i) a component
member of a controlled group of corporations (as defined in Section
414(b) of the Code), which controlled group of corporations includes as
a component member Rayonier Inc., (ii) any trade or business under
common control (as defined in Section 414(c) of the Code) with Rayonier
Inc., (iii) any organization (whether or not incorporated) which is a
member of an affiliated service group (as defined in Section 414(m) of
the Code) which includes Rayonier Inc. or (iv) any other entity
required to be aggregated with Rayonier Inc. pursuant to regulations
under Section 414(o) of the Code, during the period such entity is
described in clause (i), (ii), (iii), or (iv). Notwithstanding the
foregoing, for purposes of the preceding

Article 1

sentence and Section 4.08 of the Plan, the definitions of Section 414(b) and (c) of the Code shall be modified as provided in Section 415(h) of the Code.

- 1.05 Beneficiary shall mean any person or entity named by a Member by

written designation to receive certain benefits payable in the event of
his or her death as provided under Section 4.07.
- 1.06 Benefit Service shall mean employment recognized as such for the

purposes of computing a benefit under the Plan as provided under
Article 2.
- 1.07 Board of Directors shall mean the Board of Directors of Rayonier Inc.

or of any successor to Rayonier Inc. by merger, purchase or otherwise.
- 1.08 Change in Control shall mean the occurrence of any one or more of the

following events: (i) subject to the conditions contained in the final
paragraph of this definition, the filing of a report on Schedule 13D
with the Securities and Exchange Commission pursuant to Section 13(d)
of the Securities Exchange Act of 1934 (the "Act") disclosing that any
person, other than the Corporation or any employee benefit plan
sponsored by the Corporation, is the beneficial owner (as the term is
defined in Rule 13d-3 under the Act) directly or indirectly, of
securities representing twenty percent or more of the total voting
power represented by the Corporation's then outstanding Voting
Securities (calculated as provided in paragraph (d) of Rule 13d-3 under
the Act in the case of rights to acquire Voting Securities); or (ii)
the purchase by any person, other than the Corporation or any employee
benefit plan sponsored by the Corporation, of shares pursuant to a
tender offer or exchange offer to acquire any Voting Securities of the
Corporation (or securities convertible into such Voting Securities) for
cash, securities or any other consideration, provided that after
consummation of the offer, the person in question is the beneficial
owner, directly or indirectly, of

securities representing twenty percent or more of the total voting power represented by the Corporation's then outstanding Voting Securities (all as calculated under clause (i)); or (iii) the approval by the shareholders of the Corporation of (A) any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving corporation (other than a merger of the Corporation in which holders of Common Shares of the Corporation immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as immediately before), or pursuant to which Common Shares of the Corporation would be converted into cash, securities or other property, or (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Corporation; or (iv) a change in the composition of the Board of Directors of the Corporation at any time during any consecutive twenty-four month period such that "continuing directors" cease for any reason to constitute at least a 70% majority of the Board. For purposes of this definition of "Change in Control," the term "Voting Securities" means any securities of the Corporation which vote generally in the election of members of the Board of Directors and the term "continuing directors" means those members of the Board who either were directors at the beginning of a consecutive twenty-four month period or were elected during such period by or on the nomination or recommendation of at least a 70% majority of the then-existing Board.

So long as there has not been a Change in Control within the meaning of clause (iv) above, the Board of Directors may adopt by a majority vote of the "continuing directors" a resolution to the effect that the occurrence of an event described in clause (i) (a "Clause (i) Event") does not constitute a "Change in Control" (an "Excluding Resolution") or a resolution to the effect that the occurrence of a Clause (i) Event does constitute a "Change in Control" (an "Including Resolution"). The adoption of an Excluding Resolution with respect to any Clause (i) Event shall

Article 1

not deprive the Board of Directors of the right to adopt an Including Resolution with respect to such Clause (i) Event at a later date. A Clause (i) Event shall not in and of itself constitute a "Change in Control" until the earlier of (x) the effective date of an Including Resolution with respect thereto or (y) the passage of a period of five (5) business days after the Corporation's receipt of a copy of the subject report on Schedule 13D in compliance with Rule 13d-7 under the Act without an Excluding Resolution having been adopted with respect thereto; notwithstanding the adoption of an Excluding Resolution within the five business-day period referred to in (y), an Including Resolution may subsequently be adopted with respect to the relevant Clause (i) Event while it continues to exist, in which event a "Change in Control" shall be deemed to have occurred for purposes of this definition upon the effective date of such Including Resolution. The provisions of this second paragraph of the definition of "Change in Control" relate only to situations where a Clause (i) Event has occurred and no Change in Control within the meaning of clause (ii), (iii) or (iv) of the preceding paragraph has occurred, and nothing in this paragraph shall derogate from the principle that the occurrence of an event described in clause (ii), (iii) or (iv) of the preceding paragraph shall be deemed an immediate Change in Control regardless of whether or not a Clause (i) Event has occurred and an Excluding Resolution or Including Resolution become effective.

1.09 Code shall mean the Internal Revenue Code of 1986, as amended from time

to time.

1.10 Company or Corporation shall mean Rayonier Inc. (formerly known as ITT

Rayonier Incorporated) with respect to its Employees; and any Participating Unit with respect to its Employees. When used herein, the term Company shall collectively include Rayonier Inc. and any Participating Unit.

1.11 Compensation shall mean the total remuneration paid to a Member

(whether before or after membership in the Plan) for services rendered on and after the Effective Date, including annual

base salary, overtime, leadman's pay, shift differential, and bonuses paid under the Rayonier Inc. local bonus and gain share plans as in effect on March 1, 1994 (determined prior to any pre-tax contributions under a "qualified cash or deferred arrangement," as defined under Section 401(k) of the Code and its applicable regulations, under a "cafeteria plan," as defined under Section 125 of the Code and its applicable regulations or under a "qualified transportation fringe," as defined under Section 132(f) of the Code and its applicable regulations), and for Members who receive no other source of remuneration from the Company, commissions, but excluding, except to the extent specifically included above, foreign service pay, automobile allowance, separation pay, incentive pay or other special pay or allowances of similar nature, commissions for any Member who receives any other form of remuneration from the Company, bonuses, and the cost of any public or private employee benefit plan, including the Plan. Commencing with the Plan Year beginning in 1994, Compensation taken into account for any purpose under the Plan, including the determination of Final Average Compensation, shall not exceed \$150,000 (as adjusted from time to time by the Secretary of the Treasury in accordance with Section 401(a)(17)(B) of the Code). Effective January 1, 1997, the compensation limit shall be applied without regard to the family aggregation provisions of Section 414(q)(6) of the Code in determining benefit accruals for Plan Years beginning on and after January 1, 1997, and to the extent permissible under the IRS rules or regulations, for any earlier Plan Year.

1.12 Early Retirement Date shall mean the date as determined in the manner

set forth in Section 4.03.

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

1.14 Eligibility Service shall mean any employment recognized as such for

the purposes of meeting the eligibility requirements for membership in the Plan and for eligibility for benefits under the Plan as provided under Article 2.

1.15 Employee shall mean any person regularly employed by the Company who is

paid from a payroll maintained in the continental United States, Hawaii, Puerto Rico or the U.S. Virgin Islands and who receives regular and stated compensation other than a pension or retainer; provided, however, that except as the Board of Directors or the Retirement Committee, pursuant to the authority delegated to it by the Board of Directors, may otherwise provide on a basis uniformly applicable to all persons similarly situated, no person shall be an Employee for purposes of the Plan who is (i) engaged as a consultant, (ii) a non-resident alien, (iii) paid on an hourly basis and who, under the Company's employment classification practices, is considered as an hourly-rated employee for purposes of the Company's employee benefit plans, (iv) accruing benefits in respect of current service under any other pension, retirement, qualified profit-sharing or other similar plan of the Company (other than the Rayonier Inc. Investment and Savings Plan for Salaried Employees,) or of any Associated Company, (v) a Leased Employee, or (vi) a Non-Benefits Worker; and provided further, that no person shall be an Employee for purposes of the Plan whose terms and conditions of employment are determined by a collective bargaining agreement with the Company which does not make this Plan applicable to such person. In addition, effective January 1, 1998, any person considered to be an independent contractor by the Company shall not be considered an Employee even if he is reclassified as an employee by any taxing authority such as the Internal Revenue Service or any other authority or agency.

1.16 Equivalent Actuarial Value shall mean equivalent value of a benefit

under the Plan determined on the basis of the applicable factors set forth in Appendix A, except as otherwise specified in the Plan. In any other event, Equivalent Actuarial Value shall be determined on the same actuarial basis utilized to compute the factors set forth in Appendix A.

1.17 ERISA shall mean the Employee Retirement Income Security Act of 1974,

as amended from time to time.

1.18 Final Average Compensation shall mean the sum of:

- (a) The average of a Member's annual base salary recognized as Compensation received in any five calendar years of Eligibility Service in which such annual base salary was highest, plus
- (b) The average of a Member's annual Compensation in excess of annual base salary received in any five calendar years of Eligibility Service in which such Compensation was highest;

provided, however, that the calendar years on which such averages are based shall be any five calendar years during the last 120 calendar months of a Member's Eligibility Service, or if the Member has less than five calendar years of Eligibility Service, all of his or her calendar years of Eligibility Service; provided, further, however, that (i) the annual base salary earned in any calendar year and taken into account for purposes of "Final Average Compensation," and (ii) the amount in excess of base annual salary earned in any calendar year and taken into account for purposes of "Final Average Compensation," and (iii) the sum of (i) and (ii) taken into account for any calendar year, each shall be subject to the provisions of Section 401(a)(17) of the Code. If the Member terminates employment before the last day of the calendar year or otherwise experiences an interruption in Eligibility Service, the Retirement Committee shall, in accordance with rules uniformly applicable to all persons similarly situated, determine the amount of the Member's Final Average Compensation. The term Eligibility Service as used in this Section shall include all service recognized as Eligibility Service for purposes of eligibility requirements under Article 2.

1.19 Hour of Service shall mean hours of employment as defined pursuant to

the provisions of Section 2.01(b).

- 1.20 IRS Interest Rate shall mean the annual rate of interest on 30-year

Treasury Securities, as specified by the Commissioner of Internal
Revenue for the second full calendar month preceding the applicable
Stability Period.

- 1.21 IRS Mortality Table shall mean the mortality table prescribed by the

Secretary of the Treasury under Code Section 417(e)(3)(A)(ii)(I) as in
effect on the first day of the applicable Stability Period.

- 1.22 Leased Employee shall mean any person as so defined in Section 414(n)

of the Code by virtue of his or her performance of services for the
Company or an Associated Company.

- 1.23 Member shall mean any person included in the membership of the Plan as

provided in Article 3.

- 1.24 Non-Benefits Worker shall mean any individual designated by the Company

as ineligible to participate in any Company-sponsored employee benefit
program and any individual who the Company considers to be an
independent contractor. The designation of an individual as a
Non-Benefits Worker by the Company shall be final and not subject to
any redetermination of employment classification by any taxing
authority such as the Internal Revenue Service or any other
governmental authority or agency.

- 1.25 Normal Retirement Date shall mean the first day of the calendar month

coincident with or next following the date the Employee attains age 65,
which is his or her Normal Retirement Age.

1.26 Parental Leave shall mean a period in which a person is absent from

work because of the person's pregnancy, the birth of a person's child,
the adoption by a person of a child, or for purposes of caring for that
child, for a period beginning immediately following such birth or
adoption.

1.27 Participating Unit shall mean, in addition to Rayonier Inc., any

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

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

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

- 1.28 Pension Fund Trust and Investment Committee shall mean the committee

established by Rayonier Inc. for the purposes of managing the assets of
the Plan as provided in Article 5.
- 1.29 Plan shall mean the Retirement Plan for Salaried Employees of Rayonier

Inc. as set forth herein or as hereafter amended.
- 1.30 Plan Year shall mean the calendar year.

- 1.31 Postponed Retirement Date shall mean, with respect to an Employee who

does not retire at Normal Retirement Date but who works after such
date, the first day of the calendar month coincident with or next
following the date on which such Employee retires from active service.
No retirement allowance shall be paid to the Employee until his or her
Postponed Retirement Date, except as otherwise provided in Article 4.
- 1.32 Prior Salaried Plan shall mean the Retirement Plan for Salaried

Employees of ITT Corporation (now known as the "ITT Industries Salaried
Retirement Plan"), as in effect on February 28, 1994 and as thereafter
amended from time to time.
- 1.33 Qualified Joint and Survivor Annuity shall mean an annuity described in

Section 4.06(a)(i).
- 1.34 Retirement Committee shall mean the committee established for the

purposes of administering the Plan as provided in Article 5.

1.35 Severance Date shall mean the date an Employee is considered to have

severed his or her employment as defined pursuant to the provisions of
Section 2.01(a).

1.36 Social Security Benefit shall mean the amount of annual old age or

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

commenced. The Retirement Committee shall resolve any questions arising under this Section on a basis uniformly applicable to all Employees similarly situated.

- 1.37 Social Security Retirement Age shall mean age 65 with respect to a

Member who was born before January 1, 1938; age 66 with respect to a
Member who was born after December 31, 1937 and before January 1, 1955;
and age 67 with respect to a Member who was born after December 31,
1954.
- 1.38 Special Early Retirement Date shall mean the date as determined in the

manner set forth in Section 4.04.
- 1.39 Spousal Consent shall mean written consent given by a Member's or

former Member's spouse to an election made by the Member or former
Member which specifies the form of retirement allowance, vested
benefit, Beneficiary, or contingent annuitant designated by the Member
or former Member. The specified form or specified Beneficiary or
contingent annuitant shall not be changed unless further Spousal
Consent is given. Spousal Consent shall be duly witnessed by a notary
public, or in accordance with uniform rules of the Retirement
Committee, by a Plan representative and shall acknowledge the effect on
the spouse of the Member's or former Member's election. The requirement
for Spousal Consent may be waived by the Retirement Committee in
accordance with applicable law. Spousal Consent shall be applicable
only to the particular spouse who provides such consent.
- 1.40 Stability Period shall mean the Plan Year in which occurs the Annuity

Starting Date for the distribution.

- 1.41 Transferred Employee shall mean an employee of the Company on the

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

Plan are held as provided in Article 7.

Article 1

ARTICLE 2 -- SERVICE

2.01 Eligibility Service

(a) Eligibility Service On and After the Effective Date. Except as

otherwise provided in this Article 2, all uninterrupted employment with the Company or with an Associated Company rendered on and after (i) the Effective Date or (ii) date of employment, if later, and prior to such Member's Severance Date shall be recognized as Eligibility Service for all Plan purposes. "Severance Date" shall mean the earlier of (i) the date a Member resigns, is discharged, retires or dies or (ii) one year from the date the Member is continuously absent from service for any other reason as provided in this Article 2. Eligibility Service for any period of employment rendered prior to the Effective Date shall be determined as set forth in Section 2.01(g).

(b) Eligibility Service for Plan Membership by Employees Hired on Other

Than a Full-Time Basis. With respect to any Employee whose employment

with the Company or with an Associated Company is on a temporary or less than full-time basis, "one year of Eligibility Service" for purposes of meeting the requirements for membership in the Plan as provided in Article 3 shall mean a period of 12 consecutive months of employment and measured from the date on which he or she first completes an Hour of Service or from any subsequent anniversary thereof and during which he or she has completed at least 1,000 Hours of Service with the Company or with an Associated Company. After such an Employee has met the requirements for membership in the Plan as provided in Article 3, Eligibility Service for purposes of meeting the eligibility requirements for benefits and for vesting shall be determined in accordance with Sections 2.01(a) and 2.01(g).

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

Solely for purposes of this paragraph (b), if a temporary or less than full-time Employee does not complete more than 500 Hours of Service in the 12 month period beginning on the date on which he or she first completes an Hour of Service or beginning on any subsequent anniversary thereof (which for purposes of this paragraph (b) shall be known as the "computation period"), he or she shall incur a one-year break in service. Solely for purposes of determining whether such an Employee has incurred a break in service, hours shall include each Hour of Service for which such Employee would otherwise have been credited under this paragraph (b) were it not for the Employee's absence due to Parental Leave. Hours of Service credited under the preceding sentence shall not exceed the number of hours needed to avoid a break in service in the computation period in which the Parental Leave first began, and in any event shall not exceed 501 hours; if no hours are needed to avoid a break in service in such computation period, then the provisions of the preceding sentence shall apply as though the Parental Leave began in the immediately following computation period. If such an Employee has had a break in service before becoming eligible for membership, Eligibility Service shall begin from the date of his or her return

to the employ of the Company or an Associated Company. Except as otherwise provided in this Article 2, his or her Eligibility Service before the break in service shall be restored only upon completion of one year of Eligibility Service within the 12-month period following his or her break in service. If, however, the periods of consecutive one-year breaks in service equals or exceeds the greater of (i) five years or (ii) the total number of years of Eligibility Service before the break in service, his or her Eligibility Service prior to the break shall never be restored.

(c) Employment With the Company or an Associated Company but not as an

Employee. Eligibility Service with respect to prior employment rendered

by any person who, on or after the Effective Date and prior to the date on which he or she becomes an Employee, is or was in the employ of the Company or an Associated Company but not as an Employee shall, subject to the provisions of Section 2.01(e) and Section 2.01(f), be equal to:

- (i) the number of years credited to him, if any, on the basis of the "1,000 hour rule" under a pension plan maintained by the Company or an Associated Company applicable to him or her for the period of such prior employment ending on the last day of the calendar year preceding the date on which he or she becomes an Employee or the date on which such prior employment terminated, plus
- (ii) the greater of (1) the service credited to him, if any, on the basis of the "1,000 hour rule" for the portion of the calendar year ending on the date immediately preceding the date he or she becomes an Employee or the date on which such prior employment terminated, or (2) the Eligibility Service he or she would be credited with under this Plan for the entire calendar year in which the transfer or termination of employment took place.

Notwithstanding the foregoing provisions of this paragraph (c), in the event a person's prior employment was not covered by or credited under a pension plan which recognized employment on

the basis of the "1,000 hour rule," any such prior employment with the Company or an Associated Company whether rendered before or after the Effective Date shall be recognized in accordance with the terms of this Article 2.

(d) Certain Absences to be Recognized as Eligibility Service. Except as

otherwise indicated in this Article 2, the following periods of approved absence rendered on and after the Effective Date shall be recognized as Eligibility Service under the Plan and shall not be considered as breaks in Eligibility Service:

- (i) The period of any leave of absence granted in respect of service with the armed forces of the United States on or after the Effective Date provided the Employee shall have returned to the service of the Company or an Associated Company in accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment.
- (ii) Except as provided by law, the period on or after the Effective Date of any leave of absence granted in respect of service, not exceeding two years, with any other agency or department of the United States Government.
- (iii) The period on and after the Effective Date of any total and permanent disability during which an Employee becomes entitled to a disability benefit under Title II of the Federal Social Security Act as amended from time to time or the period on and after the Effective Date of total and permanent disability as determined by the Retirement Committee on the basis of such medical information as it shall require.
- (iv) The period of any leave of absence on and after the Effective Date during which Company sickness or accident benefits are payable.

Article 2

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

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

- (e) Breaks in Service. All absences from the Company or from an Associated -----
Company, other than the absences specified in paragraph (d) above, shall be considered as breaks in Eligibility Service; provided, however, that in no event shall there be a break in Eligibility Service if an Employee (i) is continuously absent from service with the Company or with an Associated Company and returns to

the employ of the Company or an Associated Company before the first anniversary of his or her Severance Date or (ii) is absent from work because of a Parental Leave and returns to the employ of the Company or an Associated Company within two years of his or her Severance Date. If the provisions of clause (ii) above are applicable, the first year of such absence for Parental Leave, measured from an Employee's Severance Date, shall not be considered in determining the Employee's period of break in service for purposes of Section 2.01(f) below.

(f) Bridging Breaks in Service

- (i) If an Employee has a break in service and such Employee was eligible for a vested benefit under Section 4.05 at the time of his or her break in service, except as otherwise provided in Section 4.11, employment both before and after the Employee's absence shall be immediately recognized as Eligibility Service, subject to the provisions of this Section 2.01, upon his or her return to the employ of the Company or an Associated Company.

- (ii) If an Employee has a break in service and such Employee was not eligible for a vested benefit under Section 4.05 at the time of his or her break in service, Eligibility Service shall begin from the date of his or her return to the employ of the Company or an Associated Company. If such Employee returns to the employ of the Company or an Associated Company and the period of the Employee's break is less than the greater of (1) five years or (2) the service rendered prior to such break, the service prior to such break shall be included as Eligibility Service, subject to the provisions of this Section 2.01, only upon completion of at least 12 months of Eligibility Service following his or her break in service. However, if the period of the Employee's break in service equals or exceeds the greater of (1) five years or (2) the service rendered prior to such break, the service rendered prior to such break shall be included as Eligibility Service, subject to the

provisions of this Section 2.01, only upon completion of a period of Eligibility Service equal to the lesser of the period of his or her break in service or ten years.

(g) Eligibility Service Prior to the Effective Date

Notwithstanding any foregoing provisions to the contrary, Eligibility Service shall include (i) with respect to any person who becomes a Member of the Plan on the Effective Date pursuant to the provisions of Section 3.01(a) or (b) or Section 3.05, any employment rendered by such Member prior to the Effective Date to the extent such employment is recognized as Eligibility Service under the provisions of the Prior Salaried Plan, (ii) with respect to any person who was employed by ITT Rayonier Incorporated on a salaried basis as of February 28, 1994 but was not a member of the Prior Salaried Plan as of such date and who becomes a Member of the Plan on or after the Effective Date pursuant to the provisions of Section 3.01(c), any uninterrupted employment with the Company or with an Associated Company rendered by such Member prior to the Effective Date and prior to his or her Severance Date, and (iii) with respect to any person who was employed by ITT Rayonier Incorporated on a salaried basis on December 1, 1993 but was not employed by the Company on the Effective Date, any employment rendered by the Member prior to the Effective Date to the extent such employment is recognized as Eligibility Service under the provisions of the Prior Salaried Plan. With respect to a person not described in clause (i), (ii), or (iii) of the preceding sentence who becomes a Member after the Effective Date, Eligibility Service for the purpose of determining eligibility for benefits but not for the purpose of determining eligibility for Plan membership or Final Average Compensation shall include, subject to the provisions of Section 2.01(f)(ii) with respect to bridging breaks in service, any employment with ITT Rayonier Incorporated rendered by such Member prior to the Effective Date to the extent such employment

is recognized or would have been recognized as Eligibility Service under the provisions of the Prior Salaried Plan.

2.02 Benefit Service

- (a) Benefit Service On and After the Effective Date. Except as hereinafter -----
otherwise provided, all uninterrupted employment with the Company rendered by a Member as an Employee on and after the Effective Date and prior to his or her Severance Date shall be recognized as Benefit Service under the Plan. Benefit Service for any period of employment rendered prior to the Effective Date shall be determined as set forth in Section 2.02(f).
- (b) Employment With an Associated Company. Except as otherwise provided in -----
an Appendix to the Plan, no employment with an Associated Company rendered by a Member shall be recognized as Benefit Service under the Plan; except, however, if a Member completes 36 months of Eligibility Service as an Employee, any employment rendered on and after the Member's date of hire with an Associated Company before classification as an Employee shall be recognized as Benefit Service subject to any limitations for the Associated Company at which the Member was employed set forth in writing by the Retirement Committee. If a Member ceases to be an Employee and is again employed at an Associated Company, such further employment will not be recognized as Benefit Service unless and until the Member again (i) becomes an Employee and (ii) completes 36 months of Eligibility Service as an Employee.
- (c) Employment With the Company but not as an Employee. Except as otherwise -----
provided in Section 3.04, with respect to (i) any person who on or after the Effective Date and immediately prior to the date on which he or she becomes an Employee, is in the employ of the Company but not as an

Employee and (ii) any Member who completes an Hour of Service on and after the Effective Date, and who thereafter ceases to be an Employee but remains in the employ of the Company, and on or after the Effective Date again becomes an Employee, uninterrupted employment with the Company otherwise than as an Employee rendered on and after the Effective Date shall be recognized as Benefit Service in accordance with the terms of this Section 2.02, provided such person is a Member of the Plan, upon completion of 36 months of Eligibility Service as an Employee, subject to the limitations set forth in writing by the Board of Directors or the Retirement Committee for the Participating Unit at which such person was first employed.

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

- (i) The period of any leave of absence granted in respect of service with the armed forces of the United States on and after the Effective Date provided the Employee shall have returned to the service of the Company or an Associated Company in accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment.
- (ii) Except as provided by law, the period on and after the Effective Date of any leave of absence granted in respect of service, not exceeding two years, with any other agency or department of the United States Government.
- (iii) The period on and after the Effective Date of any total and permanent disability during which an Employee becomes entitled to a disability benefit under Title II of the Federal Social Security Act as amended from time to time; provided, however, that, if such disability benefit ceases to be paid solely due to the Employee's age, Benefit Service shall

include the period of total and permanent disability during which the Employee is entitled or would have been entitled if he or she had participated in the Company's applicable long term disability plan to receive disability benefit under such long term disability plan.

- (iv) The period on and after the Effective Date of any leave of absence during which Company sickness or accident benefits are payable.
- (v) The period on and after the Effective Date of any leave of absence approved by the Company during which an Employee is paid Compensation at a rate which is at least one-half of the Employee's basic rate of Compensation in effect immediately prior to such leave.
- (vi) In any event, Benefit Service shall include the period, with or without Compensation, immediately preceding the Employee's Severance Date not in excess of 12 consecutive months inclusive of those periods of approved absences already included in subparagraphs (i) through (v) above, during which an Employee is continuously absent from service.
- (vii) The period of any periodic salary continuation payments an Employee receives under any severance pay plan of the Company.

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

The Compensation of a Member during the periods of absence covered by clause (i), (ii), (iv) or (vi) above shall be the Compensation the Member actually receives during such period. The Compensation of a Member during the period of absence covered by clause (iii) above shall be deemed to be the Member's Final Average Compensation based on his or her Eligibility Service up

to such absence. Unless the Retirement Committee determines otherwise on a basis uniformly applicable to all persons similarly situated, the Social Security Benefit of a Member covered by clause (iii) above shall be based on the benefit awarded by the Social Security Administration at the date of his or her total and permanent disability.

(e) All Other Absences for Employees

- (i) No period of absence approved by the Company other than those specified in Section 2.02(d) above shall be recognized as Benefit Service.
- (ii) No other absence, other than the absence covered by the exception in clause (i) above, shall be recognized as Benefit Service and any such absence shall be considered as a break in Benefit Service; provided, however, that in no event shall there be a break in Benefit Service if an Employee is continuously absent from service with the Company or with an Associated Company for a period not in excess of 12 months and returns as an Employee to the employ of the Company before the first anniversary date of his or her Severance Date. However, any period between a Severance Date and a reemployment date which is counted as Eligibility Service under Section 2.01(d)(vii) shall not be counted as Benefit Service.

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

If the Employee was not eligible for a vested benefit under Section 4.05 at the time of a break in service, Benefit Service shall begin from the date of the Employee's return to the

employ of the Company. However, any Benefit Service rendered prior to such break in service shall be included, subject to the provisions of this Section 2.02, as Benefit Service only at the time that he or she bridges his or her Eligibility Service in accordance with the provisions of Section 2.01(f).

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

2.03 Questions Relating to Service Under the Plan

If any question shall arise hereunder as to an Employee's Eligibility Service or Benefit Service, such question shall be resolved in writing by the Retirement Committee on a basis uniformly applicable to all Employee(s) similarly situated. The Retirement Committee may, with respect to

any person or any group of persons which it considers to be not substantial in number, determine whether the employment of such person(s), the Company or any Associated Company shall be recognized under the Plan as Eligibility Service or Benefit Service. If, in the judgment of the Retirement Committee, a group of persons is considered to be substantial in number, the employment of such persons with the Company or any Associated Company shall not be recognized under the Plan as Eligibility Service or Benefit Service until further action by the Board of Directors. Such further documentation is hereby incorporated into the Plan by reference.

Article 2

ARTICLE 3 -- MEMBERSHIP

3.01 Persons Employed on the Effective Date

- (a) Any person who is an Employee as defined in Section 1.15 on the Effective Date and who was a member of the Prior Salaried Plan on February 28, 1994 shall become a Member of the Plan on the Effective Date.
- (b) Any person who would be classified as an Employee as defined in Section 1.15 on the Effective Date but is absent from work at the Company by reason of layoff, leave of absence, short term disability or long term disability and who is a Member of the Prior Salaried Plan on February 28, 1994 shall become a Member of the Plan on the Effective Date.
- (c) Any person who is an Employee as defined in Section 1.15 on the Effective Date and who as of February 28, 1994 was not a member of the Prior Salaried Plan but was in the process of satisfying the age and service eligibility requirements for membership in the Prior Salaried Plan, shall become a Member of the Plan as of the first day of the calendar month coincident with or next following the date he or she completes the age and service requirements set forth in Section 3.02(a) and (b).

3.02 Persons First Employed as Employees On or After the Effective Date

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

- (a) the date on which he or she attains the 21st anniversary of his or her birth, or

(b) the date on which he or she completes one year of Eligibility Service.

3.03 Reemployment After March 1, 1994 of ITT Rayonier Incorporated Salaried Employees

Any person who was employed by ITT Rayonier Incorporated on a salaried basis on December 1, 1993 and who was a member of the Prior Salaried Plan but who terminated employment prior to the Effective Date shall become a Member of the Plan on the first day he is employed as an Employee.

3.04 Persons Employed as a Leased Employee With the Company or an Associated Company

Any person who is a Leased Employee shall not be eligible to participate in the Plan. However notwithstanding any other Plan provision to the contrary, if a Leased Employee subsequently becomes an Employee as defined in Section 1.15 or an Employee as defined in Section 1.15 subsequently becomes employed as a Leased Employee, uninterrupted employment with the Company or an Associated Company as a Leased Employee, shall be counted for the sole purpose of determining Eligibility Service but not for the purpose of determining Benefit Service; provided, however, that Eligibility Service shall not be counted for any Leased Employee for any period of his or her employment during which the requirements of Section 414(n)(5) of the Code are met.

3.05 Persons Employed as Other Than Employees by the Company

Every person employed as other than an Employee by a Participating Unit shall become a Member of the Plan as of the first day of the calendar month coincident with or next following the date on which he or she first becomes an Employee, but not unless and until he or she satisfies the same terms and conditions which would have been applicable had he or she always been an Employee at

such Participating Unit. Notwithstanding the foregoing, a Transferred Employee shall become a Member on the Effective Date.

3.06 Reemployment of Former Employees, Former Members and Retired Members

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

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

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

3.07 Termination of Membership

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

total and permanent disability which continues to be recognized as Eligibility Service and Benefit Service as provided in Article 2, (d) while he or she is not an Employee as herein defined but is in the employ of the Company or an Associated Company, or (e) during the period of any periodic salary continuation payments an Employee receives under any severance pay plan of the Company. Employees covered by the Plan may not waive such coverage.

3.08 Questions Relating to Membership in the Plan

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

Article 3

ARTICLE 4 -- BENEFITS

4.01 Normal Retirement Allowance

(a) The right of a Member to his or her normal retirement allowance shall be nonforfeitable as of his or her Normal Retirement Age. A Member may retire from active service on a normal retirement allowance upon reaching his or her Normal Retirement Date. If a Member postpones his or her retirement and continues in active service after his or her Normal Retirement Date or returns to service after his or her Normal Retirement Date, the provisions of Section 4.02 shall be applicable.

(b) Benefit. Prior to adjustment in accordance with Sections 4.06(a) and 4.07(c), the annual normal retirement allowance payable on a lifetime basis upon retirement at a Member's Normal Retirement Date shall be equal to the sum of (i) and (ii) where:

(i) equals:

- (1) 2 percent of the Member's Final Average Compensation multiplied by the portion of the first 25 years of his or her Benefit Service rendered prior to the Effective Date;
- (2) plus 1 1/2 percent of the Member's Final Average Compensation multiplied by the next 15 years of his or her Benefit Service rendered prior to the Effective Date, to a combined maximum of 40 years of Benefit Service;
- (3) reduced by 1 1/4 percent of the Social Security Benefit multiplied by the portion of his or her years of Benefit Service rendered prior to the Effective Date, and not in excess of 40 years;
- (4) reduced, but not below zero, by the annual normal retirement allowance determined under the provisions of Section 4.01(b) of the Prior Salaried Plan prior

Article 4

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

(ii) equals:

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

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

The annual normal retirement allowance determined prior to reduction to be made on account of the Social Security Benefit shall be an amount not less than the greatest annual early retirement allowance which would have been payable to a Member had he or she retired under Section 4.03 or Section 4.04 at any time before his or her Normal Retirement Date and as such early retirement

Article 4

allowance would have been reduced to commence at such earlier date but without reduction on account of the Social Security Benefit. The reduction to be made on account of the Social Security Benefit shall in any event be based on the Federal Social Security Act in effect at the time of the Member's actual retirement.

4.02 Postponed Retirement Allowance

(a) A Member who continues in active service after his or her Normal Retirement Date or returns to active service on or after his or her Normal Retirement Date shall be retired from active service on a postponed retirement allowance on the first day of the month following his or her termination of employment, which date shall be the Member's Postponed Retirement Date.

(b) Benefit. Except as hereinafter provided and prior to adjustment in -----
accordance with Sections 4.06(a) and 4.07(c), the annual postponed retirement allowance payable on a lifetime basis upon retirement at a Member's Postponed Retirement Date shall be equal to the greater of:

(i) an amount determined in accordance with Section 4.01(b) but based on the Member's Benefit Service, Social Security Benefit and Final Average Compensation, and with respect to the amount determined under Section 4.01(b)(i)(4), any applicable components under the Prior Salaried Plan as of his or her Postponed Retirement Date or

(ii) the annual normal retirement allowance to which the Member would have been entitled under Section 4.01(b) had he or she retired on his or her Normal Retirement Date, increased by an amount which is the Equivalent Actuarial Value of the monthly payments which would have been payable with respect to each month in which he or she worked fewer than eight days. Any monthly payment determined under this subparagraph (ii) with respect to any such month in which he or she worked fewer than eight days shall be

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

(c) Benefit for Member in Active Service After He or She Attains Age

70 1/2. In the event a Member's retirement allowance is required to

begin under Section 4.10 while the Member is in active service, the January 1 immediately following the calendar year in which the Member attained age 70 1/2 shall be the Member's Annuity Starting Date for purposes of this Article 4 and the Member shall receive a postponed retirement allowance commencing on that January 1 in an amount determined as if he or she had retired on such date. As of each succeeding January 1 prior to the Member's actual Postponed Retirement Date and as of his or her actual Postponed Retirement Date, the Member's retirement allowance shall be:

- (i) recomputed to reflect any additional retirement allowance attributable to his or her Compensation and Benefit Service earned during the immediately preceding calendar year and based on his or her age at each succeeding January 1 or actual Postponed Retirement Date, and
- (ii) reduced by the Equivalent Actuarial Value of the total payments of his or her postponed retirement allowance made with respect to each month of continued employment in which he or she was credited with at least eight days of service and which were paid prior to each such recomputation;

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

4.03 Standard Early Retirement Allowance

(a) Eligibility. A Member, who has not reached his or her Normal Retirement

Date but has, prior to his or her termination of employment reached the 55th anniversary of his or her birth and completed ten years of Eligibility Service, is eligible to retire on a standard early retirement allowance on the first day of the calendar month coincident with or next following termination of employment, which date shall be the Member's Early Retirement Date.

(b) Benefit. Except as hereinafter provided and prior to adjustment in

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

The Member may, however, elect to receive an early retirement allowance commencing on his or her Early Retirement Date or the first day of any calendar month before his or her Normal Retirement Date specified in his or her later request therefor in a reduced amount which, prior to adjustment in accordance with Sections 4.06(a) and 4.07(c) shall be equal to his or her Accrued Benefit earned up to his or her Early Retirement Date prior to the reduction for the Social Security Benefit, reduced by 1/4 of 1 percent per month for each month by which the commencement date of his or her retirement allowance precedes his or her Normal Retirement Date.

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

4.04 Special Early Retirement Allowance

- (a) Eligibility. A Member who has not reached his or her Normal Retirement

Date but who prior to his or her termination of employment (i) has reached the 55th anniversary of his or her birth and completed 15 years of Eligibility Service or (ii) has reached the 50th anniversary of his or her birth but not the 55th anniversary of his or her birth and whose age plus years of Eligibility Service equals 80 or more, is eligible, in either case, to retire on a special early retirement allowance on the first day of the calendar month coincident with or next following termination of employment, which date shall be the Member's Special Early Retirement Date.

- (b) Benefit. Except as hereinafter otherwise provided and prior to

adjustment in accordance with Sections 4.06(a) and 4.07(c) the special early retirement allowance shall be an allowance deferred to commence on the Member's Normal Retirement Date and shall be equal to his or her Accrued Benefit earned up to the Member's Special Early Retirement Date, computed on the basis of his or

her Benefit Service, Final Average Compensation, Social Security Benefit and any applicable components of the Prior Salaried Plan as of his or her Special Early Retirement Date, with the Social Security Benefit determined on the assumption that the Member had no earnings after his or her Special Early Retirement Date.

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

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

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

Article 4

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

4.05 Vested Benefit

- (a) Eligibility. A Member shall be vested in, and have a nonforfeitable

right to, his or her Accrued Benefit upon completion of five years of Eligibility Service. If such Member's services are subsequently terminated for reasons other than death or early retirement prior to his or her Normal Retirement Date, he or she shall be entitled to a vested benefit under the provisions of this Section 4.05.

- (b) Benefit. Prior to adjustment in accordance with Sections 4.06(a) and

4.07(a), the vested benefit payable to a Member shall be a benefit deferred to commence on the former Member's Normal Retirement Date and shall be equal to his or her Accrued Benefit earned up to the date the Member's employment is terminated, computed on the basis of his or her Benefit Service, Final Average Compensation, Social Security Benefit and any applicable component of the Prior Salaried Plan as of his or her date of termination, with the Social Security Benefit determined on

the assumption that the Member continued in service to his or her Normal Retirement Date at his or her rate of Compensation in effect as of his or her date of termination. On or after the date on which the former Member shall have reached the 55th anniversary of his or her birth he or she may elect to receive a benefit commencing on the first day of any calendar month coincident with or next following the 55th anniversary of his or her birth and prior to his or her Normal Retirement Date as specified in his or her request therefor, after receipt by the Retirement Committee of written application therefor made by the former Member and filed with the Retirement Committee. Upon such earlier payment, the vested benefit otherwise payable at the former Member's Normal Retirement Date will be reduced by 1/180th for each month up to 60 months by which the commencement date of such payments precedes his or her Normal Retirement Date and further reduced by 1/360th for each such month in excess of 60 months.

4.06 Forms of Benefit Payment After Retirement

(a) Automatic Forms of Payment

(i) Automatic Joint and Survivor Annuity. If a Member or former Member who is married on his or her Annuity Starting Date has not made an election of an optional form of payment as provided in Section 4.06(b), the retirement allowance or vested benefit payable to such Member or former Member shall automatically be adjusted as follows in order to provide that, after his or her death, a lifetime benefit as described below shall be payable to the spouse to whom he or she is married on his or her Annuity Starting Date:

(1) 90/50 Spouse's Annuity. If such Member retires from active service under Section 4.01, Section 4.02, Section 4.03 or Section 4.04, the automatic joint and survivor annuity payable to the Member shall provide (A) a reduced retirement allowance payable to the Member during his or her life equal to 90 percent of the

retirement allowance otherwise payable without optional modification to the Member under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, further adjusted, if necessary, as provided in the following sentence and (B) a benefit payable after his or her death to his or her surviving spouse equal to 50 percent of the retirement allowance otherwise payable without optional modification to the Member under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, and without further adjustment as provided in the following sentence. If such spouse is more than five years older than the Member, the reduced retirement allowance payable to the Member shall be increased for each such additional full year in excess of five years, but for not more than 20 years, by one-half of 1 percent of the retirement allowance payable to the Member prior to optional modification. If such spouse is more than five years younger than the Member, the reduced retirement allowance payable to the Member shall be further reduced for each such additional full year in excess of five years by one-half of 1 percent of the retirement allowance payable to the Member prior to optional modification.

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

- (2) Vested Spouse's Annuity. If such Member terminates service -----
and is entitled to a vested benefit under Section 4.05, the joint and survivor annuity payable to the former Member shall provide (A) a reduced vested benefit payable to the former

Member during his or her life equal to his or her vested benefit computed in accordance with Section 4.05 multiplied by the appropriate factor contained in Table 1 of Appendix A and (B) a benefit payable after his or her death to his or her surviving spouse equal to 50 percent of the reduced vested benefit payable to the former Member.

- (ii) Automatic Life Annuity. If a Member or former Member is not -----
married on his or her Annuity Starting Date, the retirement allowance or vested benefit computed in accordance with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, shall be paid to the Member or former Member in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death, unless the Member or former Member is eligible for and makes an election of an optional form of payment under Section 4.06(b).

(b) Optional Forms of Payment

- (i) Life Annuity Option. Any Member or former Member who retires or -----
terminates employment with the right to a retirement allowance or vested benefit may elect, in accordance with the provisions of Section 4.06(d), to provide that the retirement allowance payable to him or her under Section 4.01, 4.02, 4.03 or 4.04 or the vested benefit payable to him or her under Section 4.05 shall be in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death.

- (ii) 80/80 Spouse's Annuity Option. Any Member who retires from -----
active service under Section 4.01, 4.02, 4.03 or 4.04, who is married on his or her Annuity Starting Date, may elect, in accordance with the provisions of Section 4.06(d), to convert the retirement allowance otherwise payable to him or her without optional modification under Section

4.01, 4.02, 4.03 or 4.04, as the case may be, into the following alternative benefit in order to provide that, after his or her death, a lifetime benefit shall be payable to the spouse to whom the Member is married on his or her Annuity Starting Date.

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

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

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

Article 4

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

Option 1. A reduced retirement allowance payable during the Member's -----
life with the provisions that after his or her death a benefit equal to 100 percent of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

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

(c) Required Notice. No less than 30 days and no more than 90 days before his -----
or her Annuity Starting Date, the Retirement Committee shall furnish to each Member or former Member a written explanation in non-technical language of the terms and conditions of the Automatic Joint and Survivor Annuity and the Automatic Life Annuity as described in Section 4.06(a) and the optional forms of benefits described in Section 4.06(b). Such explanation shall include (i) a general description of the eligibility conditions for, the material features of and the relative values

of the optional forms of payment under the Plan, (ii) any rights the Member or former Member may have to defer commencement of his or her retirement allowance or vested benefit, (iii) the requirement for Spousal Consent as provided in Section 4.06(d) and (iv) the right of the Member or former Member, prior to his or her Annuity Starting Date to make and to revoke elections under Section 4.06.

(d) Election of Options. A Member may, subject to the provisions of this

Section 4.06(d), elect to receive his or her retirement allowance or vested benefit in the optional form of payment described in Section 4.06(b)(i), or in the case of a Member who retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04, one of the optional forms of payment described in Section 4.06(b)(ii) or 4.06(b)(iii), in lieu of the automatic forms of payment described in Section 4.06(a). A married Member's or a married former Member's election of a Life Annuity form of payment under Section 4.06(b)(i) or any optional form of payment under Section 4.06(b)(ii) and Section 4.06(b)(iii), which does not provide for monthly payments to his or her spouse for life after the Member's or former Member's death, in an amount equal to at least 50 percent but not more than 100 percent of the monthly amount payable under that form of payment to the Member or former Member and which is not of Equivalent Actuarial Value to the Automatic Joint and Survivor Annuity described in Section 4.06(a)(i), shall be effective only with Spousal Consent; provided such Spousal Consent to the election has been received by the Retirement Committee.

Any election made under Section 4.06(a) or Section 4.06(b) shall be made on a form approved by the Retirement Committee and may be made during the 90-day period ending on the Member's Annuity Starting Date, but not prior to the date the Member or former Member receives the written explanation described in Section 4.06(c). Any such election shall become effective on the

Article 4

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

Notwithstanding the provisions of paragraph (c) above, a Member may, after having received the notice, affirmatively elect to have his or her retirement allowance or vested benefit commence sooner than 30 days following his or her receipt of the notice, provided all of the following requirements are met:

- (i) the Retirement Committee clearly informs the Member that he or she has a period of at least 30 days after receiving the notice to decide when to have his or her retirement allowance or vested benefit begin, and if applicable, to choose a particular optional form of payment;
- (ii) the Member affirmatively elects a date for his or her retirement allowance or vested benefit to begin, and if applicable, an optional form of payment, after receiving the notice;

Article 4

- (iii) the Member is permitted to revoke his or her election until the later of his or her Annuity Starting Date or seven days following the day he or she received the notice;
- (iv) payment does not commence less than seven days following the day after the notice is received by the Member; and
- (v) the Member's Annuity Starting Date is after the date the notice is provided.

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

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

4.07 Survivor's Benefit Applicable Before Retirement

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

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

(a) Automatic Vested Spouse's Benefit

(i) Automatic Vested Spouse's Benefit Applicable Before Termination of

Employment. The surviving spouse of a Member who has completed five

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

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

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

Coverage hereunder shall be applicable to a married Member in active service who has satisfied the eligibility requirements for a vested benefit under Section 4.05 and shall become effective on the date the Member marries and shall cease on the earlier of (i) the

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

(ii) Automatic Vested Spouse's Benefit Applicable Upon Termination of

Employment. In the case of a former Member who is married and entitled

to a vested benefit under Section 4.05, the provisions of this Section 4.07(a)(ii) shall apply to the period between the date his or her services are terminated or the date, if later, the former Member is married and his or her Annuity Starting Date, or other cessation of coverage as later specified in this Section 4.07(a)(ii).

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

The spouse's benefit shall be payable for the life of the spouse commencing on what would have been the former Member's Normal Retirement Date. However, the former Member's spouse may elect, by written application filed with the Retirement Committee, to have

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

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

ANNUAL REDUCTION FOR SPOUSE'S COVERAGE
AFTER TERMINATION OF EMPLOYMENT

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

Article 4

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

The period during which the former Member may make an election to waive the Automatic Vested Spouse's Benefit provided under this Section 4.07(a)(ii) shall begin not later than the date his or her employment terminates and end on his or her Annuity Starting Date, or if earlier, his or her date of death. Any waiver, revocation or re-election of the Automatic Vested Spouse's Benefit shall be made on a form provided by the Retirement Committee and any waiver or revocation shall require Spousal Consent. If, upon termination of employment, the former Member waives coverage hereunder in accordance with administrative procedures established by the Retirement Committee for all Members similarly situated, such waiver shall be effective as of the Member's Severance Date. Any later re-election or revocation shall be effective on the first day of the month coincident with or next following the date the completed form is received by the Retirement Committee. If a former Member dies during the period after a waiver or revocation is in effect there shall be no benefits payable under the provisions of this Section 4.07.

Article 4

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

(b) Automatic Pre-Retirement Survivor's Benefit

(i) Automatic Pre-Retirement Survivor's Benefit Applicable Before a Member

Retires Under the Provisions of Section 4.01, Section 4.02, Section

4.03 or Section 4.04. The Beneficiary of a Member who has reached the

65th anniversary of his or her birth or who has reached the 55th anniversary of his or her birth and completed ten years of Eligibility Service, shall automatically receive a Pre-Retirement Survivor's Benefit payable under the provisions of this Section 4.07(b)(i) in the event said Member should die before he or she retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04 or reaches his or her Annuity Starting Date pursuant to the provisions of Section 4.02(d), if earlier. The benefit payable during the life of, and to, the Beneficiary shall be equal to one-half of the Member's Accrued Benefit, without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his or her death, adjusted to take into account the Member's Social Security Benefit. The Social Security Benefit shall be determined on the assumption that the Member had no earnings after his or her date of death, and if his or her death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. If the Beneficiary is more than five years younger than the Member, the benefit payable to the Beneficiary shall be reduced by one-half of 1 percent for each full year the Beneficiary is more than five years younger.

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

(ii) Automatic Pre-Retirement Survivor's Benefit Applicable Between Early Retirement Date or Special Early Retirement Date and the Member's Annuity Starting Date. In the case of a Member retired early under

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

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

Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. If the Beneficiary is more than five years younger than the Member, the benefit payable to the Beneficiary shall be reduced by one-half of 1 percent for each full year the Beneficiary is more than five years younger.

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

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

Article 4

(c) Optional Supplemental Pre-Retirement Survivor's Benefit

(i) Optional Supplemental Pre-Retirement Survivor's Benefit Applicable

Before a Member Retires Under the Provisions of Section 4.01, Section

4.02, Section 4.03 or Section 4.04. A Member, who has reached the 65th

anniversary of his or her birth or who has reached the 55th
anniversary of his or her birth and completed ten years of Eligibility
Service, may elect to receive a reduced retirement allowance upon his
or her retirement in order to provide that, if he or she should die
after his or her election becomes effective but before he or she
retires under the provisions of Section 4.01, Section 4.02, 4.03 or
4.04 or reaches his or her Annuity Starting Date pursuant to the
provisions of Section 4.02(d), a benefit shall be paid to the
Beneficiary designated by him or her in accordance with the following
terms and conditions.

The Member may elect to reduce the retirement allowance to which he or
she would otherwise be entitled at retirement under Section 4.01,
4.02, 4.03 or 4.04 by one-half of 1 percent per year for each year
between the date on which the election becomes effective and the
earliest of the Member's Early Retirement Date, Special Early
Retirement Date, Annuity Starting Date, or the date the election is
revoked as provided in Section 4.07(i).

If the Member makes such an election and dies before he or she retires
under the provisions of Section 4.01, 4.02, 4.03 or 4.04, the benefit
payable during the life of, and to, the Beneficiary shall be equal to
25 percent of the Member's Accrued Benefit without optional
modification in accordance with the provisions of Section 4.06,
accrued to the date of his or her death adjusted (1) to take into
account the Member's Social Security Benefit and (2) as provided
below. The Social Security Benefit shall be determined on the

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

If the Member makes an election under this Section 4.07(c)(i) at or prior to the time he or she is first eligible to do so, it shall become effective on the first day of the calendar month coincident with or next following the date the Member reaches his or her 55th birthday and completes ten years of Eligibility Service, or if earlier, his or her Normal Retirement Date. A Member will be deemed to have waived coverage under this Section 4.07(c)(i) if he or she does not file the appropriate forms with the Retirement Committee when first eligible to do so. If the Member does not make such election until after he or she is first eligible to do so, it shall become effective one year after the first day of the calendar month coincident with or next following (1) the date the notice is received by the Retirement Committee or (2) the date specified in such notice, if later.

(ii) Optional Supplemental Pre-Retirement Survivor's Benefit Applicable

Between Early Retirement Date or Special Early Retirement Date and the

Member's Annuity Starting Date. In the case of a Member retired early

under the provisions of Section 4.03 or Section 4.04 of the Plan with the payment of the early retirement allowance deferred to commence at a date later than his or her Early Retirement Date or Special Early

Retirement Date, the provisions of this Section 4.07(c)(ii) shall apply to the period between his or her Early Retirement Date or Special Early Retirement Date and his or her Annuity Starting Date.

The Member may elect to reduce the early retirement allowance to which he or she would otherwise be entitled under Section 4.03 or Section 4.04 by one-half of 1 percent per year for each year between his or her Early Retirement Date or Special Early Retirement Date and the earlier of the date the election is revoked pursuant to Section 4.07(i) or his or her Annuity Starting Date.

If the Member makes such an election and dies during the period the election is in effect, the benefit payable during the life of, and to, his or her Beneficiary shall be equal to 25 percent of the Member's Accrued Benefit, without optional modification in accordance with the provisions of Section 4.06, accrued to his or her Early Retirement Date or Special Early Retirement Date, adjusted (1) to take into account the Member's Social Security Benefit and (2) as provided below. If the Member's death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. The benefit payable to the Beneficiary shall be reduced by one-half of 1 percent per year for each year between the date on which the election became effective and the date of the Member's death. If the Beneficiary is more than five years younger than the Member, the benefit payable to the Beneficiary shall be further reduced by one-half of 1 percent for each full year the Beneficiary is more than five years younger.

Article 4

The Member shall, at his or her Early Retirement Date or Special Early Retirement Date, complete such forms as are required under this Section 4.07(c)(ii), and if he or she so elects, coverage hereunder shall be effective as of his or her Early Retirement Date or Special Early Retirement Date. A Member will be deemed to have waived coverage under this Section 4.07(c)(ii) if he or she does not file the appropriate forms with the Retirement Committee at his or her Early Retirement Date or Special Early Retirement Date. If the Member subsequently makes an election hereunder, it shall become effective one year after the first day of the calendar month coincident with or next following (1) the date the notice is received by the Retirement Committee or (2) the date specified in such notice, if later.

The optional Supplemental Pre-Retirement Survivor's Benefit shall be payable for the life of the Beneficiary commencing on what would have been the Member's Normal Retirement Date or date of death, if later. However, if a Member dies prior to his or her Normal Retirement Date, the Beneficiary may elect, by written application filed with the Retirement Committee, to have such payments begin as of the first day of any calendar month coincident with or next following the Member's date of death and prior to what would have been the Member's Normal Retirement Date. If the Beneficiary elects to commence payment of the optional Supplemental Pre-Retirement Survivor's Benefit prior to what would have been the Member's Normal Retirement Date and after what would have been the 55th anniversary of the Member's birth, the amount of such benefit shall be determined in accordance with Section 4.07(c)(i) and (ii) above, as applicable and without reduction for such early commencement. If the Beneficiary elects to commence payment of the optional Supplemental Pre-Retirement Survivor's Benefit prior to what would have been the 55th anniversary of the Member's birth, the benefit payable to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable to Beneficiary on the date the Member would have

Article 4

attained age 55. Notwithstanding any foregoing provision to the contrary, payment of the optional Supplemental Pre-Retirement Survivor Benefit must commence as of the same date payment of the Automatic Pre-Retirement Survivor Benefit commences.

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

- (d) Notwithstanding any provision of Section 4.07(b) or Section 4.07(c) to the contrary, in no event shall the sum of the Automatic Pre-Retirement Survivor's Benefit payable under the provisions of Section 4.07(b) and the optional Supplemental Pre-Retirement Survivor's Benefit payable under the provisions of Section 4.07(c) to a Beneficiary be less than the amount of benefit the spouse would have received if the retirement allowance to which the Member was entitled at his or her date of death (i) had commenced on the date the spouse elects to have such Pre-Retirement Survivor's Benefit payments commence, (ii) in the form of an Automatic Joint and Survivor Annuity under Section 4.06(a)(i), and (iii) the Member had died immediately thereafter. However, in lieu of the Automatic Joint and Survivor Annuity referred to in the preceding sentence, the 80/80 Spouse's Annuity Option described in Section 4.06(b)(ii) shall be used to compute the amount payable to the spouse if, within the 90-day period prior to his or her Annuity Starting Date, the Member had elected such optional form of payment.

Article 4

- (e) Benefits Payable to an Estate or Trust. If a Member's Beneficiary under

this Section 4.07 is his or her estate or a trust, the benefits otherwise payable under Section 4.07(b), and if elected, under Section 4.07(c) shall be commuted into a single lump sum amount, which amount shall be determined by multiplying the benefits otherwise payable by the appropriate factor in Tables 4 or 5 of Appendix A and calculated by assuming the Beneficiary had been a person of the same age as the Member at the Member's date of death. In no event shall the amount of the lump sum be less than the amount required by applicable law. The payment of such single lump sum amount shall represent the full and total payment of all benefits due under the Plan. The Retirement Committee shall resolve any questions arising hereunder on a basis uniformly applicable to all Members similarly situated.

- (f) If the Member's Beneficiary dies during the period coverage is effective under Sections 4.07(b) and Section 4.07(c), the Beneficiary designation shall thereby be canceled. However, coverage under Section 4.07(b), and if elected, under Section 4.07(c) shall nevertheless continue in full effect. The Member's Beneficiary thereafter shall be in accordance with his or her subsequent designation of a new Beneficiary or in accordance with the term "Beneficiary" as defined herein.

If the Member's Beneficiary is his or her spouse and if the Member's marriage to said spouse is legally dissolved by a divorce decree, the Beneficiary designation under Sections 4.07(b) and 4.07(c) shall remain in effect until a subsequent Beneficiary designation is submitted by the Member to the Retirement Committee or until the Member remarries. Coverage under Section 4.07(b), and if elected, under Section 4.07(c) shall continue in full effect.

A Member may change his or her Beneficiary designation at any time after receiving the written explanation described in Section 4.07(g), subject to Spousal Consent. Any such change shall become effective on the first day of the calendar month coincident with or next following the (i) date the notice of change is received by the Retirement Committee or (ii) the date specified in such notice, if later, and the original designation shall remain in effect until such date.

- (g) The Retirement Committee shall furnish to each Member a written explanation in non-technical language which describes (i) the terms and conditions of the Automatic Pre-Retirement Survivor's Benefit and the Optional Supplemental Pre-Retirement Survivor's Benefit, (ii) the Member's right to make an election to designate a Beneficiary other than his or her spouse and the effect of such election, (iii) the right to revoke, prior to the Annuity Starting Date, such designation and the effect of such revocation, and (iv) the rights of the Member's spouse, if any. The Retirement Committee shall furnish this written explanation to each Member during the period beginning one year prior to the earlier of (i) the date the Member retires pursuant to the provision of Section 4.04(a)(ii), (ii) the date the Member reaches the 55th anniversary of his or her birth and completes ten years of Eligibility Service, or (iii) in the Member's Normal Retirement Date, and ending within one year after such date.
- (h) A Member may revoke an election made under Section 4.07(c) at any time prior to his or her Annuity Starting Date. There shall be no further reduction to the Member's retirement allowance for any period during which an election under Section 4.07(c) is not in effect. The Member may make a new election at any time thereafter and any subsequent election shall become effective one year after the first day of the calendar month coincident with or next following the (i) date the notice is received by the Retirement Committee or (ii) the date specified in such notice, if later.

If the Member dies prior to the time an election under Section 4.07(c) becomes effective, the election shall thereby be canceled.

Any designation of a Beneficiary and any election made under Section 4.07 (including any waiver or revocation of either of them) shall be made on a form approved by and filed with the Retirement Committee and in accordance with the term "Beneficiary" as defined in this Section 4.07.

4.08 Maximum Benefits

- (a) Notwithstanding any provision of the Plan to the contrary, the maximum annual retirement allowance payable to a Member under the Plan shall be subject to the limitations set forth in Section 415 of the Code and any regulations or rulings issued thereunder. If the retirement allowance begins before the Member's 62nd birthday, the dollar limitation described in Section 415(b)(1)(A) of the Code shall be of Equivalent Actuarial Value to the maximum benefit payable at age 62. If the retirement allowance begins after the Member's Social Security Retirement Age, such dollar limitation shall be of Equivalent Actuarial Value to the maximum benefit payable at the Member's Social Security Retirement Age. If the retirement allowance is payable neither as a life annuity nor as a qualified joint and survivor annuity with the Member's spouse as beneficiary, the maximum limitation shall be of Equivalent Actuarial Value to the maximum limitation otherwise applicable. Effective on September 1, 1995, Equivalent Actuarial Value for purposes of this Section 4.08 shall be determined in accordance with Section 415(b) of the Code and the regulations or rulings issued thereunder and using the Plan's early retirement, late retirement, or optional benefit factors as appropriate, or if less, using factors calculated from the IRS Mortality Table, if applicable, and 5 percent.

- (b) Notwithstanding paragraph (a) above, no Member shall be subject to the provisions of Code Section 415(e) on or after January 1, 2000. If a Member's retirement allowance, death in service benefit, or vested benefit commenced prior to January 1, 2000 and was limited by the provisions of Code Section 415(e), such retirement allowance, death in service benefit, or vested benefit shall be redetermined as of January 1, 2000 without regard to the provisions of Section 415(e) and such recomputed retirement allowance, death in service benefit, or vested benefit shall be payable on and after said date, but only if the Retirement Committee finds that doing so will not result in the duplication of benefits payable from this Plan and any other qualified or non-qualified plans sponsored by the Company.
- (c) For purposes of Section 4.08(a), "remuneration" with respect to any Employee shall mean the wages, salaries, and other amounts paid in respect of such Employee by the Company or an Associated Company for personal services actually rendered, determined before any pre-tax contributions under a "qualified cash or deferred arrangement" (as defined under Section 401(k) of the Code and its applicable regulations) or under a "cafeteria plan" (as defined under Section 125 of the Code and its applicable regulations), or under a "qualified transportation fringe" (as defined under Section 132(f) of the Code and its applicable regulations), and shall include, but not by way of limitation, bonuses, overtime payments, and commissions; and shall exclude deferred compensation, stock options, and other distributions which receive special tax benefits under the Code.

4.09 No Duplication

Except as hereinafter provided, there shall be deducted from any retirement allowance or vested benefit payable under this Plan the part of any pension or comparable benefit, including any lump

sum payment, provided by employer contributions which Rayonier Inc., any Participating Unit, (including any former Participating Unit divested by Rayonier Inc.), any Associated Company or any affiliate of the Company is obligated to pay or has paid to or under any defined benefit plan or other agreement which provides for benefits comparable to those benefits paid under a defined benefit plan (except for any pension plan or other agreement which provides for the payment of that portion of any benefits accrued under the Plan but not payable from the Plan on account of Section 401(a)(17)(B) of the Code or Section 4.08) with respect to any service rendered on or after March 1, 1994 which is Benefit Service for purposes of computation of benefits under this Plan.

4.10 Payment of Benefits

- (a) Unless otherwise provided under an optional benefit elected pursuant to Section 4.06, the survivor's benefits available under Section 4.07, or the provisions of Section 4.10(e)(ii), all retirement allowances, vested benefits or other benefits payable under the Plan will be paid in monthly installments as of the end of each month beginning with (i) the month in which a Member has reached his or her Normal Retirement Date and has retired from active service, (ii) the month in which a Member has reached his or her Postponed Retirement Date and has retired from active service, (iii) the month in which a Member, upon proper application, has requested commencement of his or her vested benefit or early retirement allowance, or (iv) the month in which benefits under an optional benefit under Section 4.06 or the survivor's benefits under Section 4.07 become payable, whichever is applicable. Such monthly installments shall cease with the payment for the month in which the recipient dies. In no event shall a retirement allowance or vested benefit be payable to a Member who continues in or resumes active service with the Company or an Associated Company for any period between his or her Normal Retirement Date and Postponed Retirement Date, except as provided in Sections 4.02(d), and 4.10(e).

- (b) In any case, a lump sum payment equal to the vested benefit payable under Section 4.05 or the vested spouse's benefit payable under Section 4.07(a) multiplied by the appropriate factor contained in Table 4, 5 or 6 of Appendix A shall be made in lieu of any vested benefit payable to a former Member or any vested spouse's benefit payable to a spouse of a Member or a former Member, if the lump sum present value of such benefit amounts to \$3,500 (\$5,000 effective January 1, 1998) or less. In no event, however, with respect to any Member who terminates employment prior to September 1, 1995, shall that adjustment factor produce a lump sum that is less than the amount determined by using the interest rate assumption used by the Pension Benefit Guaranty Corporation for valuing benefits for determining lump sum payments under single employer plans that terminate on January 1 of the Plan Year in which the Annuity Starting Date occurs. With respect to any Member who terminates employment on or after September 1, 1995, the lump sum present value shall be based on the IRS Mortality Table and the IRS Interest Rate. The lump sum payment may be made at any time on or after the date the Member has terminated employment or died, but in any event prior to the date his or her benefit payment would have otherwise commenced.

In the event a Member is not entitled to any retirement allowance or vested benefit upon his or her termination of employment, he or she shall be deemed "cashed-out" under the provisions of this paragraph (b) as of the date he or she terminated service.

- (c) In the event that the Retirement Committee shall find that a person to whom benefits are payable is unable to care for his or her affairs because of illness or accident or is a minor or has died, then, unless claim shall have been made therefor by a legal representative, duly appointed by a court of

competent jurisdiction, the Retirement Committee may direct that any benefit payment due him or her be paid to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides, and any such payment made shall be a complete discharge of the liabilities of the Plan therefor.

- (d) Before any benefit shall be payable to a Member, a former Member, or other person who is or may become entitled to a benefit hereunder, such Member, former Member, or other person shall file with the Retirement Committee such information as it shall require to establish his or her rights and benefits under the Plan.
- (e) (i) Except as otherwise provided in this Article 4, payment of a Member's retirement allowance or a former Member's vested benefit shall begin as soon as administratively practicable following the latest of (1) the Member's Normal Retirement Age or (2) the date he or she terminates service with the Company and all Associated Companies (but not more than 60 days after the close of the Plan Year in which the latest of (1) or (2) occurs).
- (ii) Notwithstanding anything contained in the Plan to the contrary, in the case of a Member who owns either (1) more than 5 percent of the outstanding stock of the Company or (2) stock possessing more than 5 percent of the total combined voting power of all stock of the Company, the Member's retirement allowance shall begin not later than the April 1 following the calendar year in which he or she attains age 70 1/2.

Effective January 1, 2000, payment of any other Member's retirement allowance or vested benefit shall begin not later than April 1 of the calendar year following the calendar year in which the later of the Member's retirement or attainment of age 70 1/2 occurs. Before

Article 4

January 1, 2000, the payment of a retirement allowance or vested benefit for a Member in active service who is not a 5-percent owner as described above shall begin not later than April 1 of the calendar year following the calendar year in which he or she attains age 70 1/2. A Member who attained age 70 1/2 prior to January 1, 1988 and who is not a 5-percent owner as described above shall not receive payment while in active service under the provisions of this paragraph.

- (f) Notwithstanding any other provision of this Article 4, all distributions from this Plan shall conform to the regulations issued under Section 401(a)(9) of the Code, including the incidental death benefit provisions of Section 401(a)(9)(G) of the Code. Further, such regulations shall override any plan provision that is inconsistent with Section 401(a)(9) of the Code.

4.11 Reemployment of Former Member or Retired Member

- (a) Cessation of Benefit Payments. If a former Member or a retired Member

entitled to or in receipt of a vested benefit or retirement allowance is reemployed by the Company or by an Associated Company in a capacity other than as a Non-Benefits Worker, any benefit payments he or she is receiving shall cease, except as otherwise provided in Section 4.02(c) and Section 4.10(e). If a former Member or a retired Member returns to the Company or an Associated Company as a Non-Benefits Worker, benefit payments shall continue and paragraphs (b) and (c) shall not apply.

- (b) Optional Forms of Pension Benefits

- (i) If the Member is reemployed in a capacity other than as a Non-Benefits Worker any previous election of an optional benefit under Section 4.06 or a survivor's benefit under

Section 4.07 shall be revoked and the terms and conditions of subparagraph (ii) of this paragraph (b) shall apply.

- (ii) Any Member who is at least age 55 with ten or more years of Eligibility Service when he or she is reemployed in a capacity other than as a Non-Benefits Worker shall, with respect to the vested benefit or retirement allowance earned prior to his or her reemployment and with respect to any additional benefits earned during reemployment, be covered by the provisions of Section 4.07(b) - Pre-Retirement Survivor's Benefit - and be eligible to elect coverage under Section 4.07(c) Supplemental Pre-Retirement Survivor's Benefit. Coverage under Section 4.07(b) shall be effective on the first day of the calendar month coincident with or next following the date of his or her reemployment and any previous election shall remain in effect until such date. If, within 30 days after reemployment, the Member elects coverage under Section 4.07(c), such coverage shall be effective as of the first day of the calendar month coincident with or next following the date of his or her reemployment. If the Member does not make an election under Section 4.07(c) within 30 days after his or her reemployment or he or she waives such coverage, any later election shall become effective one year after the first day of the calendar month coincident with or next following the date notice is received by the Retirement Committee or on the date specified in such notice, if later.

Any Member or former Member with five or more years of Eligibility Service who is less than age 55 when he or she is reemployed shall be covered by the provisions of Section 4.07(a)(i) - Automatic Vested Spouse's Benefit - until he or she attains age 55 and such coverage shall be effective on the first day of the calendar month coincident with or next following the date of his or her reemployment and any previous election shall remain in

Article 4

effect until such date. Such former Member and any other Member or former Member shall be covered by the provisions of Section 4.07(b) - Pre-Retirement Survivor's Benefit - and shall be eligible to elect coverage under Section 4.07(c) Supplemental Pre-Retirement Survivor's Benefit upon the later of the date he or she attains age 55, the date he or she completes ten years of Eligibility Service, or his or her Normal Retirement Date, and such coverage shall be in accordance with the provisions of such Sections and shall apply with respect to his or her retirement allowance or vested benefit earned prior to his or her reemployment, as well as any additional benefits earned during reemployment.

(c) Benefit Payments at Subsequent Termination or Retirement

- (i) In accordance with the procedure established by the Retirement Committee on a basis uniformly applicable to all Members similarly situated, upon the subsequent retirement of a Member in service after his or her Normal Retirement Date, payment of such Member's retirement allowance shall resume no later than the third month after the final month during the reemployment period in which he or she is credited with at least eight days of service.
- (ii) Upon the subsequent retirement or termination of employment of a retired or former Member, the Retirement Committee shall, in accordance with rules uniformly applicable to all Members similarly situated, determine the amount of vested benefit or retirement allowance which shall be payable to such Member at such subsequent retirement or termination. Such vested benefit or retirement allowance shall not be less than the sum of (1) the original amount of vested benefit or retirement allowance previously earned by such Member in accordance with the terms of the Plan in effect during such previous employment adjusted to reflect the election of any survivor's benefits pursuant to Section

4.07(a)(ii) or 4.07(c) and reduced by an amount of equivalent value to the benefits, if any, he or she received before the earlier of the date of his or her restoration to service or his or her Normal Retirement Date and (2) any additional vested benefit or retirement allowance earned during his or her period of reemployment, such amounts to be adjusted to reflect the election during reemployment of any survivor's benefits pursuant to Section 4.07(a)(ii) or 4.07(c). Notwithstanding anything to the contrary contained in this Plan, with respect to an Employee who has incurred a break in service, the vested benefit or retirement allowance for Benefit Service credited prior to the date of reemployment shall not be recalculated or increased until the Member, regardless of his or her vested status, has completed at least 12 months of Eligibility Service following his or her reemployment, and in such event, the recalculated vested benefit or retirement allowance, prior to any optional modification in accordance with the provisions of Section 4.06, shall be reduced by an amount of equivalent value to any payments previously received by the former Member or retired Member before the earlier of his or her restoration to service or his or her Normal Retirement Date; provided that no such reduction shall reduce such retirement allowance or vested benefit below the amount determined pursuant to clause (1) of the preceding sentence.

(d) Questions Relating to Reemployment of Former Members or Retired

Members. If, at subsequent termination of employment or retirement,

any question shall arise under this Section 4.11 as to the calculation or recalculation of a reemployed former Member's or retired Member's vested benefit or retirement allowance or election of an optional form of benefit under the Plan, such question shall be resolved by the Retirement Committee on a basis uniformly applicable to all Members similarly situated.

4.12 Top-heavy Provisions

- (a) The following definitions apply to the terms used in this Section:
- (i) "applicable determination date" means the last day of the preceding Plan Year;
 - (ii) "top-heavy ratio" means the ratio of (A) the present value of the cumulative Accrued Benefits under the Plan for key employees to (B) the present value of the cumulative Accrued Benefits under the Plan for all key employees and non-key employees; provided, however, that if a key employee has not performed services for the Company at any time during the five-year period ending on the applicable determination date, any Accrued Benefit for such individual (and any account balances of such individual) shall not be taken into account;
 - (iii) "applicable valuation date" means the date within the preceding Plan Year as of which annual Plan costs are or would be computed for minimum funding purposes;
 - (iv) "key employee" means an Employee determined to be a "key employee" in accordance with the provisions of Section 416(i)(1) and (5) of the Code and any regulations thereunder, and where applicable, on the basis of the Employee's compensation as reported on Form W-2 for the applicable Plan Year;
 - (v) "non-key employee" means any employee who is not a key employee;
 - (vi) "average remuneration" means the average annual remuneration of a Member for the five consecutive years of his or her Eligibility Service during which he or she received the greatest aggregate remuneration, as limited by Section 401(a)(17) of the Code, from the Company or Associated Company, excluding any remuneration for service after the last Plan Year with respect to which the Plan is top-heavy;

Article 4

- (vii) "required aggregation group" means each other qualified plan of the Company or an Associated Company (including plans that terminated within the five-year period ending on the determination date) in which there are members who are key employees or which enables the Plan to meet the requirements of Section 401(a)(4) or 410 of the Code; and
- (viii) "permissive aggregation group" means each plan in the required aggregation group and any other qualified plan(s) of the Company or an Associated Company in which all members are non-key employees, if the resulting aggregation group continues to meet the requirements of Sections 401(a)(4) and 410 of the Code.

(b) For purposes of this Section 4.12, the Plan shall be "top-heavy" with respect to any Plan Year if, as of the applicable determination date, the top-heavy ratio exceeds 60 percent. The top-heavy ratio shall be determined as of the applicable valuation date in accordance with Section 416(g)(3) and (4)(B) of the Code on the basis of the same mortality and interest rate assumptions used to value the Plan. For purposes of determining whether the Plan is top-heavy, the present value of Accrued Benefits under the Plan will be combined with the present value of accrued benefits or account balances under each other plan in the required aggregation group, and in the Company's discretion, may be combined with the present value of accrued benefits or account balances under any other qualified plan(s) in the permissive aggregation group. The Accrued Benefit of a non-key employee under the Plan or any other defined benefit plan in the aggregation group shall be (i) determined under the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Company or an Associated Company or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule described in Section 411(b)(i)(C) of the Code.

(c) The following provisions shall be applicable to Members for any Plan Year with respect to which the Plan is top-heavy:

(i) In lieu of the vesting requirements specified in Section 4.05, the following vesting schedule shall apply:

Years of Eligibility Service -----	Percentage Vested -----
Less than 2 years	0%
2 years	20
3 years	40
4 years	60
5 or more years	100

(ii) The Accrued Benefit of a Member who is a non-key employee shall not be less than 2 percent of his or her "average remuneration" multiplied by the number of years of his or her Eligibility Service, not in excess of 10, during the Plan Years for which the Plan is top-heavy. Such minimum benefit shall be payable at a Member's Normal Retirement Date. If payments commence at a time other than the Member's Normal Retirement Date, the minimum Accrued Benefit shall be of Equivalent Actuarial Value to such minimum benefit, as determined on the basis of the actuarial assumptions stated in Section 4.14(b) above.

(iii) The multiplier "1.25" in Sections 415(e)(2)(B)(i) and (3)(B)(i) of the Code shall be reduced to "1.0", and the dollar amount "\$51,875" in Section 415(e)(7)(B)(i)(I) of the Code shall be reduced to "\$41,500".

(d) If the Plan is top-heavy with respect to a Plan Year and ceases to be top-heavy for a subsequent Plan Year, the following provisions shall be applicable:

- (i) The Accrued Benefit in any such subsequent Plan Year shall not be less than the minimum Accrued Benefit provided in Section 4.12(c)(ii) above, computed as of the end of the most recent Plan Year for which the Plan was top-heavy.
- (ii) If a Member has completed three years of Eligibility Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy, the vesting schedule set forth in Section 4.12(c)(i) above shall continue to be applicable.
- (iii) If a Member has completed at least two, but less than three years of Eligibility Service on or before the last day of the most recent Plan Year for which the Plan is top-heavy, the vesting provisions of Section 4.05 shall again be applicable; provided, however, that in no event shall the vested percentage of a Member's accrued benefit be less than the percentage determined under Section 4.12(c)(i) above as of the last day of the most recent Plan Year for which the Plan was top-heavy.

4.13 Payment of Medical Benefits for Benefits for Certain Members Who Retire

Under the Plan

This Section 4.13 defines the basis of providing medical benefits to eligible Members or their eligible dependents as defined below for those expenses incurred by such Members or their eligible dependents on or after the date specified by the Board of Directors.

- (a) In order to be eligible for the benefits provided hereunder, a person must be a Plan Member who retired under the Plan provisions during the period designated by the Retirement Committee and be currently eligible for post-retirement medical benefits under a plan maintained by the Company and hereinafter referred to as the "Medical Plan" or be an eligible dependent of such a Member. To the extent they are not otherwise reimbursed from Company assets, covered medical expenses incurred

during the applicable period shown below by such a Member or his or her eligible dependents shall be reimbursed hereunder.

- (b) The level of medical benefits covered under the provisions of this Section 4.13 shall be the medical coverage in effect under the terms of the Medical Plan. Except as provided in Article 10, such medical coverage or benefit plan may be withdrawn or amended from time to time as the Company shall determine.
- (c) Except as provided in Section 4.13(e), all contributions made to the trust to provide medical benefits under this Section 4.13 shall be maintained in a separate account and such assets may not be used for or diverted to any purpose other than to provide said medical benefits; provided, however, none of the assets so set aside may be used to provide medical benefits for a Member, former Member or their dependents if the Member or former Member is a "key employee" as determined in accordance with the provisions of Section 416(i)(1) and (5) of the Internal Revenue Code. Similarly, none of the assets accumulated to provide the retirement allowances or vested benefits set forth in the foregoing provisions of this Article 4 may, prior to the termination of the Plan and satisfaction of all the liabilities for such retirement allowances or vested benefits, be used or diverted to provide medical benefits under this Section 4.13. The assets, if any, accumulated to provide medical benefits under this Section 4.13 may be invested pursuant to the provisions of Article 7.
- (d) It is the intention of the Company to continue providing medical benefits under this Section 4.13 and to make contributions to the Trustee to fund such medical benefits in such amounts as the Company shall deem necessary or appropriate. The aggregate contributions made to fund the

medical benefits provided under this Section, when added to the actual contributions for any life insurance protection provided under the Plan, shall not exceed 25 percent of the total actual contributions made to the Plan (other than contributions to fund past service credits) after the later of the adoption or effective date of this Section. Any forfeitures of a Member's interest in the medical benefit accounts as provided hereunder prior to any discontinuance of medical benefits by the Board of Directors shall be applied to reduce any subsequent Company contributions made pursuant to this Section 4.13.

- (e) Except as provided in Article 10, the Board of Directors may discontinue providing medical benefits under this Section 4.13 for any reason at any time, in which event the assets allocated to provide medical benefits hereunder, if any remain, shall, to the extent they are not otherwise reimbursed from Company assets, be used to continue medical benefits to Members who are eligible for them prior to the discontinuance date as long as any assets remain. However, if, after the satisfaction of all medical benefits provided hereunder, there remain any assets, the program shall be deemed to be terminated and such remainder shall be returned to the Company, in accordance with Section 401(h)(5) of the Code.

4.14 Transfers From Hourly Plans Maintained by the Company or an Associated

Company

At the discretion and direction of the Retirement Committee, the Plan may accept from a hourly pension plan maintained by the Company or an Associated Company which is qualified under Section 401(a) of the Code a transfer of (i) liabilities with respect to the accrued benefit under such hourly plan of a Member who has employment with the Company rendered otherwise than as an Employee recognized as Benefit Service pursuant to the provisions of Section 2.02(c) of the Plan and (ii) with respect to such liabilities, any assets determined by the Company to be applicable.

All such transfers shall be made in accordance with the provisions of the Code and ERISA.

4.15 Direct Rollover of Certain Distributions

Notwithstanding any other provision of this Plan, with respect to any distribution from this Plan which is (a) payable to a "distributee" and (b) determined by the Retirement Committee to be an "eligible rollover distribution," such distributee may elect, at the time and in the manner prescribed by the Retirement Committee, to have the Plan make a "direct rollover" of all or part of such distribution to an "eligible retirement plan" which accepts such rollover. The following definitions apply to the terms used in this Section:

- (a) a "distributee" means a Member or former Member. In addition, the Member's or former Member's surviving spouse and the Member's or former Member's spouse or former spouse who is the alternate payee under a qualified domestic relations order as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse;
- (b) an "eligible rollover distribution" is any distribution of all or any portion of the retirement allowance or vested benefit owing to the credit of a distributee, except that the following distributions shall not be eligible rollover distributions: (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more, (ii) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code, (iii) the portion of a distribution not includible in gross income, and (iv) any distribution where all otherwise eligible distributions are expected to total less than \$200;

- (c) an "eligible retirement plan" is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code or a qualified trust described in Section 401(a) of the Code that accepts the eligible rollover distribution; however, in the case of an eligible rollover distribution to the Member's surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity only; and
- (d) "direct rollover" means a payment by the Plan directly to the eligible retirement plan specified by the distributee.

In the event that the provisions of this Section 4.15 or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this Section 4.15 or applicable part thereof shall be ineffective without necessity of further amendment of the Plan.

Article 4

ARTICLE 5 -- ADMINISTRATION OF PLAN

5.01 Appointment of Retirement Committee

The responsibility for carrying out all phases of the administration of the Plan except those phases connected with the management of assets, shall be placed in a Retirement Committee of not less than three persons appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors may also designate alternate members to act in the absence of the regular members. The Board of Directors shall designate a Chairman of the Retirement Committee from among the regular members and a Secretary who may be, but need not be, one of its members. Any member of the Retirement Committee may resign by delivering his or her written resignation to the Board of Directors and the Secretary of the Retirement Committee.

5.02 Pension Trust Fund and Investment Committee

The responsibility for the management of the assets of the Plan shall be placed in a Pension Fund Trust and Investment Committee of not less than three persons appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors may also designate alternate members to act in the absence of the regular members. The Board of Directors shall designate a Chairman of the Pension Fund Trust and Investment Committee from among the regular members and a Secretary who may be, but need not be, one of the members of the Pension Fund Trust and Investment Committee. Any member of the Pension Fund Trust and Investment Committee may resign by delivering his or her written resignation to the Board of Directors and the Secretary of the Pension Fund Trust and Investment Committee.

5.03 Named Fiduciaries

The Retirement Committee and the Pension Fund Trust and Investment Committee (hereinafter collectively referred to as the ("Committees")) are designated as named fiduciaries within the meaning of Section 402(a) of ERISA. In addition, the Company and any officer of the Company appointed as a named fiduciary by the Retirement Committee shall also be "named fiduciaries" within the meaning of Section 402(a) of ERISA.

5.04 Meetings and Action of Majority

The Committees shall hold meetings upon such notice, at such place or places, and at such time or times as each may respectively determine. The action of at least a majority of the members, or alternate members, of a Committee expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of that Committee and shall have the same effect for all purposes as if assented to by all members of such Committee at the time in office. No member of either Committee shall receive any compensation for his or her service as such.

5.05 Duties of Committees

Each Committee may authorize one or more of its number or any agent to execute or deliver any instrument or make any payment on its behalf; may retain counsel, employ agents and such clerical, accounting and actuarial services as it may require in carrying out the provisions of the Plan for which it has responsibility; may allocate among its members or to other persons all or such portion of its duties hereunder as it, in its sole discretion, shall decide.

5.06 Management of Plan Assets

The Pension Fund Trust and Investment Committee shall be responsible for managing the assets under the Plan. If it deems such action to be advisable, the Committee, subject to the provisions of the trust instrument(s) adopted for use in implementing the Plan pursuant to Section 7.01 hereof, may:

- (a) provide direction to the trustee(s) thereunder, including, but not by way of limitation, the direction of investment of all or part of the Plan assets and the establishment of investment criteria, and
- (b) appoint and provide for use of investment advisors and investment managers.

In discharging its responsibility, the Committee shall evaluate and monitor the investment performance of the trustee(s) and investment manager, if any.

5.07 Establishment of Rules and Rights of Retirement Committee

Subject to the limitations of the Plan, the Retirement Committee from time to time shall establish rules or regulations for the administration of the Plan and the transaction of its business. The Retirement Committee shall have full discretionary authority, except as to matters which the Board of Directors from time to time may reserve to itself, to interpret the Plan and to make factual determinations regarding any and all matters arising hereunder, including but not limited to, the right to determine eligibility for benefits and to construe the terms of the Plan including the right to remedy possible ambiguities, inequities, inconsistencies or omissions. The Retirement Committee shall also have the right to exercise powers otherwise exercisable by the Board of Directors hereunder to the extent that the exercise of such powers does not involve the management of Plan assets. In addition, the Retirement Committee shall have the further right to exercise such powers

as may be delegated to the Retirement Committee by the Board of Directors. The Retirement Committee may delegate to any duly authorized officer, in writing, any or all of its authority and its right to exercise powers otherwise exercised or delegated by the Board of Directors.

Subject to applicable Federal and State Law, all interpretations, determinations and decisions of a duly authorized officer, the Retirement Committee or the Board of Directors in respect of any matter hereunder shall be final, conclusive and binding on all parties affected thereby.

5.08 Prudent Conduct and Limitation of Liability

The members of the Committees and any officer appointed pursuant to Section 5.03 shall use that degree of care, skill, prudence and diligence in carrying out their duties that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims. A member of either Committee and any officer appointed pursuant to Section 5.03 shall not be liable for the breach of fiduciary responsibility of another fiduciary unless:

- (a) the person participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or
- (b) by the person's failure to discharge such person's duties solely in the interest of the Members and other persons entitled to benefits under the Plan, for the exclusive purpose of providing benefits and defraying reasonable expenses of administering the Plan not met by the Company, the person has enabled such other fiduciary to commit a breach; or
- (c) the person has knowledge of a breach by such other fiduciary and does not make reasonable efforts to remedy the breach; or

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

5.09 Claims and Review Procedure

- (a) Applications for benefits and inquiries concerning the Plan (or concerning present or future rights to benefits under the Plan) shall be submitted to the Company in writing. An application for benefits shall be submitted on the prescribed form and shall be signed by the Member, or in the case of a benefit payable after his death, by his Beneficiary.
- (b) In the event that an application for benefits is denied in whole or in part, the Company shall notify the applicant in writing of the denial and of the right to review of the denial. The written notice shall set forth, in a manner calculated to be understood by the applicant, specific reasons for the denial, specific references to the provisions of the Plan on which the denial is based, a description of any information or material necessary for the applicant to perfect the application, an explanation of why the material is necessary, and an explanation of the review procedure under the Plan.

The written notice shall be given to the applicant within a reasonable period of time (not more than 90 days) after the Company received the application, unless special circumstances require further time for processing and the applicant is advised of the extension. In no event shall the notice be given more than 180 days after the Company received the application.

- (c) An applicant whose application for benefits was denied in whole or in part, or the applicant's duly authorized representative, may appeal the denial by submitting to the Retirement Committee a

request for a review of the application within 60 days after receiving written notice of the denial from the Company. The Company shall give the applicant or his representative an opportunity to review pertinent materials, other than legally privileged documents, in preparing the request for review. The request for a review shall be in writing and addressed to the Retirement Committee. The request for a review shall set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the applicant deems pertinent. The Retirement Committee may require the applicant to submit such additional facts, documents, or other materials as it may deem necessary or appropriate in making its review.

- (d) The Retirement Committee shall act on each request for a review within 60 days after receipt, unless special circumstances require further time for processing and the applicant is advised of the extension. In no event shall the decision on review be rendered more than 120 days after the Retirement Committee received the request for a review. The Retirement Committee shall give prompt written notice of its decision to the applicant and or the Company. In the event that the Retirement Committee confirms the denial of the application for benefits in whole or in part, the notice shall set forth, in a manner calculated to be understood by the applicant, the specific reasons for the decision and specific references to the provisions of the Plan on which the decision is based.
- (e) The Retirement Committee shall adopt such rules, procedures, and interpretations of the Plan as it deems necessary or appropriate in carrying out its responsibilities under this Section 5.09.
- (f) No legal action for benefits under the Plan shall be brought unless and until the claimant (i) has submitted a written application for benefits in accordance with paragraph (a), (ii) has been notified by the Company that the application is denied, (iii) has filed a written request for a review of the

application in accordance with paragraph (c), and (iv) has been notified in writing that the Retirement Committee has affirmed the denial of the application; provided, however, that legal action may be brought after the Company or the Retirement Committee has failed to take any action on the claim within the time by paragraphs (b) and (d) above.

Article 5

ARTICLE 6 -- CONTRIBUTIONS

6.01 Company Contributions

It is the intention of the Company to continue the Plan and make regular contributions to the Trustee each year in such amounts as are necessary to maintain the Plan on a sound actuarial basis and to meet minimum funding standards as prescribed by any applicable law. However, subject to the provisions of Article 8, the Company may reduce or suspend its contributions for any reason at any time. Any forfeitures shall be used to reduce the Company contributions otherwise payable, and will not be applied to increase the benefits any Member or other person would otherwise receive under the Plan.

6.02 Return of Contributions

- (a) The Company's contributions to the Plan are conditioned upon their deductibility under Section 404 of the Code. In the event that all or part of the Company's deductions under Section 404 of the Code for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions to which such disallowance applies shall be returned to the Company without interest, but reduced by any investment loss attributable to those contributions. Such return shall be made within one year after the disallowance of deduction.
- (b) The Company may recover without interest the amount of its contributions to the Plan made on account of a mistake in fact, reduced by any investment loss attributable to those contributions if recovery is made within one year after the date of those contributions.

Article 5

ARTICLE 7 -- MANAGEMENT OF FUNDS

7.01 Trustee

All the funds of the Plan shall be held by a Trustee or Trustees including any member(s) of the Rayonier Inc. Pension Fund Trust and Investment Committee, appointed from time to time by said Committee or Rayonier, in one or more trusts under a trust instrument or instruments approved or authorized by said Committee or Rayonier Inc. for use in providing the benefits of the Plan and paying any expenses of the Plan not paid directly by the Company; provided, however, that the Pension Fund Trust and Investment Committee may, in its discretion, also enter into any type of contract with any insurance company or companies selected by it for providing benefits under the Plan.

7.02 Exclusive Benefit Rule

Prior to the satisfaction of all liabilities with respect to persons entitled to benefits, except for the payment of expenses, no part of the corpus or income of the funds shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and other persons who are or may become entitled to benefits hereunder, under the Prior Salaried Plan, or under any trust instrument or under any insurance contract made pursuant to this Plan. Subject to applicable Federal and State law, no person shall have any interest in or right to any part of the corpus or income of the funds, except as and to the extent expressly provided in the Plan and in any trust instrument or under any insurance contract made pursuant to this Plan. Subject to applicable Federal and State law, the Company shall have no liability for the payment of benefits under the Plan nor for the administration of the funds paid over to the Trustee(s) or insurer(s) except as expressly provided under this Plan.

Article 7

7.03 Investment in Company Securities or Real Property

Except as permitted by applicable Federal law, no part of the corpus or income of the trust shall be invested in securities of the Company or of any Associated Company or in real property and related personal property which is leased to the Company or any Associated Company or in the securities of the Trust or Trustees or their subsidiary companies, if any.

7.04 Appointment of Investment Managers

The Pension Fund Trust and Investment Committee may, in its discretion, appoint one or more investment managers (within the meaning of Section 3(38) of ERISA) to manage (including the power to acquire and dispose of) all or part of the assets of the Plan, as the Investment Committee shall designate. In that event, authority over and responsibility for the management of the assets so designated shall be the sole responsibility of that investment manager.

Article 7

ARTICLE 8 -- CERTAIN RIGHTS AND LIMITATIONS

The following provisions shall apply in all cases whenever a Member or any other person is affected thereby.

8.01 Termination of the Plan

(a) The Board of Directors may terminate the Plan for any reason at any time. In case of termination of the Plan, the rights of Members to the benefits accrued under the Plan to the date of the termination, to the extent then funded or protected by law, if greater, shall be nonforfeitable. The funds of the Plan shall be used for the exclusive benefit of persons entitled to benefits under the Plan as of the date of termination, except as provided in Section 6.02. However, any funds not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial computation shall be returned to the Company except as otherwise provided in Section 8.06. The Retirement Committee shall determine on the basis of an actuarial valuation the share of the funds of the Plan allocable to each person entitled to benefits under the Plan in accordance with Section 4044 of ERISA or corresponding provision of any applicable law in effect at the time. In the event of a partial termination of the Plan, the provisions of this Section shall be applicable only to the Members affected by that partial termination.

(b) Plan Merger or Consolidation. The Board of Directors may, in its sole discretion, merge this Plan with another qualified plan, subject to any applicable legal requirements. However, the Plan may not be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan unless each Member or other person entitled to a benefit under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer

which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation, or transfer, if the Plan had then terminated; provided that, subject to the provisions of Article 10 on or after the date of the first occurrence of a Change in Control (i) no transfer of assets or liabilities, except as specifically permitted under Section 8.01(a), between the Plan and any Employee Benefit Plan, as hereinafter defined, (ii) no spin-off of Plan assets or Plan liabilities to any Employee Benefit Plan, (iii) no withdrawal of Plan assets, in the event such withdrawal is permitted under applicable law or (iv) no merger or consolidation of the Plan with any Employee Benefit Plan shall be permitted.

For purposes of this Section 8.01(b), Employee Benefit Plan has the same meaning as the term "employee benefit plan" has under Section 3(3) of ERISA.

8.02 Limitation Concerning Highly Compensated Employees or Highly

Compensated Former Employees

(a) The provisions of this Section shall apply (i) in the event the Plan is terminated, to any Member who is a highly compensated employee or highly compensated former employee (as those terms are defined in Section 414(q) of the Code) of the Company or an Associated Company and (ii) in any other event, to any Member or former Member who is one of the 25 highly compensated employees or highly compensated former employees of the Company or Associated Company with the greatest compensation in any Plan Year. The amount of the annual payments to any one of the Members or former Member to whom this Section applies shall not be greater than an amount equal to the payments that would be made on behalf of the Member or former Member under a single life annuity that is of Equivalent Actuarial Value to the sum of the Member's or former Member's Accrued Benefit and any other benefits payable to the Member and former Member under the Plan.

- (b) If, (i) after payment of an Accrued Benefit or other benefits to any one of the Members or to whom this Section applies, the value of Plan assets equals or exceeds 110 percent of the value of current liabilities (as that term is defined in Section 412(1)(7) of the Code) of the Plan, (ii) the value of the Accrued Benefit and other benefits of any one of the Members or former Members to whom this Section applies is less than 1 percent of the value of current liabilities of the Plan, or (iii) the value of the Accrued Benefit and other benefits of any one of the Members or former Members to whom this Section applies does not exceed \$3,500 (\$5,000 effective January 1, 1998), the provisions of paragraph (a) above will not be applicable to the payment of benefits to the Member or former Member.
- (c) Notwithstanding paragraph (a) of this Section, in the event the Plan is terminated, the restriction of this Section shall not be applicable if the benefits payable to any highly compensated employee and any highly compensated former employee is limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Code.
- (d) If it should subsequently be determined by statute, court decision acquiesced in by the Commissioner of Internal Revenue, or ruling by the Commissioner of Internal Revenue, that the provisions of this Section are no longer necessary to qualify the Plan under the Code, this Section shall be ineffective without the necessity of further amendment to the Plan.

8.03 Conditions of Employment Not Affected by Plan

The establishment of the Plan shall not be construed as conferring any legal rights upon any Employee or other person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any Employee or other person and to treat him or her without regard to the effect which such treatment might have upon him or her under the Plan.

8.04 Offsets

Unless the Board of Directors otherwise provides under written rules uniformly applicable to all Employees similarly situated, the Retirement Committee shall deduct from the amount of any retirement allowance or vested benefit under the Plan, any amount paid or payable to or on account of any Member under the provisions of any present or future law, pension or benefit scheme of any sovereign government, or any political subdivision thereof or any fund or organization or government agency or department on account of which contributions have been made or premiums or taxes paid by the Company, any Participating Unit, or any Associated Company with respect to any service which is Benefit Service for purposes of computation of benefits under the Plan; provided, however, that pensions payable for government service or benefits under Title II of the Social Security Act are not to be used to reduce the benefits otherwise provided under this Plan except as specifically provided herein.

8.05 Denial of Benefits

The Retirement Committee may prescribe rules on a basis uniformly applicable to all Employees similarly situated under which an Employee whose employment is terminated because of dishonesty, conviction of a felony or other conduct prejudicial to the Company may be denied any benefit or benefits for which he or she would otherwise be eligible under the Plan, except his or her retirement allowance pursuant to Section 4.01 or his or her vested benefit pursuant to Section 4.05; provided, however, that such denial is not contrary to applicable law.

8.06 Change in Control

In the event of a Change in Control the following restrictions shall apply:

- (a) Notwithstanding any other provision of the plan, in the event of a Change in Control, neither the Board of Directors, its designee, the Retirement Committee nor the Trustee may merge or consolidate the Plan with any other plan, transfer any Plan assets to any other retirement or welfare benefit plan, transfer any other welfare or retirement benefit plan's liabilities to the Plan, spin-off or split-off any part of the Plan or group of Members in the Plan, or reduce future Plan benefits, or cause or permit the Plan to acquire any security or real or personal property of the Company or any Associated Company, during the five-year period commencing on the date on which the Change in Control occurs.
- (b) Notwithstanding any other provision of the Plan, in the event of a Change in Control, neither the Board of Directors nor its designee may, during the five-year period commencing on the date on which the Change in Control occurs, designate any new Participating Units or designate any new groups of Employees as eligible to participate in the Plan.
- (c) Notwithstanding any other provision of the Plan, if at any time during the five-year period commencing on the date on which a Change in Control occurs, the Plan is terminated, any Member who was an Employee on the date of the Change in Control shall, if not previously vested, become fully vested in all Plan benefits. If the Plan has surplus assets, all of the surplus assets shall be allocated to Plan Members who were Members as of the date on which a Change in Control occurs (including Members who terminated employment with entitlement to a retirement allowance and Members who are, on the date on which a Change in Control occurs, receiving a retirement allowance) on pro rata basis, in relation to the benefits accrued prior to the date of Change in Control and none of this

surplus may be recovered by the Company, any successor or any Associated Company. For purposes of this Section 8.06(c) the amount of surplus assets will be determined as part of the process of purchasing non-participating group annuity contracts in connection with the termination of the Plan. In purchasing such annuities, the Plan shall seek competitive bids from at least three unrelated insurance companies. In no event shall the increase in the Retirement Allowance payable pursuant to this paragraph cause the retirement allowance to exceed the limitations in Section 4.08 of the Plan.

- (d) Notwithstanding any other provision of the Plan, if at any time during the five-year period commencing on the date on which a Change in Control occurs (i) a Substantial Reduction in Force (as hereinafter defined) occurs or (ii) any action prohibited by paragraph (a) or (b) of this Section 8.06 is taken, then any Member who was an Employee on the date of the Change in Control shall, if not previously vested, become fully vested in all Plan benefits. Furthermore, if, as of the date either of the events described in (i) or (ii) above occurs, the fair market value of the Plan's assets exceeds the Plan's current liability pursuant to Section 412(l)(7) of the Code (based on the Plan's actuarial assumptions on the date the Change in Control occurs except that the interest rate shall be the maximum rate permitted under Section 412 of the Code) the amount of such excess assets shall be applied to increase, as described below, the Accrued Benefit of all Plan Members who were Members as of the date on which a Change in Control occurs. For purposes of determining the increase in Accrued Benefit under this Section 8.06(d), Plan Member includes both Members who are Employees as well as former Employees, or Beneficiaries of former Employees either entitled to future benefits or currently in receipt of Plan benefits. The Equivalent Actuarial Value of each Plan Member's Accrued Benefit shall be increased by the amount determined by multiplying (a) the Plan's excess assets as defined

in this Section 8.06(d) by (b) the ratio that the Current Liability of each Plan Member bears to the sum of the Current Liability of all Plan Members. Such increased present value will be converted into an enhanced Accrued Benefit for each Plan Member. In no event, however, shall such increase cause a Plan Member's Accrued Benefit to exceed the limitation of Section 4.08 of the Plan.

For purposes of this Section 8.06,

- (i) a "Substantial Reduction in Force" shall mean the Involuntary Separation from employment, following a Change in Control, of the percentage of Members set forth below who were Employees when the Change in Control occurred:
 - (1) 10 percent or more within any consecutive 12-month period.
 - (2) 15 percent or more within any consecutive 24-month period.
 - (3) 20 percent or more within any consecutive 36-month period.
 - (4) 25 percent or more within any consecutive 48-month period.
 - (5) 30 percent or more within a 60-month period; and
- (ii) "Involuntary Separation" shall mean the termination of a Member's employment with the Company as a result of Company action such as a discharge, a resignation after a reduction in pay, position or responsibilities, a retirement after the Company has requested such Member to resign or retire, a layoff, or any relocation of the work location of a Member to a place more than 35 miles from such Member's principal residence; provided, however, that an Involuntary Separation shall not be deemed to have occurred if a Member resigns or retires other than in response to a Company request, or is terminated for serious misconduct in connection with such Member's work.

- (e) In the event the Internal Revenue Service makes a final determination that the utilization of surplus assets of the Plan (or any portion thereof) in accordance with paragraph (c) or (d) of this Section 8.06 cannot be accomplished in any manner without disqualifying the Plan, the Company shall utilize such assets which cannot be so utilized to provide benefits to those Members who were Employees on the date of the Change in Control in any manner that the Company deems to be in the best interests of such Members and which would not disqualify the Plan. Such utilization may include the transfer of such assets to another employee benefit plan of the Company, including a voluntary employees' beneficiary association as described in Section 501(c)(9) of the Code; provided, however, that in no event shall any such assets be transferred to any entity other than a trust devoted exclusively to providing benefits to employees and retirees who were Plan Members as of the date of the Change in Control.

8.07 Prevention of Escheat

If the Retirement Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Retirement Committee may, no later than two years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person as shown on the records of the Retirement Committee or the Company. If such person has not made written claim therefor within three months of the date of the mailing, the Retirement Committee may, if it so elects and upon receiving advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be canceled on the records of the Plan and the amount thereof applied to reduce the contributions of the Company. Upon such cancellation, the Plan shall have no further liability therefor except that, in the event such person or his or her beneficiary later notifies the Retirement Committee of his or her whereabouts and

requests the payment or payments due to him or her under the Plan, the amount so applied shall be paid to him or her in accordance with the provisions of the Plan.

Article 8

ARTICLE 9 -- NONALIENATION OF BENEFITS

- (a) Except as required by any applicable law or by paragraph (e), no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge except any election to make a contribution necessary to provide post-retirement medical benefits under any Plan maintained by the Company, and any attempt so to do shall be void, except as specifically provided in the Plan, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefit.
- (b) Subject to applicable Federal and State law, in the event that the Retirement Committee shall find that any Member or other person who is or may become entitled to benefits hereunder has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any of his or her benefits under the Plan, except as specifically provided in the Plan, or if any garnishment, attachment, execution, levy or court order for payment of money has been issued against any of his or her benefits under the Plan, then such benefit shall cease and terminate. In such event the Retirement Committee shall hold or apply the payments to or for the benefit of such Member or other person who is or may become entitled to benefits hereunder, his or her spouse, children, parents or other blood relatives, or any of them.
- (c) Notwithstanding the foregoing provisions of the Plan, payment shall be made in accordance with the provisions of any judgment, decree, or domestic relations order which:
 - (i) creates for, or assigns to, a spouse, former spouse, child or other dependent of a Member the right to receive all or a portion of the Member's benefits under the Plan for the purpose

Article 9

of providing child support, alimony payments or marital property rights to that spouse, child or dependent,

- (ii) is made pursuant to the domestic relations law of any State (as such term is defined in Section 3(10) of ERISA,
- (iii) does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan, and
- (iv) otherwise meets the requirements of Section 206(d) of ERISA to be a "qualified domestic relations order" as determined by the Retirement Committee.

If the lump sum present value of any series of payments made under the criteria set forth in paragraphs (i) through (iv) above amounts to \$3,500 (\$5,000 effective January 1, 1998) or less, then a lump sum payment of Equivalent Actuarial Value (determined in the manner described in Section 4.10) shall be made in lieu of the series of payments.

- (d) The Retirement Committee shall resolve any questions arising under this Article 9 on a basis uniformly applicable to all persons similarly situated.
- (e) A Member's benefits under the Plan shall be offset by the amount the Member is required to pay to the Plan under the circumstances set forth in Section 401(a)(13) of the Code.

Article 9

ARTICLE 10 -- AMENDMENTS

10.01 Subject to Section 10.02, the Board of Directors or its delegate reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan; provided that no such modification or amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of Members, spouses, or contingent annuitants or other persons who are or may become entitled to benefits hereunder prior to the satisfaction of all liabilities with respect to them; and that no modification or amendment shall be made which has the effect of decreasing the Accrued Benefit of any Member or of reducing the nonforfeitable percentage of the Accrued Benefit of a Member attributable to Company contributions below that nonforfeitable percentage thereof computed under the Plan as in effect on the later of the date on which the amendment is adopted or becomes effective. Any action to amend the Plan by the Board of Directors shall be taken in such manner as may be permitted under the by-laws of the Company and any action to amend the Plan by a delegate of the Board of Director shall be in writing.

10.02 Notwithstanding the above, on or after the date a Change in Control first occurs, Section 8.01, Section 8.06 and this Article 10, as they pertain to events occurring on or after the date such Change in Control occurs, may not be further amended by the Board of Directors without written consent of not less than three-quarters of the Members and other persons then receiving benefits under the Plan.

Article 10

TRUST AGREEMENT
FOR THE
RAYONIER INC.
LEGAL RESOURCES TRUST

This Agreement is made this ___ day of _____, by and between Rayonier Inc. (the "Company") and Wachovia Bank, N.A., a national banking association, as trustee hereunder ("Trustee").

WHEREAS, the Company has adopted the nonqualified deferred compensation plans and entered into the other benefits agreements (collectively, the "Benefits Arrangements") listed on Appendix A, including the Supplemental Senior Executive Severance Pay Plan (the "Supplemental Severance Plan"), and, for this purpose, the right to have had deposited with the trustee under the Trust Agreement for Rayonier Inc. Supplemental Senior Executive Plan and the Change in Control Agreement for W. Lee Nutter (the "Executive Severance Trust") amounts in respect thereof and in respect of the Change in Control Agreement for Lee Nutter;

WHEREAS, the Company has incurred or expects to incur liability under the terms of the Benefits Arrangements with respect to the executives and key employees and participating in the Benefits Arrangements and identified at any time on Tier I and Tier II under the Supplemental Severance Plan and on Schedule 1 hereto as amended and updated from time to time (herein each, an "Executive" and together, the "Executives");

WHEREAS, the Company wishes to establish a Legal Resources Trust (hereinafter called this "Trust") and to contribute to it assets that shall be held therein, subject to the claims of the Company's creditors in the event of the Company's Insolvency, as herein defined, until paid to or for the benefit of the Executives and their beneficiaries to pay certain litigation and similar expenses as may be incurred in connection with the collection of any amounts due to them under the Benefits Arrangements or the enforcement of any rights they may have thereunder (as hereinafter defined, "Contest Payments"); and

WHEREAS, it is the intention of the Company to make contributions to this Trust to provide itself with a source of funds to provide Contest Payments as herein provided.

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of each of the Benefits Arrangements as an unfunded arrangement maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974.

NOW, THEREFORE, the parties do hereby establish this Trust and agree that this Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment of Trust.

(a) The Company hereby deposits with Trustee in trust the amounts listed in Appendix B, which together with the additional amounts to be deposited as provided below, shall become the principal of this Trust to be held, administered and disposed of by Trustee as provided in this Agreement.

(b) The Trust hereby established shall be irrevocable.

(c) This Trust is intended to be a grantor trust, of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be construed accordingly.

(d) The principal of this Trust, and any earnings thereon, shall be held separate and apart from other funds of the Company and, subject to Section 8 below, shall be used exclusively for the uses and purposes of the Executives and general creditors, as herein set forth. The Executives and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of this Trust. Any rights created under the Benefits Arrangements and this Agreement shall be mere unsecured contractual rights of the Executives and their beneficiaries against the Company. Any assets held by this Trust will be subject to the claims of the Company's general creditors under federal and state law in the event of Insolvency, as defined in Section 5 below.

(e) Without limiting the mandatory contribution provision of Section 2, the Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property in trust with Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Agreement. Neither Trustee nor any Executive or beneficiary shall have any right to compel such additional deposits.

(f) Of the amounts deposited with Trustee, upon a Change in Control an amount equal to \$375,000 shall be set aside as a reserve, \$250,000 shall be released upon receipt of the written notice provided for in Section 4(c) or applied as provided therein following a Change in Control, and \$125,000 of which shall be set aside as a reserve for expenses of Trustee under Sections 10(d) and 11(a) incurred following a Change in Control.

Section 2. Additional Contributions/Addition or Removal of Executives.

(a) Upon any addition of the name of any executive or key employee to the Tier I or Tier II list under the Supplemental Severance Plan, the Company shall not later than the dates provided for on Appendix B hereto, make a deposit in trust with the Trustee an amount equal to \$250,000 for each Executive, and a like amount of \$250,000 in respect of each new Executive added to Schedule 1 hereto from time to time, as soon as practicable after the identification of such Executive but in no event later than fifteen (15) days thereafter; provided that, if a Change in Control has not occurred, the Company may offset its obligations by the amount, if any, previously contributed in respect of an Executive who has died or retired and whose beneficiaries have been fully paid all amounts to which they may become entitled under any of the Benefits Arrangements. For all purposes of this Agreement, "Change in Control" has the meaning specified in the Retirement Plan for Salaried Employees of Rayonier, Inc. as amended effective July 18, 1997, and as the same may be thereafter amended from time to time prior to the occurrence of a Change in Control. The amounts set aside with the Trustee shall be a pool of funds to be applied as provided for herein and shall not constitute a separate entitlement of an Executive to any particular amount hereunder.

(b) At any time prior to a Change in Control, the Company may remove individuals or include additional individuals as Executives hereunder upon written notice to Trustee together with an amended Schedule 1 incorporating, in the case of an additional Executive, the required information in respect of such additional Executive; provided that, removal of the name of an Executive from the Supplemental Severance Plan shall not alone operate to remove the individual as a participant hereunder. Subject to the provisions of Section 13(c) below, the Company has agreed that from and after a Change in Control it shall not be entitled to remove the name of any Executive covered hereunder prior to the time that all amounts due in respect of such Executive under the applicable Benefits Arrangement shall have been fully paid to such Executive or his or her beneficiaries.

Section 3. Covered Payments.

(a) On the effective date hereof, no less frequently than annually thereafter, at the time of any additional contribution hereunder, and at the time of a Change in Control, the Company shall deliver to Trustee a payment schedule (the "Payment Schedule") that indicates the amounts payable in respect of each Executive (and his or her beneficiaries), that provides a formula or other instructions acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Benefits Arrangements), and the time of commencement for payment of such amounts.

(b) Prior to a Change in Control (and following a Change in Control, absent obvious mistake), the entitlement of an Executive or his or her beneficiaries to benefits under the Benefits Arrangements shall be determined by the Company or such party as it shall designate under the Benefits Arrangements, and, in any event, any claim for benefits shall be considered and reviewed under the procedures set out in the Benefits Arrangements.

(c) The Company shall make payment of benefits directly to an Executive as they become due under the terms of the Benefits Arrangements. The Company shall notify Trustee of its payment of benefits at the time amounts are payable to participants or their beneficiaries. Upon any such payment, the Company shall provide Trustee with a new Payment Schedule reflecting the payments made by the Company.

(d) Nothing in this Agreement shall serve to relieve the obligations of the Company to make payments under the Benefits Arrangements in respect of an Executive prior to the time that any payment has been made to an Executive or his or her beneficiary. The Company shall make each such payment as it falls due.

Section 4. Payment of Legal and Related Expenses.

(a) Company's Obligation to Pay Legal and Related Expenses. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses that the Executive or his or her beneficiaries may reasonably incur in pursuing in good faith payment of any amount due to the Executive or such beneficiaries under any Benefit Arrangement, or as a result of any contest by the Company or others of the validity or enforceability of, or liability under, any provision of any Benefits Arrangement or any guarantee of performance thereof (collectively, "Contest Payments"), plus in each case such interest as may be provided for under the applicable Benefits Arrangement but not less than the highest applicable Federal long-term rate in effect as of the date of the Change in Control determined as provided for in Sections 7872(f)(2)(B) and 1274(d)(1)(A) of the Internal Revenue Code of 1986, as amended, without regard to whether or not the Executive or such beneficiaries prevail, in full or in part, in any such matter and without regard to the duration of the delay in time of payment.

(b) Trustee's Disbursement of Contest Payments. Provided that this Agreement has not been earlier terminated pursuant to Section 11 hereof, the pursuant to the Claims Procedure specified on Schedule 3 hereto, as amended from time to time as hereinafter provided (the "Claims Procedure"), Trustee shall advance Contest Payments on behalf of any individual up to the amount contributed on behalf of the Executive in respect of whom the benefits under a Benefit Arrangement are sought, up to the amount of such contribution or, if less, up to the balance remaining in trust exclusive of reserves; provided that, if Contest Payments are sought on behalf of three or more Executives arising from substantially the same circumstances, the Trustee shall aggregate the Contest Payments for the benefit of all participants hereunder. The timing and manner of payment of Contest Payments shall be made in the sole and reasonable discretion of the Trustee in accordance with the Claims

Procedure. The Claims Procedures may be modified by the Company, with the reasonable agreement of Trustee prior to a Change in Control, and may be reasonably amended by the Trustee thereafter; provided that, no such Claims Procedure shall be inconsistent with making the full resources in Trust available to expedite payment of benefits to the Executives and their beneficiaries under the Benefits Arrangements and to avoid Executives being required to advance any amounts whatsoever for the payment of legal fees in connection therewith. A written copy of the Claims Procedure, as it may be amended from time to time, shall be provided to each Executive.

(c) Trustee's Written Notification Requirements. If within 15 days of a Change in Control the Trustee has not received written notice from the trustee under the Executive Severance Trust of the receipt by such trustee of the amounts required to be deposited with such trustee upon a Change in Control in respect of each Executive (other than an Executive who shall have received not less than the full Cash Portion to which such Executive is entitled under the Severance Arrangements, as such term is defined in the Executive Severance Trust), together with a copy of the current payment schedule provided for under the Executive Severance Trust, there shall be presumed to be a claim under the Claims Procedure and the Trustee shall transfer an amount of not less than \$250,000 as a retainer to the law firm designated pursuant to the Claims Procedure within five business days thereafter.

Section 5. Trustee Responsibility Regarding Payments to Trust

Beneficiary When The Company Is Insolvent.

(a) Trustee shall cease payments hereunder if the Company is Insolvent. The Company shall be considered "Insolvent" for purposes of this Agreement if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of this Trust shall be subject to claims of general creditors of the Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform Trustee in writing of the Company's Insolvency. If a person claiming to be a creditor of the Company alleges in writing to Trustee that the Company has become Insolvent, Trustee shall determine whether the Company is Insolvent and, pending such determination, Trustee shall discontinue payment of benefits to Executives or their beneficiaries.

(2) Unless Trustee has actual knowledge of the Company's Insolvency, or has received notice from the Company or a person claiming to be a creditor alleging that the Company is Insolvent, Trustee shall have no duty to inquire whether the Company is Insolvent. Trustee may in all events rely on such evidence concerning the Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning the Company's solvency.

(3) If at any time Trustee has determined that the Company is Insolvent, Trustee shall discontinue payments hereunder and shall hold the assets of this Trust for the benefit of the Company's general creditors. Nothing in this Agreement shall in any way diminish any rights of Executives or their beneficiaries to pursue their rights as general creditors of the Company with respect to benefits due under the Benefits Arrangements or otherwise.

(4) Trustee shall resume the payments in accordance with Section 4 of this Agreement only after Trustee has determined that the Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment from this Trust pursuant to Section 5 hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due under the terms hereof for the period of such discontinuance, less the aggregate amount, if any, paid directly to Executives or their beneficiaries by the Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 6. Payments to the Company.

Except as provided in Section 5 hereof, after a Change in Control, the Company shall have no right or power to direct Trustee to return to the Company or to divert to others any of this Trust assets before all payment of benefits have been made to Executives and their beneficiaries pursuant to the terms of the Benefits Arrangements.

Section 7. Investment Authority.

(a) In no event may Trustee invest in securities (including stock or rights to acquire stock) or obligations issued by the Company, other than a de minimis amount held in common investment vehicles in which Trustee invests. All rights associated with assets of this Trust shall be exercised by Trustee or the person designated by Trustee and shall in no event be exercisable by or rest with the Executives.

(b) The Trustee shall invest the principal of this Trust and any earnings thereon in such short term readily marketable investments designed to preserve capital as chosen by the Trustee in the prudent exercise of its fiduciary duty hereunder and in such a manner as directed by the Pension Fund Trust and Investment Committee, and prior to a Change in Control.

(c) The Company shall have the right, at anytime, and from time to time in its sole discretion, to substitute marketable securities of equal fair market value for any asset held by this Trust; provided that, following a Change in Control, such substitution of assets shall be subject to the acceptance of Trustee.

Section 8. Disposition of Income.

During the term of this Trust prior to a Change in Control, all Distributable Income received by this Trust, net of expenses and taxes, shall be distributed to the Company no less frequently than semi-annually, unless otherwise directed by the Company, and from and after a Change in Control shall be accumulated and reinvested. "Distributable Income" shall mean gain or income actually realized on the amounts held in Trust but only to the extent that the

aggregated fair market value of the assets held in Trust following the distribution of such amounts and payment of all expenses of this Trust paid or accrued as of the distribution date not otherwise satisfied by the Company, would equal or exceed the principal amounts deposited by the Company with Trustee under Section 2(a).

Section 9. Accounting by Trustee.

Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between the Company and Trustee. Within 30 days following the close of each calendar year and within 30 days after the removal or resignation of Trustee, Trustee shall deliver to the Company a written account of its administration of this Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in this Trust at the end of such year or as of the date of such removal or resignation, as the case may be.

Section 10. Responsibility of Trustee.

(a) Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Company which is contemplated by, and in conformity with, the terms of the Benefits Arrangements or this Trust and is given in

writing by the Company. In the event of a dispute between the Company and a party, Trustee may apply to a court of competent jurisdiction to resolve the dispute.

(b) The Company hereby indemnifies Trustee against losses, liabilities, claims, costs and expenses in connection with the administration of this Trust, unless resulting from the gross negligence or willful misconduct of Trustee. To the extent the Company fails to make any payment on account of an indemnity provided in this Section 10(b), in a reasonably timely manner, Trustee may obtain payment from this Trust. If Trustee undertakes or defends any litigation arising in connection with this Trust or to protect an Executive's or a beneficiary's rights under the Benefits Arrangements, the Company agrees to advance to Trustee, and to indemnify Trustee against Trustee's costs, reasonable expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If the Company does not pay such costs, expenses and liabilities in a reasonably timely manner, Trustee may obtain payment from this Trust.

(c) Trustee may consult with legal counsel (who may also be counsel for the Company generally) with respect to any of its duties or obligations hereunder. Following a Change in Control, Trustee may select independent legal counsel (which can include its in-house counsel) and may consult with counsel or other experts with respect to its duties and with respect to the rights of Executives and their beneficiaries under the Benefits Arrangements.

(d) Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder and in good faith may rely on any determinations made by such agents and information provided to it by the Company.

(e) Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein.

(f) Notwithstanding any powers granted to Trustee pursuant to this Agreement or to applicable law, Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section

301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Code.

Section 11. Compensation and Expenses of Trustee Resignation and Removal of

Trustee.

(a) The Company shall timely pay all administrative and Trustee's fees and expenses. If not so paid, the fees and expenses shall be paid from this Trust.

(b) Prior to a Change in Control, Trustee may resign at any time by written notice to the Company, which shall be effective sixty (60) days after receipt of such notice unless the Company and Trustee agree otherwise. Following a Change in Control, Trustee may resign only after the appointment of a successor Trustee reasonably acceptable to a majority of the Executives hereunder. If Trustee resigns within two years after a Change in Control or if the Company fails to act within a reasonable period of time following such resignation, Trustee shall apply, at the expense of the Company, to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions.

(c) Trustee may be removed by the Company on sixty (60) days notice or upon shorter notice accepted by Trustee prior to a Change in Control. Following a Change in Control, Trustee may only be removed by the Company with the consent of a majority of the Executives hereunder and upon appointment of a qualified successor Trustee hereunder reasonably acceptable to the majority of the Executives hereunder.

(d) Upon resignation or removal of Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed with sixty (60) days after receipt of acceptance of an appointment as trustee by a successor trustee, unless the Company extends the time limit.

(e) If Trustee resigns or is removed, a successor shall be appointed by the Company, in accordance with Section 12 hereof, by the effective date of

resignation or removal under this Section 11. If no such appointment has been made, Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All

expenses of Trustee in connection with the proceeding shall be allowed as administrative expenses of this Trust.

(f) Any Trustee of any trust created hereunder shall be an institution having total assets under management of at least five hundred million dollars (\$500,000,000) at the time of appointment and at all times thereafter (the "Minimum Assets Requirement"). Should Trustee cease to have total assets of at least five hundred million dollars (\$500,000,000) under management or cease to be so selected, Trustee shall be removed and a successor Trustee appointed in accordance with the provisions of Sections 10 and 11 hereof.

Section 12. Appointment of Successor.

(a) If Trustee resigns or is removed in accordance with Section 11 hereof, the Company may appoint any bank trust department or other party that may be granted corporate trustee powers under state law who meets the Minimum Assets Requirement, as a successor to replace Trustee upon resignation or removal (a "Qualified Trustee"); provided that, following a Change in Control, if Trustee resigns or is removed in accordance with Section 11 the successor trustee shall be reasonably acceptable to a majority of the Executives hereunder at the time. In any such event, the appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in this Trust. The former Trustee shall execute any instrument necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer.

(b) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Sections 9 and 10 hereof. The successor Trustee shall not be responsible for and the Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

(c) The Company shall provide the name of the successor Trustee to each Executive, or if applicable, his or her beneficiaries receiving benefits at the time of the appointment of Trustee.

(d) The Company shall execute such indemnification or other agreement with Trustee as may be reasonably requested and customary for trustees performing services of this kind.

Section 13. Amendment or Termination.

(a) This Agreement may be amended by a written instrument executed by Trustee and the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Benefits Arrangements or shall make this Trust revocable after it has become irrevocable in accordance with Section 1 hereof.

(b) Except as provided in Section 13(c), this Trust shall not terminate until the date on which each Executive and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Benefits Arrangements and all fees and expenses of this Trust have been paid.

(c) Upon written approval of all Executives and beneficiaries entitled to payment of benefits pursuant to the terms of the Benefits Arrangements, the Company may terminate this Trust prior to the time all benefit payments under the Benefits Arrangements have been made.

(d) This Agreement may not be amended or terminated by the Company for two (2) years following a Change in Control without the written consent of a majority of the Executives then covered by this Agreement except, if in the opinion of Review Counsel (as such term is defined in Schedule 3 hereto), such amendment is necessary to maintain the tax status of this Trust, the deferred compensation status of the Benefits Arrangements, or status of this Trust under the Employee Retirement Income Security Act of 1974 as amended to this Trust.

(e) Upon termination of this Trust any assets remaining in this Trust, after payment of all expenses of this Trust, shall be returned to the Company.

Section 14. Miscellaneous.

(a) Any provision of this Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to any Executive and his or her beneficiaries under this Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of [North Carolina], to the extent not preempted by applicable federal law.

Section 15. Effective Date.

The effective date of this Agreement shall be the date and year first above written.

RAYONIER INC.

By: _____
John P. O'Grady
Its: Senior Vice President
Administration

, as Trustee

TRUST AGREEMENT
FOR THE
RAYONIER INC.
SUPPLEMENTAL SENIOR EXECUTIVE
SEVERANCE PAY PLAN
AND
THE CHANGE IN CONTROL AGREEMENT FOR
W. LEE NUTTER
EXECUTIVE SEVERANCE TRUST

This Agreement is made this ___ day of _____, 2001, by and between Rayonier Inc., a North Carolina corporation (the "Company"), and Wachovia Bank, N.A., a national banking association, as trustee hereunder ("Trustee").

WHEREAS, the Company adopted the Rayonier Inc. Supplemental Senior Executive Severance Pay Plan effective March 1, 1994 (the "Supplemental Severance Plan"), and on or about August 16, 2001, entered into the Change in Control Agreement for W. Lee Nutter (the "Change in Control Agreement") (Supplemental Severance Plan and Change in Control Agreement are each sometimes referred to herein as a "Severance Arrangement" and, together, as the "Severance Arrangements");

WHEREAS, the Company has incurred or expects to incur liability under the terms of the Supplemental Severance Plan with respect to the Tier I and Tier II executives participating in the Supplemental Severance Plan as identified on Schedule 1 thereto from time to time (a current copy of which is attached hereto), and also under the terms of the Change in Control Agreement with respect to W. Lee Nutter (herein each, an "Executive" and together, the "Executives");

WHEREAS, the Company wishes to establish a Executive Severance Trust (hereinafter called this "Trust") and to contribute to it assets that shall be held therein, subject to the claims of the Company's creditors in the event of the Company's Insolvency, as herein defined, until paid to or for the benefit of the Executives and their beneficiaries to pay any amounts due to them under the Severance Arrangements (as hereinafter defined, "Severance Payments");

WHEREAS, it is the intention of the Company to make contributions to this Trust to provide itself with a source of funds to provide Severance Payments as herein provided; and

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of each of the Severance Arrangements as an unfunded arrangement maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974.

NOW, THEREFORE, the parties do hereby establish this Trust and agree that this Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment of Trust.

(a) The Company hereby deposits with Trustee in trust the amount of one million dollars (\$1,000,000), which together with the additional amounts to be deposited as provided below, shall become the principal of this Trust to be held, administered and disposed of by Trustee as provided in this Agreement. Terms not otherwise defined herein shall have the meaning set forth in the Supplemental Severance Plan and, in the case of W. Lee Nutter, the Change in Control Agreement.

(b) The Trust hereby established shall be irrevocable.

(c) This Trust is intended to be a grantor trust, of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be construed accordingly.

(d) The principal of this Trust, and any earnings thereon, shall be held separate and apart from other funds of the Company and, subject to Section 8 below, shall be used exclusively for the uses and purposes of the Executives and general creditors, as herein set forth. The Executives and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of this Trust. Any rights created under the Supplemental Severance Plan, Change in Control Agreement and

this Agreement shall be mere unsecured contractual rights of the Executives and their beneficiaries against the Company. Any assets held by this Trust will be subject to the claims of the Company's general creditors under federal and state law in the event of Insolvency, as defined in Section 5 below.

(e) Without limiting the mandatory contribution provision of Section 3, the Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property in trust with Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Agreement. Neither Trustee nor any Executive or beneficiary shall have any right to compel such additional deposits.

Section 2. Addition or Removal of Executives.

(a) At any time prior to a Change in Control, the Company may remove individuals, other than W. Lee Nutter, or include additional individuals as Executives hereunder upon written notice to Trustee together with an amended copy of Schedule 1 to the Supplemental Severance Plan; provided that, removal of the name of an Executive from the Supplemental Severance Plan shall not alone operate to remove the individual as a participant hereunder. Subject to the provisions of Section 13(c) below, the Company has agreed that from and after a Change in Control it shall not be entitled to remove the name of any Executive covered hereunder prior to the time that all amounts due in respect of such Executive under the applicable Severance Arrangement shall have been fully paid to such Executive or his or her beneficiaries.

Section 3. Covered Payments/Additional Contributions.

(a) On the effective date hereof, and no less frequently than annually on or before January 15 of each year thereafter, and at the time of any additional contribution hereunder, the Company shall deliver to Trustee a payment schedule (the "Payment Schedule") that indicates the "Cash Portion" payable in respect of each Executive (and his or her beneficiaries) under the applicable Severance Arrangement and that provides a

formula or other instructions acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the applicable Severance Arrangement), and the time of commencement for payment of such amounts. Upon the effective date hereof, and as necessary or appropriate thereafter, the Company shall deliver to the Trustee a full and complete copy of the Severance Arrangements as they may be in effect from time to time for each Executive.

(b) Not later than the effective time of a Change in Control pursuant to the terms of the applicable Severance Arrangement, the Company shall make additional deposits with the Trustee under this Trust in immediately available funds, in an amount equal to the full maximum amount of the Cash Portion to which each Executive may become entitled in the event of a termination of employment under the applicable Severance Arrangement, together with all the additional payments in respect of tax gross up provided for under the applicable Severance Arrangement, computed on the assumption that all amounts when payable thereunder are parachute payments under Sections 280G and 4999 of the Code. For this purpose, the maximum amount of the Cash Portion shall be computed on the assumption that the bonus payments for the current year will become payable at the 100% rate and that a like amount is earned as a bonus in each subsequent year, as applicable under the particular Severance Arrangement.

(c) Prior to a Change in Control (and following a Change in Control, absent obvious mistake), the entitlement of an Executive or his or her beneficiaries to benefits under the applicable Severance Arrangement shall be determined by the Company or such party as it shall designate under the applicable Severance Arrangement, and, in any event, any claim for benefits shall be considered and reviewed under the procedures set out in the applicable Severance Arrangement.

(d) The Company may make payment of benefits directly to an Executive as they become due under the terms of the Severance Arrangements. The Company shall notify Trustee of its payment of benefits at the time amounts are payable to participants

or their beneficiaries. Upon any such payment, the Company shall provide Trustee with a new Payment Schedule reflecting the payments made by the Company.

(e) Nothing in this Agreement shall serve to relieve the obligations of the Company to make payments under the Severance Arrangements in respect of an Executive prior to the time that any payment has been made to an Executive or his or her beneficiary. If the principal of this Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Severance Arrangements, the company shall make the balance of each such payment as it falls due. Trustee shall notify the Company where principal and earnings are not sufficient.

(f) Immediately upon receipt of deposits hereunder, the Trustee shall send written notice thereof to the trustee under the Rayonier Inc. Legal Resources Trust of such deposit, together with a copy of the then current Payment Schedule in respect of each Executive. The Trustee shall advise the trustee of the Rayonier Inc. Legal Resources Trust as amounts are paid under this Trust and as notice is received from the Company of payments made to Executives covered by this Trust of amounts that could otherwise be payable from this Trust.

Section 4. Payment of Severance Payments to Executives.

Pursuant to the terms of the payment schedules delivered to the Trustee in respect of the Supplemental Severance Plan and the Change in Control Agreement, the Trustee shall direct payment of any Cash Portion due to an Executive or his or her beneficiaries from the assets held in this Trust. Such payments shall be reduced by any payments made directly to an Executive by the Company as provided in Section 3 (c) hereof. The termination of the employment of an Executive following the effective time of a change in control and, in the case of any Executive other than W. Lee Nutter, within two years thereafter shall be deemed conclusive evidence of entitlement of such Executive to the Cash Portion of the Severance Payment.

Section 5. Trustee Responsibility Regarding Payments to Trust

Beneficiary When The Company Is Insolvent.

(a) Trustee shall cease payments hereunder if the Company is Insolvent. The Company shall be considered "Insolvent" for purposes of this Agreement if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of this Trust shall be subject to claims of general creditors of the Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform Trustee in writing of the Company's Insolvency. If a person claiming to be a creditor of the Company alleges in writing to Trustee that the Company has become Insolvent, Trustee shall determine whether the Company is Insolvent and, pending such determination, Trustee shall discontinue Severance Payments to Executives or their beneficiaries.

(2) Unless Trustee has actual knowledge of the Company's Insolvency, or has received notice from the Company or a person claiming to be a creditor alleging that the Company is Insolvent, Trustee shall have no duty to inquire whether the Company is Insolvent. Trustee may in all events rely on such evidence concerning the Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning the Company's solvency.

(3) If at any time Trustee has determined that the Company is Insolvent, Trustee shall discontinue payments hereunder and shall hold the assets of this Trust for the benefit of the Company's general creditors. Nothing in this Agreement shall in any way diminish any rights of Executives or their beneficiaries to pursue their rights

as general creditors of the Company with respect to severance payments due under the Severance Arrangements or otherwise.

(4) Trustee shall resume the payments in accordance with Section 3 of this Agreement only after Trustee has determined that the Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment from this Trust pursuant to this Section 5 and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due under the terms hereof for the period of such discontinuance, less the aggregate amount, if any, paid directly to Executives or their beneficiaries by the Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 6. Payments to the Company.

Except as provided in Section 5 hereof, after a Change in Control, the Company shall have no right or power to direct Trustee to return to the Company or to divert to others any of this Trust assets before all payment of benefits have been made to Executives and their beneficiaries pursuant to the terms of the Severance Arrangements.

Notwithstanding the preceding sentence, in the event of a deposit by the Company with the Trustee under Section 3 as a result of a Change-in-Control based upon a change in the ownership of voting securities of the Company, where a Change-in-Control as a result of a change in the composition of the Board of Directors has not occurred within two years thereafter (or such longer time period during which Severance Payments could become payable under the Severance Arrangements following a Change-in-Control), the Trustee shall return to the Company any amounts deposited with the Trustee in respect of the Change-in-Control; provided that, no one shall have become entitled to any Severance Payment under Section 4 during such time period. Upon any such return of funds to the Company, the Company shall again be obligated to deposit funds under Section 3 upon the occurrence of a subsequent Change-in-Control.

Section 7. Investment Authority.

(a) In no event may Trustee invest in securities (including stock or rights to acquire stock) or obligations issued by the Company, other than a de minimis amount held in common investment vehicles in which Trustee invests. All rights associated with assets of this Trust shall be exercised by Trustee or the person designated by Trustee and shall in no event be exercisable by or rest with the Executives.

(b) The Trustee shall invest the principal of this Trust and any earnings thereon in such short-term investments designed to preserve capital as chosen by the Trustee in the prudent exercise of its fiduciary duty hereunder; provided that, with respect to any deposits made prior to a Change in Control, the Trustee shall invest the Trust principal and earnings in such a manner as directed by the Pension Fund Trust and Investment Committee.

(c) The Company shall have the right, at anytime, and from time to time in its sole discretion, to substitute marketable securities of equal fair market value for any asset held by this Trust; provided that, following a Change in Control, such substitution of assets shall be subject to the acceptance of Trustee.

Section 8. Disposition of Income.

During the term of this Trust prior to a Change in Control, all Distributable Income received by this Trust, net of expenses and taxes, shall be distributed to the Company no less frequently than semi-annually, unless otherwise directed by the Company, and from and after a Change in Control shall be accumulated and reinvested. "Distributable Income" shall mean gain or income actually realized on the amounts held in Trust but only to the extent that the aggregate fair market value of the assets held in Trust following the distribution of such amounts and payment of all expenses of this Trust paid or accrued as of the distribution date not otherwise satisfied by the Company, would equal or exceed the principal amounts deposited by the Company with Trustee under Section 1(a).

Section 9. Accounting by Trustee.

Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between the Company and Trustee. Within 30 days following the close of each calendar year and within 30 days after the removal or resignation of Trustee, Trustee shall deliver to the Company a written account of its administration of this Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in this Trust at the end of such year or as of the date of such removal or resignation, as the case may be.

Section 10. Responsibility of Trustee.

(a) Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Company which is contemplated by, and in conformity with, the terms of the Severance Arrangements or this Trust and is given in writing by the Company. In the event of a dispute between the Company and a party, Trustee may apply to a court of competent jurisdiction to resolve the dispute.

(b) The Company hereby indemnifies Trustee against losses, liabilities, claims, costs and expenses in connection with the administration of this Trust, unless resulting from the gross negligence or willful misconduct of Trustee. To the extent the Company fails to make any payment on account of an indemnity provided in this Section 10(b), in a reasonably timely manner, Trustee may obtain payment from this Trust. If Trustee undertakes or defends any litigation arising in connection with this Trust or to

protect an Executive's or beneficiary's rights under the Severance Arrangements, the Company agrees to advance to Trustee, and to indemnify Trustee against Trustee's costs, reasonable expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If the Company does not pay such costs, expenses and liabilities in a reasonably timely manner, Trustee may obtain payment from this Trust.

(c) Trustee may consult with legal counsel (who may also be counsel for the Company generally) with respect to any of its duties or obligations hereunder. Following a Change in Control, Trustee may select independent legal counsel (which can include its in-house counsel) and may consult with counsel or other experts with respect to its duties and with respect to the rights of Executives and their beneficiaries under the Severance Arrangements.

(d) Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder and in good faith may rely on any determinations made by such agents and information provided to it by the Company.

(e) Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein.

(f) Notwithstanding any powers granted to Trustee pursuant to this Agreement or to applicable law, Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Code.

Section 11. Compensation and Expenses of Trustee and Resignation and

Removal of Trustee.

(a) The Company shall timely pay all administrative and Trustee's fees and expenses. If not so paid, the fees and expenses shall be paid from this Trust.

(b) Prior to a Change in Control, Trustee may resign at any time by written notice to the Company, which shall be effective sixty (60) days after receipt of such notice unless the Company and Trustee agree otherwise. Following a Change in Control, Trustee may resign only after the appointment of a successor Trustee reasonably acceptable to a majority of the Executives hereunder. If Trustee resigns within two years after a Change in Control or if the Company fails to act within a reasonable period of time following such resignation, Trustee shall apply, at the expense of the Company, to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions.

(c) Trustee may be removed by the Company on sixty (60) days notice or upon shorter notice accepted by Trustee prior to a Change in Control. Following a Change in Control, Trustee may only be removed by the Company with the consent of a majority of the Executives hereunder and upon appointment of a qualified successor Trustee hereunder reasonably acceptable to the majority of the Executives hereunder.

(d) Upon resignation or removal of Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed with sixty (60) days after receipt of acceptance of an appointment as trustee by a successor trustee, unless the Company extends the time limit.

(e) If Trustee resigns or is removed, a successor shall be appointed by the Company, in accordance with Section 12 hereof, by the effective date of

resignation or removal under this Section 11. If no such appointment has been made, Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of Trustee in connection with the proceeding shall be allowed as administrative expenses of this Trust.

(f) Any Trustee of any trust created hereunder shall be an institution having total assets under management of at least five hundred million dollars (\$500,000,000) at the time of appointment and at all times thereafter (the "Minimum Assets Requirement"). Should Trustee cease to have total assets of at least five hundred million dollars (\$500,000,000) under management or cease to be so selected, Trustee shall be removed and a successor Trustee appointed in accordance with the provisions of Sections 10 and 11 hereof.

Section 12. Appointment of Successor.

(a) If Trustee resigns or is removed in accordance with Section 11 hereof, the Company may appoint any bank trust department or other party that may be granted corporate trustee powers under state law who meets the Minimum Assets Requirement, as a successor to replace Trustee upon resignation or removal (a "Qualified Trustee"); provided that, following a Change in Control, if Trustee resigns or is removed in accordance with Section 11 the successor trustee shall be reasonably acceptable to a majority of the Executives hereunder at the time. In any such event, the appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in this Trust . The former Trustee shall execute any instrument necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer.

(b) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Sections 9 and 10 hereof. The successor Trustee shall not be responsible for and the Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

(c) The Company shall provide the name of the successor Trustee to each Executive, or if applicable, his or her beneficiaries receiving benefits at the time of the appointment of Trustee.

(d) The Company shall execute such indemnification or other agreement with Trustee as may be reasonably requested and customary for trustees performing services of this kind.

Section 13. Amendment or Termination.

(a) This Agreement may be amended by a written instrument executed by Trustee and the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Severance Arrangements or shall make this Trust revocable after it has become irrevocable in accordance with Section 1 hereof.

(b) Except as provided in Section 13(c), this Trust shall not terminate until the date on which each Executive and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Severance Arrangements and all fees and expenses of this Trust have been paid.

(c) Upon written approval of all Executives and beneficiaries entitled to payment of benefits pursuant to the terms of the Severance Arrangements, the Company may terminate this Trust prior to the time all benefit payments under the Severance Arrangements have been made.

(d) This Agreement may not be amended or terminated by the Company for two (2) years following a Change in Control without the written consent of a majority of the Executives then covered by this Agreement except, if in the opinion of Review Counsel (as such term is defined in Schedule 3 hereto), such amendment is necessary to maintain the tax status of this Trust, the deferred compensation status of the Severance Arrangements, or status of this Trust under the Employee Retirement Income Security Act of 1974 as amended to this Trust.

(e) Upon termination of this Trust any assets remaining in this Trust, after payment of all expenses of this Trust, shall be returned to the Company.

Section 14. Miscellaneous.

(a) Any provision of this Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to any Executive and his or her beneficiaries under this Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, to the extent not preempted by applicable federal law.

Section 15. Effective Date.

The effective date of this Agreement shall be the date and year first above written.

RAYONIER INC.

By: _____
John P. O'Grady
Its: Senior Vice President
Administration

, as Trustee

EXHIBIT 12

RAYONIER INC. AND SUBSIDIARIES

RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited, thousands of dollars)

	Year Ended December 31				
	2001	2000	1999	1998	1997
Earnings:					
Income from continuing operations.....	\$ 57,598	\$ 78,187	\$ 68,653	\$ 63,635	\$ 87,319
Add:					
Income tax.....	24,964	30,458	29,467	26,519	33,328
Minority interest.....	--	--	--	--	25,520
Amortization of capitalized interest.....	2,625	2,578	2,308	2,331	2,067
	85,187	111,223	100,428	92,485	148,234
Adjustments to earnings for fixed charges:					
Interest and other financial charges.....	69,083	85,753	42,193	34,712	25,868
Interest attributable to rentals.....	1,633	1,362	1,367	1,750	1,974
	70,716	87,115	43,560	36,462	27,842
Earnings as adjusted.....	\$155,903	\$198,338	\$143,988	\$128,947	\$176,076
Fixed charges:					
Fixed charges above.....	\$ 70,716	\$ 87,115	\$ 43,560	\$ 36,462	\$ 27,842
Capitalized interest.....	--	--	314	262	5,005
Total fixed charges.....	\$ 70,716	\$ 87,115	\$ 43,874	\$ 36,724	\$ 32,847
Ratio of earnings as adjusted to total fixed charges	2.20	2.28	3.28	3.51	5.36
Effective tax rate.....	30%	28%	30%	29%	28%

Letter from Arthur Andersen LLP to the Securities and Exchange Commission

[Logo of Arthur Andersen LLP]

Office of the Chief Accountant
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

March 20, 2002

Dear Sir/Madam:

We have read Item 9 included in the Form 10-K dated March 20, 2002 of Rayonier Inc. filed with the Securities and Exchange Commission and are in agreement with the statements contained therein.

Very truly yours,

/s/ Arthur Andersen LLP

Exhibit 21

Subsidiaries of Rayonier Inc.

Name of Subsidiary*	State/Country of Incorporation/Organization
-----	-----
EAM Corporation	Delaware
Forestal Rayonier Chile Ltd.	Delaware
RAYAD, Inc.	Delaware
Rayland, LLC	Delaware
Rayonier Australia PTY Ltd.	South Australia
Rayonier Canada Ltd.	Yukon Territory, Canada
Rayonier China Limited	Delaware
Rayonier de Mexico, S.A. de C.V.	Mexico
Rayonier Far East Ltd.	Delaware
Rayonier Foreign Sales Corporation	U.S. Virgin Islands
Rayonier Forest Management, Inc.	Delaware
Rayonier Forest Resources Company	Delaware
The Rayonier Foundation	New York
Rayonier HB Limited	New Zealand
Rayonier Industries Ltd.	New York
Rayonier International Financial Services Limited	New Zealand
Rayonier New Zealand Limited	New Zealand
Rayonier MDF New Zealand	New Zealand
Rayonier New Zealand Services Company	Delaware
Rayonier NZ Holdings Limited	New Zealand
Rayonier NZ Management Limited	New Zealand
Rayonier Products and Financial Services Company	Delaware
Rayonier Pulp Distribution Corp.	Delaware
Rayonier Singapore Limited	Delaware
Rayonier Timberlands Management, Inc.	Delaware
Rayonier Timberlands, L.P.	Delaware
Rayonier Timberlands Operating Company, L.P.	Delaware
Rayonier Wood Products, LLC	Delaware
REMI Environmental, Inc.	Delaware
RLA Trading Corporation	Delaware
Southern Wood Piedmont Company	Delaware
Taiga, Ltd.	Delaware

- - - - -
 *Each of these subsidiaries may conduct business under the name of "Rayonier."

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K into the Company's previously filed Registration Statement on Form S-3 (File No. 333-52857).

Arthur Andersen LLP

Jacksonville, Florida
March 15, 2002

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Hans E. Vanden Noort, Jill Witter and W. Edwin Frazier, III 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 with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: 1/24/02

/s/ Rand V. Araskog

Rand V. Araskog

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Hans E. Vanden Noort, Jill Witter and W. Edwin Frazier, III 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 with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: 1/30/02

/s/ Ronald M. Gross

Ronald M. Gross

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Hans E. Vanden Noort, Jill Witter and W. Edwin Frazier, III 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 with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: 1/19/02

/s/ Paul G. Kirk, Jr.

Paul G. Kirk, Jr.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Hans E. Vanden Noort, Jill Witter and W. Edwin Frazier, III 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 with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: 1/22/02

/s/ Katherine D. Ortega

Katherine D. Ortega

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Hans E. Vanden Noort, Jill Witter and W. Edwin Frazier, III 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 with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: 1/18/02

/s/ Burnell R. Roberts

Burnell R. Roberts

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Hans E. Vanden Noort, Jill Witter and W. Edwin Frazier, III 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 with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: 1/17/02

/s/ Carl S. Sloane

Carl S. Sloane

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Hans E. Vanden Noort, Jill Witter and W. Edwin Frazier, III 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 with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: 2/1/02

/s/ Ronald Townsend

Ronald Townsend

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Hans E. Vanden Noort, Jill Witter and W. Edwin Frazier, III 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 with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: 1/19/02

/s/ Gordon I. Ulmer

Gordon I. Ulmer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Hans E. Vanden Noort, Jill Witter and W. Edwin Frazier, III 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 with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: January 23, 2002

/s/ W. Lee Nutter

W. Lee Nutter

Office of the Chief Accountant
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington D.C. 20549

March 20, 2002

Dear Sir/Madam:

In connection with our filing of Rayonier's Annual Report on Form 10-K for the year ended December 31, 2001, Arthur Andersen LLP ("Andersen") has represented to us, by letter dated March 15, 2002, that the audit was subject to Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Andersen personnel working on the audit, availability of national office consultation and availability of personnel at foreign affiliates of Andersen to conduct the relevant portions of the audit.

Very truly yours,

/s/HANS E. VANDEN NOORT

Hans E. Vanden Noort
Vice President and
Corporate Controller