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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017

OR

o 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

225 WATER STREET, SUITE 1400
JACKSONVILLE, FL 32202
(Principal Executive Office)

Telephone Number: (904) 357-9100

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO o

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

Large accelerated filer x	Accelerated filer o	
Non-accelerated filer o	Smaller reporting company o	Emerging growth company o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

As of April 28, 2017, there were outstanding 128,827,667 Common Shares of the registrant.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended March 31,	
	2017	**2016**
SALES	$186,512	$134,843
Costs and Expenses		
Cost of sales	136,413	107,971
Selling and general expenses	9,590	9,779
Other operating income, net (Note 14)	(8,752)	(5,904)
	137,251	111,846
OPERATING INCOME	49,261	22,997
Interest expense	(8,415)	(7,098)
Interest income and miscellaneous income (expense), net	518	(1,622)
INCOME BEFORE INCOME TAXES	41,364	14,277
Income tax (expense) benefit	(6,281)	781
NET INCOME	35,083	15,058
Less: Net income attributable to noncontrolling interest	1,240	586
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	33,843	14,472
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment, net of income tax expense of $0 and $0	2,432	2,804
Cash flow hedges, net of income tax (expense) benefit of ($32) and $432	2,553	(13,774)
Amortization of pension and postretirement plans, net of income tax expense of $0 and $0	116	617
Total other comprehensive income (loss)	5,101	(10,353)
COMPREHENSIVE INCOME	40,184	4,705
Less: Comprehensive income (loss) attributable to noncontrolling interest	1,651	(3,749)
COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.	$38,533	$8,454
EARNINGS PER COMMON SHARE (Note 10)		
Basic earnings per share attributable to Rayonier Inc.	$0.27	$0.12
Diluted earnings per share attributable to Rayonier Inc.	$0.27	$0.12
Dividends declared per share	$0.25	$0.25

See Notes to Consolidated Financial Statements.

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

	March 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$219,357	$85,909
Accounts receivable, less allowance for doubtful accounts of $33 and $33	33,434	20,664
Insurance settlement receivable (Note 8)	73,000	—
Inventory (Note 15)	27,155	21,379
Prepaid expenses	14,723	11,807
Assets held for sale (Note 17)	9,006	23,171
Other current assets	8,247	1,874
Total current assets	384,922	164,804
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	2,280,814	2,291,015
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 5)	73,713	70,374
PROPERTY, PLANT AND EQUIPMENT		
Land	2,279	2,279
Buildings	8,094	7,990
Machinery and equipment	4,690	4,658
Construction in progress	11,013	8,170
Total property, plant and equipment, gross	26,076	23,097
Less — accumulated depreciation	(9,227)	(9,063)
Total property, plant and equipment, net	16,849	14,034
RESTRICTED CASH (Note 16)	111,276	71,708
OTHER ASSETS	51,336	73,825
TOTAL ASSETS	$2,918,910	$2,685,760
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$30,956	$22,337
Insurance settlement payable (Note 8)	73,740	—
Current maturities of long-term debt	42,926	31,676
Accrued taxes	3,348	2,657
Accrued payroll and benefits	3,079	9,277
Accrued interest	8,321	5,340
Other current liabilities	20,572	20,679
Total current liabilities	182,942	91,966
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	1,028,068	1,030,205
PENSION AND OTHER POSTRETIREMENT BENEFITS (Note 13)	31,718	31,856
OTHER NON-CURRENT LIABILITIES	28,888	34,981
COMMITMENTS AND CONTINGENCIES (Notes 6 and 8)		
SHAREHOLDERS' EQUITY		
Common Shares, 480,000,000 shares authorized, 128,760,051 and 122,904,368 shares issued and outstanding	865,343	709,867
Retained earnings	689,612	700,887
Accumulated other comprehensive income	5,545	856
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,560,500	1,411,610
Noncontrolling interest	86,794	85,142
TOTAL SHAREHOLDERS' EQUITY	1,647,294	1,496,752
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,918,910	$2,685,760

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands, except share data)

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interest	Shareholders' Equity
	Shares	Amount				
Balance, December 31, 2015	122,770,217	$708,827	$612,760	($33,503)	$73,656	$1,361,740
Net income	—	—	211,972	—	5,798	217,770
Dividends ($1.00 per share)	—	—	(123,155)	—	—	(123,155)
Issuance of shares under incentive stock plans	179,743	1,576	—	—	—	1,576
Stock-based compensation	—	5,136	—	—	—	5,136
Repurchase of common shares	(45,592)	(178)	(690)	—	—	(868)
Actuarial change and amortization of pension and postretirement plan liabilities	—	—	—	5,533	—	5,533
Foreign currency translation adjustment	—	—	—	2,780	3,542	6,322
Cash flow hedges	—	—	—	22,608	214	22,822
Recapitalization of New Zealand Joint Venture	—	(5,398)	—	3,438	1,960	—
Recapitalization costs	—	(96)	—	—	(28)	(124)
Balance, December 31, 2016	122,904,368	$709,867	$700,887	$856	$85,142	$1,496,752
Cumulative-effect adjustment due to adoption of ASU No. 2016-16	—	—	(14,365)	—	—	(14,365)
Net income	—	—	33,843	—	1,240	35,083
Dividends ($0.25 per share)	—	—	(30,753)	—	—	(30,753)
Issuance of shares under incentive stock plans	105,981	2,251	—	—	—	2,251
Stock-based compensation	—	880	—	—	—	880
Repurchase of common shares	(298)	—	—	—	—	—
Amortization of pension and postretirement plan liabilities	—	—	—	116	—	116
Foreign currency translation adjustment	—	—	—	2,002	430	2,432
Cash flow hedges	—		—	2,571	(18)	2,553
Issuance of shares under equity offering, net of costs	5,750,000	152,345	—	—	—	152,345
Balance, March 31, 2017	128,760,051	$865,343	$689,612	$5,545	$86,794	$1,647,294

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2017	**2016**
OPERATING ACTIVITIES		
Net income	$35,083	$15,058
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	30,773	29,342
Non-cash cost of land and improved development	4,479	4,108
Stock-based incentive compensation expense	880	839
Deferred income taxes	5,989	(545)
Amortization of losses from pension and postretirement plans	116	617
Gain on sale of large disposition of timberlands	(28,188)	—
Other	2,306	(1,081)
Changes in operating assets and liabilities:		
Receivables	(11,442)	(6,904)
Inventories	(3,481)	(4,619)
Accounts payable	5,886	1,369
Income tax receivable/payable	(126)	(98)
All other operating activities	(8,332)	(7,051)
CASH PROVIDED BY OPERATING ACTIVITIES	33,943	31,035
INVESTING ACTIVITIES		
Capital expenditures	(14,362)	(13,298)
Real estate development investments	(2,185)	(1,685)
Purchase of timberlands	(11,293)	(14,323)
Net proceeds from large disposition of timberlands	42,034	—
Rayonier office building under construction	(2,604)	(186)
Change in restricted cash	(39,568)	10,613
Other	(5,617)	(1,404)
CASH USED FOR INVESTING ACTIVITIES	(33,595)	(20,283)
FINANCING ACTIVITIES		
Issuance of debt	29,719	285,552
Repayment of debt	(20,530)	(240,752)
Dividends paid	(30,618)	(30,675)
Proceeds from the issuance of common shares under incentive stock plan	2,251	18
Proceeds from the issuance of common shares from equity offering, net of costs	152,345	—
Repurchase of common shares made under share repurchase program	—	(690)
Other	—	(16)
CASH PROVIDED BY FINANCING ACTIVITIES	133,167	13,437
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(67)	238
CASH AND CASH EQUIVALENTS		
Change in cash and cash equivalents	133,448	24,427
Balance, beginning of year	85,909	51,777
Balance, end of period	$219,357	$76,204
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period:		
Interest (a)	$3,695	$5,808
Income taxes	214	119
Non-cash investing activity:		
Capital assets purchased on account	5,430	2,725

(a) Interest paid is presented net of patronage payments received of $3.0 million and $0.4 million for the three months ended March 31, 2017 and March 31, 2016, respectively. For additional information on patronage payments, see Note 5 — Debt in the 2016 Form 10-K.

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

1. BASIS OF PRESENTATION

Basis of Presentation

The unaudited consolidated financial statements and notes thereto of Rayonier Inc. and its subsidiaries (“Rayonier” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of management, these financial statements and notes reflect all adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the financial statements and supplementary data included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC (the “2016 Form 10-K”).

Recently Adopted Standards

In October 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory*, stating entities should recognize income tax consequences of intra-entity transfers of assets other than inventory in the period in which they occur. As such, the Company is required to apply the changes on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU No. 2016-16 is effective for annual periods beginning after December 15, 2017 with early adoption permitted at the beginning of an annual period for which financial statements have not been issued. Rayonier early adopted ASU No. 2016-16 in this quarterly report on Form 10-Q. See Note 7 — *Income Taxes* for additional information.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This update simplifies the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU No. 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Rayonier adopted ASU No. 2016-09 during the first quarter ended March 31, 2017. Upon adoption, additional excess tax benefits and tax deficiencies are recorded to “Income tax (expense) benefit” in the Consolidated Statements of Income and Comprehensive Income, forfeitures are accounted for when they occur and cash paid by Rayonier when directly withholding shares for tax withholding purposes are classified as a financing activity within the statement of cash flows. The adoption of this standard did not have a material impact on the consolidated financial statements.

New Accounting Standards

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Rayonier intends to adopt ASU No. 2016-18 in the Company’s first quarter 2018 Form 10-Q. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU No. 2016-15 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. ASU No. 2016-15 is required to be applied retrospectively to all periods presented beginning in the period of adoption. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases on their balance sheets related to the rights and obligations created by those leases. ASU No. 2016-02 also requires additional qualitative and quantitative disclosures related to the nature, timing and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. ASU No. 2016-02 is required to be applied retrospectively to all periods presented beginning in the period of adoption. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In May 2014, the FASB and International Accounting Standards Board ("IASB") jointly issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, a comprehensive new revenue recognition standard that will supersede current revenue recognition guidance. The guidance provides a unified model to determine when and how revenue is recognized and will require enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers - Deferral of the Effective Date*. ASU No. 2015-14 provides a one-year deferral of the effective date of the new standard, with an option for organizations to adopt early based on the original effective date. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing*. The update clarifies the guidance for identifying performance obligations. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. The update clarifies the guidance for assessing collectibility, presenting sales taxes and other similar taxes collected from customers, noncash consideration, contract modifications at transition, completed contracts at transition and disclosing the accounting change in the period of adoption. In February 2017, the FASB issued ASU No. 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.* The update clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. This standard will be effective for Rayonier beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements and has completed a preliminary analysis of the specific impacts to the Southern Timber, Pacific Northwest Timber, New Zealand Timber and Real Estate segments.

Subsequent Events

Acquisition of 94,400 acres of coastal Florida, Georgia and South Carolina timberland

In April 2017, the Company completed two separate transactions for the purchase of approximately 94,400 acres of timberland in coastal Florida, Georgia and South Carolina. The final aggregate purchase price of these two transactions, along with a 700 acre transaction that closed in March 2017, was approximately $214 million, or $2,250 per acre. These previously-announced acquisitions were made with proceeds from an equity offering completed in March 2017 and like-kind exchange proceeds from real estate and timberland sales.

2. JOINT VENTURE INVESTMENT

Matariki Forestry Group

The Company maintains a controlling financial interest in Matariki Forestry Group (the "New Zealand JV"), a joint venture that owns or leases approximately 0.4 million legal acres of New Zealand timberland. Accordingly, the Company consolidates the New Zealand JV's balance sheet and results of operations. The portions of the consolidated financial position and results of operations attributable to the New Zealand JV's 23% noncontrolling interest are shown separately within the Consolidated Statements of Income and Comprehensive Income and Consolidated Statements of Shareholders' Equity. Rayonier New Zealand Limited ("RNZ"), a wholly-owned subsidiary of Rayonier Inc., serves as the manager of the New Zealand JV.

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

3. SEGMENT AND GEOGRAPHICAL INFORMATION

Sales between operating segments are made based on estimated fair market value and intercompany sales, purchases and profits (losses) are eliminated in consolidation. The Company evaluates financial performance based on segment operating income and Adjusted EBITDA. Asset information is not reported by segment, as the Company does not produce asset information by segment internally.

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

The following tables summarize the segment information for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
SALES	**2017**	**2016**
Southern Timber	$32,715	$44,740
Pacific Northwest Timber	24,792	19,309
New Zealand Timber	40,740	36,023
Real Estate (a)	54,289	13,363
Trading	33,976	21,408
Total	$186,512	$134,843

(a) The three months ended March 31, 2017 includes $42.0 million from Large Dispositions.

	Three Months Ended March 31,	
OPERATING INCOME (LOSS)	**2017**	**2016**
Southern Timber	$13,939	$15,753
Pacific Northwest Timber	(878)	1,385
New Zealand Timber	10,243	4,744
Real Estate (a)	29,665	4,225
Trading	1,097	350
Corporate and other	(4,805)	(3,460)
Total Operating Income	49,261	22,997
Unallocated interest expense and other	(7,897)	(8,720)
Total Income before Income Taxes	$41,364	$14,277

(a) The three months ended March 31, 2017 includes $28.2 million from Large Dispositions.

(Dollar amounts in thousands unless otherwise stated)

DEPRECIATION, DEPLETION AND AMORTIZATION	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Southern Timber	$12,452	$16,556
Pacific Northwest Timber	10,210	4,639
New Zealand Timber	5,407	4,860
Real Estate (a)	10,707	3,203
Trading	—	—
Corporate and other	100	84
Total	$38,876	$29,342

(a) The three months ended March 31, 2017 includes $8.1 million from Large Dispositions.

NON-CASH COST OF LAND AND IMPROVED DEVELOPMENT	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Southern Timber	—	—
Pacific Northwest Timber	—	—
New Zealand Timber	—	1,824
Real Estate (a)	10,222	2,284
Trading	—	—
Corporate and other	—	—
Total	$10,222	$4,108

(a) The three months ended March 31, 2017 includes $5.7 million from Large Dispositions.

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

4. DEBT

Rayonier's debt consisted of the following at March 31, 2017:

	March 31, 2017
Term Credit Agreement borrowings due 2024 at a variable interest rate of 2.5% at March 31, 2017 (a)	$350,000
Senior Notes due 2022 at a fixed interest rate of 3.75%	325,000
Incremental Term Loan Agreement borrowings due 2026 at a variable interest rate of 2.7% at March 31, 2017 (b)	300,000
Mortgage Notes due 2017 at fixed interest rates of 4.35%	31,601
Revolving Credit Facility borrowings due 2020 at an average variable interest rate of 2.2% at March 31, 2017	40,000
New Zealand JV Working Capital Facility due 2017 at an average variable interest rate of 2.6% at March 31, 2017	11,325
New Zealand JV noncontrolling interest shareholder loan at 0% interest rate	16,486
Total debt	1,074,412
Less: Current maturities of long-term debt	(42,926)
Less: Deferred financing costs	(3,418)
Long-term debt, net of deferred financing costs	$1,028,068

(a) As of March 31, 2017, the periodic interest rate on the term loan facility was LIBOR plus 1.625%. The Company estimates the effective fixed interest rate on the term loan facility to be approximately 3.3% after consideration of interest rate swaps and estimated patronage refunds.

(b) As of March 31, 2017, the periodic interest rate on the incremental term loan was LIBOR plus 1.900%. The Company estimates the effective fixed interest rate on the incremental term loan facility to be approximately 2.8% after consideration of interest rate swaps and estimated patronage refunds.

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

2017 (a)	42,825
2018	—
2019	—
2020	40,000
2021	—
Thereafter	991,486
Total Debt	$1,074,311

(a) The mortgage notes due in 2017 were recorded at a premium of $0.1 million as of March 31, 2017. Upon maturity the liability will be $31.5 million.

2017 Debt Activity

During the three months ended March 31, 2017, the Company made additional borrowings of $15.0 million on the Revolving Credit Facility. Proceeds from the additional borrowings were used to repay the $15.0 million solid waste bonds that were due in 2020. As of March 31, 2017, the Company had available borrowings of $154.6 million under the Revolving Credit Facility, net of $5.4 million to secure its outstanding letters of credit.

In addition, the New Zealand JV made $11.3 million of borrowings, net of repayments and changes in exchange rates, on the working capital facility (the "New Zealand JV Working Capital Facility"). As of March 31, 2017, draws totaling NZ$23.8 million remain available on the working capital facilities. The New Zealand JV also paid $2.5 million of its shareholder loan held with the non-controlling interest party during the three months ended March 31, 2017. Changes in exchange rates increased debt on a U.S. dollar basis for its shareholder loan by $0.2 million.

(Dollar amounts in thousands unless otherwise stated)

Debt Covenants

In connection with the Company's $350 million term credit agreement (the "Term Credit Agreement"), $300 million incremental term loan agreement ("the Incremental Term Loan Agreement") and $200 million revolving credit facility ("the Revolving Credit Facility"), customary covenants must be met, the most significant of which include interest coverage and leverage ratios.

In addition to these financial covenants listed above, the Mortgage Notes, Senior Notes, Term Credit Agreement, Incremental Term Loan Agreement and Revolving Credit Facility include customary covenants that limit the incurrence of debt and the disposition of assets, among others. At March 31, 2017, the Company was in compliance with all applicable covenants.

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

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

An analysis of higher and better use timberlands and real estate development costs from December 31, 2016 to March 31, 2017 is shown below:

	Higher and Better Use Timberlands and Real Estate Development Investments		
	Land and Timber	Development Investments	Total
Non-current portion at December 31, 2016	$59,956	$10,418	$70,374
Plus: Current portion (a)	5,096	11,963	17,059
Total Balance at December 31, 2016	65,052	22,381	87,433
Non-cash cost of land and improved development	(438)	(8)	(446)
Timber depletion from harvesting activities and basis of timber sold in real estate sales	(359)	—	(359)
Capitalized real estate development investments (b)	—	2,185	2,185
Capital expenditures (silviculture)	88	—	88
Intersegment transfers	4,144	—	4,144
Total Balance at March 31, 2017	68,487	24,558	93,045
Less: Current portion (a)	(5,678)	(13,654)	(19,332)
Non-current portion at March 31, 2017	$62,809	$10,904	$73,713

(a) The current portion of Higher and Better Use Timberlands and Real Estate Development Investments is recorded in Inventory. See Note 15 — *Inventory* for additional information.

(b) Capitalized real estate development investments includes $0.1 million of capitalized interest.

(Dollar amounts in thousands unless otherwise stated)

6. COMMITMENTS

The Company leases certain buildings, machinery, and equipment under various operating leases. The Company also has long-term lease agreements on certain timberlands in the Southern U.S. and New Zealand. U.S. leases typically have initial terms of approximately 30 to 65 years, with renewal provisions in some cases. New Zealand timberland lease terms range between 30 and 99 years. Such leases are generally non-cancellable and require minimum annual rental payments.

At March 31, 2017, the future minimum payments under non-cancellable operating leases, timberland leases and other commitments were as follows:

	Operating Leases	Timberland Leases (a)	Commitments (b)	Total
Remaining 2017	$1,300	$7,209	$8,561	$17,070
2018	1,022	9,163	7,181	17,366
2019	813	8,688	7,174	16,675
2020	639	8,284	7,174	16,097
2021	554	8,342	7,174	16,070
Thereafter (c)	1,187	152,075	22,223	175,485
	$5,515	$193,761	$59,487	$258,763

(a) The majority of timberland leases are subject to increases or decreases based on either the Consumer Price Index, Producer Price Index or market rates.

(b) Commitments include payments expected to be made on derivative financial instruments (foreign exchange contracts and interest rate swaps) and construction of the Company’s office building.

(c) Includes 20 years of future minimum payments for perpetual Crown Forest Licenses (“CFL”). A CFL consists of a license to use public or government owned land to operate a commercial forest. The CFL's extend indefinitely and may only be terminated upon a 35-year termination notice from the government. If no termination notice is given, the CFLs renew automatically each year for a one-year term. As of March 31, 2017, the New Zealand JV has four CFL’s under termination notice, two that are currently being relinquished as harvest activities are concluding, one each in 2034 and 2044, as well as two fixed term CFL’s expiring in 2062. The annual license fee is determined based on current market rental value, with triennial rent reviews.

7. INCOME TAXES

The operations conducted by the Company's REIT entities are generally not subject to U.S. federal and state income tax. The New Zealand JV is subject to corporate level tax in New Zealand. Non-REIT qualifying operations are conducted by the Company's TRS. The primary businesses performed in Rayonier's TRS include log trading and certain real estate activities, such as the sale and entitlement of development HBU properties. For the three months ended March 31, 2017, the Company recorded income tax expense of $6.3 million. For the three months ended March 31, 2016, income tax benefit was $0.8 million.

Provision for Income Taxes

The Company's effective tax rate is below the 35.0% U.S. statutory rate due to tax benefits associated with being a REIT. The Company's annualized effective tax rate ("AETR") for the three months ended March 31, 2017 and March 31, 2016 was 15.6% and (5.5)%, respectively. The increase in income tax expense, and the corresponding AETR for the three months ended March 31, 2017, is principally related to the New Zealand JV.

In accordance with GAAP, the Company recognizes the impact of a tax position if a position is "more-likely-than-not" to prevail. For the three months ended March 31, 2017, there were no material changes in uncertain tax positions.

Prepaid Taxes

In the first quarter 2017, the Company early adopted ASU No. 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory.* ASU No. 2016-16 requires income tax consequences of intra-entity transfers of assets other than inventory be recognized in the period in which they occur. See Note 1 — *Basis of Presentation.* As a result, a cumulative-effect adjustment to retained earnings was recorded for the long-term prepaid federal income tax of $14.4 million related to recognized built-in gains on 2006, 2008 and 2010 intercompany sales of timberlands between the REIT and the TRS. Taxes for the transactions were paid at the time of sale, but the gain and income tax expense were deferred. See the Consolidated Statement of Shareholders' Equity for the cumulative-effect adjustment to retained earnings due to the adoption of this standard.

8. CONTINGENCIES

Following the Company's November 10, 2014 earnings release and filing of the restated interim financial statements for the quarterly periods ended March 31, 2014 and June 30, 2014 (the "November 2014 Announcement"), shareholders of the Company filed five putative class actions against the Company and Paul G. Boynton, Hans E. Vanden Noort, David L. Nunes, and H. Edwin Kiker arising from circumstances described in the November 2014 Announcement, entitled respectively:

- *Sating v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01395, filed November 12, 2014 in the United States District Court for the Middle District of Florida;
- *Keasler v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01398, filed November 13, 2014 in the United States District Court for the Middle District of Florida;
- *Lake Worth Firefighters' Pension Trust Fund v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01403, filed November 13, 2014 in the United States District Court for the Middle District of Florida;
- *Christie v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01429, filed November 21, 2014 in the United States District Court for the Middle District of Florida; and
- *Brown v. Rayonier Inc. et al*, Civil Action No. 1:14-cv-08986, initially filed in the United States District Court for the Southern District of New York and later transferred to the United States District Court for the Middle District of Florida and assigned as Civil Action No. 3:14-cv-01474.

On January 9, 2015, the five securities actions were consolidated into one putative class action entitled *In re Rayonier Inc. Securities Litigation*, Case No. 3:14-cv-01395-TJC-JBT, in the United States District Court for the Middle District of Florida. The plaintiffs alleged that the defendants made false and/or misleading statements in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The plaintiffs sought unspecified monetary damages and attorneys' fees and costs. Two shareholders, the Pension Trust Fund for Operating Engineers and the Lake Worth Firefighters' Pension Trust Fund moved for appointment as lead plaintiff on January 12, 2015, which was granted on February 25, 2015. On April 7, 2015, the plaintiffs filed a Consolidated Class Action Complaint (the "Consolidated Complaint"). In the Consolidated Complaint, plaintiffs added allegations as to and added as a defendant N. Lynn Wilson, a former officer of Rayonier. With the filing of the Consolidated Complaint, David L. Nunes and H. Edwin Kiker were dropped from the case as defendants. Defendants timely filed Motions to Dismiss the Consolidated Complaint on May 15, 2015. After oral argument on Defendants' motions on August 25, 2015, the Court dismissed the Consolidated Complaint without prejudice, allowing plaintiffs leave to refile. Plaintiffs filed the Amended Consolidated Class Action Complaint (the "Amended Complaint") on September 25, 2015, which continued to assert claims against the Company, as well as Ms. Wilson and Messrs. Boynton and Vanden Noort. Defendants timely filed Motions to Dismiss the Amended Complaint on October 26, 2015. The court denied those motions on May 20, 2016. At December 31, 2016, the case continued to be in the discovery phase and the Company could not determine whether there was a reasonable likelihood a material loss had been incurred nor could the range of any such loss be estimated. On March 13, 2017, the Company reached an agreement in principle to settle the case and all parties executed a term sheet memorializing such agreement. The parties executed and filed with the Court the Stipulation and Agreement of Settlement on April 12, 2017 (the "Settlement Agreement"), which the Settlement Agreement included the material terms contained in the term sheet executed on March 13. Pursuant to the terms of the Settlement Agreement, which is subject to Court approval and requests for exclusion by members of the settlement class, the Company agreed to cause certain of its directors' and officers' liability insurance carriers to fund a settlement payment to the class of $73 million. In connection with the settlement, the Company agreed to reimburse one of its insurance carriers approximately $740,000 for certain disputed pre-litigation expenses, which reimbursement is expected to be made in the first half of 2017. The amounts agreed to on March 13, 2017, including the realized amount to be funded by the insurance carriers, were reflected in the Company's Consolidated Financial Statements as of March 31, 2017.

(Dollar amounts in thousands unless otherwise stated)

On November 26, 2014, December 29, 2014, January 26, 2015, February 13, 2015, and May 12, 2015, the Company received separate letters from shareholders requesting that the Company investigate or pursue derivative claims against certain officers and directors related to the November 2014 Announcement. Although these demands do not identify any claims against the Company, the Company has certain obligations to advance expenses and provide indemnification to certain current and former officers and directors of the Company. The Company has also incurred expenses as a result of costs arising from the investigation of the claims alleged in the various demands. At this preliminary stage, the ultimate outcome of these matters cannot be predicted, nor can the range of potential expenses the Company may incur as a result of the obligations identified above be estimated.

The Company has also been named as a defendant in various other lawsuits and claims arising in the normal course of business. While the Company has procured reasonable and customary insurance covering risks normally occurring in connection with its businesses, it has in certain cases retained some risk through the operation of self-insurance, primarily in the areas of workers' compensation, property insurance and general liability. These pending lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flow.

9. GUARANTEES

The Company provides financial guarantees as required by creditors, insurance programs, and various governmental agencies.

As of March 31, 2017, the following financial guarantees were outstanding:

Financial Commitments	Maximum Potential Payment	Carrying Amount of Associated Liability
Standby letters of credit (a)	$5,366	—
Guarantees (b)	2,254	43
Surety bonds (c)	683	—
Total financial commitments	$8,303	$43

(a) Approximately $3.8 million of the standby letters of credit serve as credit support for infrastructure at the Company's Wildlight development project. The remaining letters of credit support various insurance related agreements, primarily workers' compensation. These letters of credit will expire at various dates during 2017 and will be renewed as required.

(b) In conjunction with a timberland sale and note monetization in 2004, the Company issued a make-whole agreement pursuant to which it guaranteed $2.3 million of obligations of a special-purpose entity that was established to complete the monetization. At March 31, 2017, the Company has a de minimis liability to reflect the fair market value of its obligation to perform under the make-whole agreement.

(c) Rayonier issues surety bonds primarily to secure timber harvesting obligations in the State of Washington and to provide collateral for the Company's workers' compensation self-insurance program in that state. Rayonier has also obtained performance bonds to secure the development activity at the Company's Wildlight development project. These surety bonds expire at various dates during 2017 and 2018 and are expected to be renewed as required.

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

10. EARNINGS PER COMMON SHARE

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

	Three Months Ended March 31,	
	2017	**2016**
Net Income	$35,083	$15,058
Less: Net income attributable to noncontrolling interest	1,240	586
Net income attributable to Rayonier Inc.	$33,843	$14,472
Shares used for determining basic earnings per common share	123,587,901	122,556,239
Dilutive effect of:		
Stock options	106,690	53,526
Performance and restricted shares	228,275	35,124
Shares used for determining diluted earnings per common share	123,922,866	122,644,889
Basic earnings per common share attributable to Rayonier Inc.:	$0.27	$0.12
Diluted earnings per common share attributable to Rayonier Inc.:	$0.27	$0.12

	Three Months Ended March 31,	
	2017	**2016**
Anti-dilutive shares excluded from the computations of diluted earnings per share:		
Stock options, performance and restricted shares	592,653	1,095,453
Total	592,653	1,095,453

11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to market risk related to potential fluctuations in foreign currency exchange rates and interest rates. The Company uses derivative financial instruments to mitigate the financial impact of exposure to these risks.

Accounting for derivative financial instruments is governed by ASC Topic 815, *Derivatives and Hedging*, ("ASC 815"). In accordance with ASC 815, the Company records its derivative instruments at fair value as either assets or liabilities in the Consolidated Balance Sheets. Changes in the instruments' fair value are accounted for based on their intended use. Gains and losses on derivatives that are designated and qualify for cash flow hedge accounting are recorded as a component of accumulated other comprehensive income ("AOCI") and reclassified into earnings when the hedged transaction materializes. Gains and losses on derivatives that are designated and qualify for net investment hedge accounting are recorded as a component of AOCI and will not be reclassified into earnings until the Company's investment in its New Zealand operations is partially or completely liquidated. The ineffective portion of any hedge, changes in the fair value of derivatives not designated as hedging instruments and those which are no longer effective as hedging instruments, are recognized immediately in earnings. The Company's hedge ineffectiveness was de minimis for all periods presented.

Foreign Currency Exchange and Option Contracts

The functional currency of Rayonier's wholly owned subsidiary, Rayonier New Zealand Limited, and the New Zealand JV is the New Zealand dollar. The New Zealand JV is exposed to foreign currency risk on export sales and ocean freight payments which are mainly denominated in U.S. dollars. The New Zealand JV typically hedges 35% to 90% of its estimated foreign currency exposure with respect to the following three months forecasted sales and purchases, 25% to 75% of forecasted sales and purchases for the forward three to 12 months and up to 50% of the forward 12 to 18 months. Foreign currency exposure from the New Zealand JV's trading operations is typically hedged based on the following three months forecasted sales and purchases. As of March 31, 2017, foreign currency exchange contracts and foreign currency option contracts had maturity dates through February 2019 and August 2018, respectively.

Foreign currency exchange and option contracts hedging foreign currency risk on export sales and ocean freight payments qualify for cash flow hedge accounting. The fair value of foreign currency exchange contracts is determined by a mark-to-market valuation which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. The fair value of foreign currency option contracts is based on a mark-to-market calculation using the Black-Scholes option pricing model.

The Company may de-designate these cash flow hedge relationships in advance or at the occurrence of the forecasted transaction. The portion of gains or losses on the derivative instrument previously accumulated in other comprehensive income for de-designated hedges remains in accumulated other comprehensive income until the forecasted transaction affects earnings. Changes in the value of derivative instruments after de-designation are recorded in earnings.

In March 2017, the Company purchased foreign exchange forward contracts (notional amount of $11.3 million) to mitigate the risk of fluctuations in foreign exchange rates when making shareholder loan payments which are denominated in U.S. dollars. For additional information on the shareholder loan see Note 4 — *Debt*. The New Zealand JV typically hedges 75% to 100% of its estimated foreign currency exposure with respect to the following three months forecasted distributions, up to 75% of forecasted distributions for the forward three to six months and up to 50% of the forward six to 12 months. As of March 31, 2017, the change in fair value of the foreign exchange forward contracts of $0.1 million was recorded in "Interest income and miscellaneous (income) expense, net" as it did not qualify for hedge accounting treatment.

Interest Rate Swaps

The Company is exposed to cash flow interest rate risk on its variable-rate Term Credit Agreement and Incremental Term Loan Agreement (as discussed below), and uses variable-to-fixed interest rate swaps to hedge this exposure. For these derivative instruments, the Company reports the gains/losses from the fluctuations in the fair market value of the hedges in AOCI and reclassifies them to earnings as interest expense in the same period in which the hedged interest payments affect earnings.

In August 2015, the Company entered into a nine-year interest rate swap agreement for a notional amount of $170 million. This swap agreement fixes the variable portion of the interest rate on the Term Credit Agreement borrowings due 2024 from LIBOR to an average rate of 2.20%. Together with the bank margin of 1.63%, this results in a rate of 3.83% before estimated patronage payments. This derivative instrument has been designated as an interest rate cash flow hedge and qualifies for hedge accounting.

RAYONIER INC. AND SUBSIDIARIES
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Also, in August 2015, the Company entered into a nine-year forward interest rate swap agreement with a start date in April 2016 for a notional amount of $180 million. This swap agreement fixes the variable portion of the interest rate on the Term Credit Agreement borrowings due 2024 from LIBOR to an average rate of 2.35%. Together with the bank margin of 1.63%, this results in a rate of 3.97% before estimated patronage payments. This derivative instrument has been designated as an interest rate cash flow hedge and qualifies for hedge accounting.

In April 2016, the Company entered into two 10-year interest rate swap agreements, each for a notional amount of $100 million. These swap agreements fix the variable portion of the interest rate on the Incremental Term Loan borrowings due 2026 to an average rate of 1.60%. Together with the bank margin of 1.90%, this results in a rate of 3.50% before estimated patronage payments. These derivative instruments have been designated as interest rate cash flow hedges and qualify for hedge accounting.

In July 2016, the Company entered into an interest rate swap agreement for a notional amount of $100 million through May 2026. This swap agreement fixes the variable portion of the interest rate on the Incremental Term Loan borrowings due 2026 from LIBOR to an average rate of 1.26%. Together with the bank margin of 1.90%, this results in a rate of 3.16% before estimated patronage payments. This derivative instrument has been designated as an interest rate cash flow hedge and qualifies for hedge accounting.

The following tables demonstrate the impact of the Company's derivatives on the Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2017 and 2016.

		Three Months Ended March 31,	
	Income Statement Location	**2017**	**2016**
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other comprehensive income (loss)	($71)	$711
Foreign currency option contracts	Other comprehensive income (loss)	(41)	833
Interest rate swaps	Other comprehensive income (loss)	2,633	(14,886)
Derivatives designated as a net investment hedge:			
Foreign currency exchange contract	Other comprehensive income (loss)	—	(4,606)
Derivatives not designated as hedging instruments:			
Foreign currency exchange contracts	Other operating income, net	—	895
	Interest income and miscellaneous income (expense), net	125	—
Foreign currency option contracts	Other operating income, net	—	258
Interest rate swaps	Interest income and miscellaneous income (expense), net	—	(1,219)

During the next 12 months, the amount of the March 31, 2017 AOCI balance, net of tax, expected to be reclassified into earnings as a result of the maturation of the Company's derivative instruments is a gain of approximately $0.6 million.

(Dollar amounts in thousands unless otherwise stated)

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

	Notional Amount	
	March 31, 2017	December 31, 2016
Derivatives designated as cash flow hedges:		
Foreign currency exchange contracts	$61,200	$44,800
Foreign currency option contracts	81,000	91,000
Interest rate swaps	650,000	650,000
Derivative not designated as a hedging instrument:		
Foreign currency exchange contracts	11,250	—

(Dollar amounts in thousands unless otherwise stated)

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

	Location on Balance Sheet	Fair Value Assets / (Liabilities) (a)	
		March 31, 2017	December 31, 2016
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other current assets	$730	$692
	Other assets	102	33
	Other current liabilities	(223)	(261)
	Other non-current liabilities	(7)	—
Foreign currency option contracts	Other current assets	718	1,064
	Other assets	167	327
	Other current liabilities	(335)	(574)
	Other non-current liabilities	(200)	(426)
Interest rate swaps	Other assets	18,106	17,204
	Other non-current liabilities	(4,248)	(5,979)
Derivative not designated as a hedging instrument:			
Foreign currency exchange contracts	Other current assets	121	—
Total derivative contracts:			
Other current assets		$1,569	$1,756
Other assets		18,375	17,564
Total derivative assets		$19,944	$19,320
Other current liabilities		(558)	(835)
Other non-current liabilities		(4,455)	(6,405)
Total derivative liabilities		($5,013)	($7,240)

(a) See Note 12 — *Fair Value Measurements* for further information on the fair value of the Company's derivatives including their classification within the fair value hierarchy.

Offsetting Derivatives

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

(Dollar amounts in thousands unless otherwise stated)

12. FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

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

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

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

The following table presents the carrying amount and estimated fair values of financial instruments held by the Company at March 31, 2017 and December 31, 2016, using market information and what the Company believes to be appropriate valuation methodologies under GAAP:

	March 31, 2017			December 31, 2016		
Asset (Liability) (a)	**Carrying Amount**	**Fair Value**		**Carrying Amount**	**Fair Value**	
		Level 1	**Level 2**		**Level 1**	**Level 2**
Cash and cash equivalents	$219,357	$219,357	—	$85,909	$85,909	—
Restricted cash (b)	111,276	111,276	—	71,708	71,708	—
Current maturities of long-term debt	(42,926)	—	(43,250)	(31,676)	—	(31,984)
Long-term debt (c)	(1,028,068)	—	(1,031,648)	(1,030,205)	—	(1,030,708)
Interest rate swaps (d)	13,858	—	13,858	11,225	—	11,225
Foreign currency exchange contracts (d)	723	—	723	464	—	464
Foreign currency option contracts (d)	350	—	350	391	—	391

(a) The Company did not have Level 3 assets or liabilities at March 31, 2017.

(b) Restricted cash represent the proceeds from like-kind exchange sales deposited with a third-party intermediary and cash held in escrow for a real estate sale. See Note 16 — *Restricted Cash* for additional information.

(c) The carrying amount of long-term debt is presented net of capitalized debt costs on non-revolving debt.

(d) See Note 11 — *Derivative Financial Instruments and Hedging Activities* for information regarding the Balance Sheet classification of the Company's derivative financial instruments.

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

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

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

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

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

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

(Dollar amounts in thousands unless otherwise stated)

13. EMPLOYEE BENEFIT PLANS

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

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

	Pension		Postretirement	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
Components of Net Periodic Benefit Cost				
Service cost	—	$327	$13	$2
Interest cost	815	869	2	12
Expected return on plan assets (a)	(945)	(1,008)	—	—
Amortization of losses (gains)	116	629	—	(12)
Net periodic benefit (gain) cost	($14)	$817	$15	$2

(a) The weighted-average expected long-term rate of return on plan assets used in computing 2017 net periodic benefit cost for pension benefits is 7.2 percent.

14. OTHER OPERATING INCOME, NET

Other operating income, net comprised the following:

	Three Months Ended March 31,	
	2017	2016
Lease and license income, primarily from hunting	$4,110	$4,559
Other non-timber income	2,798	519
Foreign currency income (loss)	313	(295)
Gain (loss) on foreign currency exchange and option contracts	652	(522)
Gain on foreign currency derivatives (a)	—	1,153
Miscellaneous income, net	879	490
Total	$8,752	$5,904

(a) The Company used foreign exchange derivatives to mitigate the risk of fluctuations in foreign exchange rates while awaiting the capital contribution to the New Zealand JV.

(Dollar amounts in thousands unless otherwise stated)

15. INVENTORY

As of March 31, 2017 and December 31, 2016, Rayonier's inventory was solely comprised of finished goods, as follows:

	March 31, 2017	December 31, 2016
Finished goods inventory		
Real estate inventory (a)	$19,332	$17,059
Log inventory	7,823	4,320
Total inventory	$27,155	$21,379

(a) Represents cost of HBU real estate (including capitalized development investments) expected to be sold within 12 months. See Note 5 — *Higher And Better Use Timberlands And Real Estate Development Investments* for additional information.

16. RESTRICTED CASH

In order to qualify for like-kind exchange ("LKE") treatment, the proceeds from real estate sales must be deposited with a third-party intermediary. These proceeds are accounted for as restricted cash until a suitable replacement property is acquired. In the event LKE purchases are not completed, the proceeds are returned to the Company after 180 days and reclassified as available cash. As of March 31, 2017 and December 31, 2016, the Company had $111.3 million and $71.7 million, respectively, of proceeds from real estate sales classified as restricted cash which were deposited with an LKE intermediary as well as cash held in escrow for a real estate sale.

17. ASSETS HELD FOR SALE

As of March 31, 2017, assets held for sale were composed of properties expected to be sold within the next 12 months and meet the other relevant held-for-sale criteria in accordance with ASC 360-10-45-9. As the basis in these properties of $9.0 million was less than the fair value, including costs to sell, no impairment was recognized.

(Dollar amounts in thousands unless otherwise stated)

18. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The following table summarizes the changes in AOCI by component for the three months ended March 31, 2017 and the year ended December 31, 2016. All amounts are presented net of tax and exclude portions attributable to noncontrolling interest.

	Foreign currency translation gains/ (losses)	Net investment hedges of New Zealand JV	Cash flow hedges		Employee benefit plans		Total
Balance as of December 31, 2015	($2,450)	$6,271	($11,592)		($25,732)		($33,503)
Other comprehensive income/(loss) before reclassifications	7,387	—	22,024		3,020	(b)	32,431
Amounts reclassified from accumulated other comprehensive loss	—	(4,606)	583		2,513	(c)	(1,510)
Net other comprehensive income/(loss)	7,387	(4,606)	22,607		5,533		30,921
Recapitalization of New Zealand JV	3,622	—	(184)		—		3,438
Balance as of December 31, 2016	$8,559	$1,665	$10,831		($20,199)		$856
Other comprehensive income before reclassifications	2,002	—	2,975	(a)	—		4,977
Amounts reclassified from accumulated other comprehensive income	—	—	(404)		116	(c)	(288)
Net other comprehensive income	2,002	—	2,571		116		4,689
Balance as of March 31, 2017	$10,561	$1,665	$13,402		($20,083)		$5,545

(a) Includes $2.6 million of other comprehensive gain related to interest rate swaps. See Note 11 — *Derivative Financial Instruments and Hedging Activities* for additional information.

(b) This accumulated other comprehensive income component is comprised of $2.4 million from the annual computation of pension liabilities and a $5.4 million curtailment gain. See Note 15 — *Employee Benefit Plans* of the 2016 Form 10-K for additional information.

(c) This component of other comprehensive income is included in the computation of net periodic pension cost. See Note 13 — *Employee Benefit Plans* for additional information.

The following table presents details of the amounts reclassified in their entirety from AOCI to net income for the three months ended March 31, 2017 and March 31, 2016:

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income		Affected line item in the income statement
	March 31, 2017	March 31, 2016	
Realized (gain) loss on foreign currency exchange contracts	($446)	$334	Other operating income, net
Realized (gain) loss on foreign currency option contracts	(282)	554	Other operating income, net
Noncontrolling interest	168	(314)	Comprehensive income (loss) attributable to noncontrolling interest
Income tax (expense) benefit on loss from foreign currency contracts	156	(161)	Income tax (expense) benefit
Net (gain) loss from accumulated other comprehensive income	($404)	$413	

RAYONIER INC. AND SUBSIDIARIES
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(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

19. CONSOLIDATING FINANCIAL STATEMENTS

The condensed consolidating financial information below follows the same accounting policies as described in the consolidated financial statements, except for the use of the equity method of accounting to reflect ownership interests in wholly-owned subsidiaries, which are eliminated upon consolidation, and the allocation of certain expenses of Rayonier Inc. incurred for the benefit of its subsidiaries.

In March 2012, Rayonier Inc. issued $325 million of 3.75% Senior Notes due 2022. In connection with these notes, the Company provides the following condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*.

The subsidiary guarantors, Rayonier Operating Company LLC ("ROC") and Rayonier TRS Holdings Inc., are wholly-owned by the parent company, Rayonier Inc. The notes are fully and unconditionally guaranteed on a joint and several basis by the guarantor subsidiaries.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2017

	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
SALES	—	—	$186,512	—	$186,512
Costs and Expenses					
Cost of sales	—	—	136,413	—	136,413
Selling and general expenses	—	3,536	6,054	—	9,590
Other operating expense (income), net	—	111	(8,863)	—	(8,752)
	—	3,647	133,604	—	137,251
OPERATING (LOSS) INCOME	—	(3,647)	52,908	—	49,261
Interest expense	(3,139)	(4,858)	(418)	—	(8,415)
Interest and miscellaneous income (expense), net	2,202	689	(2,373)	—	518
Equity in income from subsidiaries	34,780	42,744	—	(77,524)	—
INCOME BEFORE INCOME TAXES	33,843	34,928	50,117	(77,524)	41,364
Income tax expense	—	(148)	(6,133)	—	(6,281)
NET INCOME	33,843	34,780	43,984	(77,524)	35,083
Less: Net income attributable to noncontrolling interest	—	—	1,240	—	1,240
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	33,843	34,780	42,744	(77,524)	33,843
OTHER COMPREHENSIVE INCOME					
Foreign currency translation adjustment, net of income tax	2,002	—	2,432	(2,002)	2,432
Cash flow hedges, net of income tax	2,572	2,633	(80)	(2,572)	2,553
Amortization of pension and postretirement plans, net of income tax	116	116	—	(116)	116
Total other comprehensive income	4,690	2,749	2,352	(4,690)	5,101
COMPREHENSIVE INCOME	38,533	37,529	46,336	(82,214)	40,184
Less: Comprehensive income attributable to noncontrolling interest	—	—	1,651	—	1,651
COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.	$38,533	$37,529	$44,685	($82,214)	$38,533

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

	CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS) For the Three Months Ended March 31, 2016				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
SALES	—	—	$134,843	—	$134,843
Costs and Expenses					
Cost of sales	—	—	107,971	—	107,971
Selling and general expenses	—	2,938	6,841	—	9,779
Other operating (income) expense, net	—	(1,155)	(4,749)	—	(5,904)
	—	1,783	110,063	—	111,846
OPERATING (LOSS) INCOME	—	(1,783)	24,780	—	22,997
Interest expense	(3,139)	(2,144)	(1,815)	—	(7,098)
Interest and miscellaneous income (expense), net	2,038	681	(4,341)	—	(1,622)
Equity in income from subsidiaries	15,573	18,997	—	(34,570)	—
INCOME BEFORE INCOME TAXES	14,472	15,751	18,624	(34,570)	14,277
Income tax (expense) benefit	—	(178)	959	—	781
NET INCOME	14,472	15,573	19,583	(34,570)	15,058
Less: Net income attributable to noncontrolling interest	—	—	586	—	586
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	14,472	15,573	18,997	(34,570)	14,472
OTHER COMPREHENSIVE INCOME (LOSS)					
Foreign currency translation adjustment, net of income tax	7,288	(4,606)	7,410	(7,288)	2,804
Cash flow hedges, net of income tax	(13,923)	(14,886)	1,112	13,923	(13,774)
Amortization of pension and postretirement plans, net of income tax	617	617	—	(617)	617
Total other comprehensive (loss) income	(6,018)	(18,875)	8,522	6,018	(10,353)
COMPREHENSIVE INCOME (LOSS)	8,454	(3,302)	28,105	(28,552)	4,705
Less: Comprehensive loss attributable to noncontrolling interest	—	—	(3,749)	—	(3,749)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO RAYONIER INC.	$8,454	($3,302)	$31,854	($28,552)	$8,454

(Dollar amounts in thousands unless otherwise stated)

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CONDENSED CONSOLIDATING BALANCE SHEETS

As of March 31, 2017

	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$157,916	$18,524	$42,917	—	$219,357
Accounts receivable, less allowance for doubtful accounts	—	946	32,488	—	33,434
Insurance settlement receivable	73,000	—	—	—	73,000
Inventory	—	—	27,155	—	27,155
Prepaid expenses	—	1,839	12,884	—	14,723
Assets held for sale	—	—	9,006	—	9,006
Other current assets	—	20	8,227	—	8,247
Total current assets	230,916	21,329	132,677	—	384,922
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	—	—	2,280,814	—	2,280,814
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS	—	—	73,713	—	73,713
NET PROPERTY, PLANT AND EQUIPMENT	—	141	16,708	—	16,849
RESTRICTED CASH	—	—	111,276	—	111,276
INVESTMENT IN SUBSIDIARIES	1,434,995	2,715,947	—	(4,150,942)	—
INTERCOMPANY RECEIVABLE	29,866	(615,867)	586,001	—	—
OTHER ASSETS	2	10,780	40,554	—	51,336
TOTAL ASSETS	$1,695,779	$2,132,330	$3,241,743	($4,150,942)	$2,918,910
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable	—	$4,990	$25,966	—	$30,956
Insurance settlement payable	73,740	—	—	—	73,740
Current maturities of long-term debt	31,601	—	11,325	—	42,926
Accrued taxes	—	28	3,320	—	3,348
Accrued payroll and benefits	—	1,423	1,656	—	3,079
Accrued interest	6,094	1,973	254	—	8,321
Other current liabilities	—	473	20,099	—	20,572
Total current liabilities	111,435	8,887	62,620	—	182,942
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	291,557	663,425	73,086	—	1,028,068
PENSION AND OTHER POSTRETIREMENT BENEFITS	—	32,402	(684)	—	31,718
OTHER NON-CURRENT LIABILITIES	—	11,584	17,304	—	28,888
INTERCOMPANY PAYABLE	(267,713)	(18,963)	286,676	—	—
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,560,500	1,434,995	2,715,947	(4,150,942)	1,560,500
Noncontrolling interest	—	—	86,794	—	86,794
TOTAL SHAREHOLDERS' EQUITY	1,560,500	1,434,995	2,802,741	(4,150,942)	1,647,294
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,695,779	$2,132,330	$3,241,743	($4,150,942)	$2,918,910

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

CONDENSED CONSOLIDATING BALANCE SHEETS

As of December 31, 2016

	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$21,453	$9,461	$54,995	—	$85,909
Accounts receivable, less allowance for doubtful accounts	—	2,991	17,673	—	20,664
Inventory	—	—	21,379	—	21,379
Prepaid expenses	—	427	11,380	—	11,807
Assets held for sale	—	—	23,171	—	23,171
Other current assets	—	236	1,638	—	1,874
Total current assets	21,453	13,115	130,236	—	164,804
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	—	—	2,291,015	—	2,291,015
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS	—	—	70,374	—	70,374
NET PROPERTY, PLANT AND EQUIPMENT	—	177	13,857	—	14,034
RETRICTED CASH	—	—	71,708	—	71,708
INVESTMENT IN SUBSIDIARIES	1,422,081	2,671,428	—	(4,093,509)	—
INTERCOMPANY RECEIVABLE	26,472	(611,571)	585,099	—	—
OTHER ASSETS	2	46,846	26,977	—	73,825
TOTAL ASSETS	$1,470,008	$2,119,995	$3,189,266	($4,093,509)	$2,685,760
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable	—	$1,194	$21,143	—	$22,337
Current maturities of long-term debt	31,676	—	—	—	31,676
Accrued taxes	—	(111)	2,768	—	2,657
Accrued payroll and benefits	—	5,013	4,264	—	9,277
Accrued interest	3,047	2,040	253	—	5,340
Other current liabilities	—	165	20,514	—	20,679
Total current liabilities	34,723	8,301	48,942	—	91,966
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	291,390	663,343	75,472	—	1,030,205
PENSION AND OTHER POSTRETIREMENT BENEFITS	—	32,541	(685)	—	31,856
OTHER NON-CURRENT LIABILITIES	—	12,690	22,291	—	34,981
INTERCOMPANY PAYABLE	(267,715)	(18,961)	286,676	—	—
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,411,610	1,422,081	2,671,428	(4,093,509)	1,411,610
Noncontrolling interest	—	—	85,142	—	85,142
TOTAL SHAREHOLDERS' EQUITY	1,411,610	1,422,081	2,756,570	(4,093,509)	1,496,752
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,470,008	$2,119,995	$3,189,266	($4,093,509)	$2,685,760

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

	CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS For the Three Months Ended March 31, 2017				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	($1,192)	$36,931	($1,796)	—	$33,943
INVESTING ACTIVITIES					
Capital expenditures	—	—	(14,362)	—	(14,362)
Real estate development investments	—	—	(2,185)	—	(2,185)
Purchase of timberlands	—	—	(11,293)	—	(11,293)
Net proceeds from large disposition	—	—	42,034	—	42,034
Rayonier office building under construction	—	—	(2,604)	—	(2,604)
Change in restricted cash	—	—	(39,568)	—	(39,568)
Investment in subsidiaries	—	2,636	—	(2,636)	—
Other	—	—	(5,617)	—	(5,617)
CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	—	2,636	(33,595)	(2,636)	(33,595)
FINANCING ACTIVITIES					
Issuance of debt	—	15,000	14,719	—	29,719
Repayment of debt	—	(15,000)	(5,530)	—	(20,530)
Dividends paid	(30,618)	—	—	—	(30,618)
Proceeds from the issuance of common shares	2,251	—	—	—	2,251
Issuance of shares under equity offering	152,345	—	—	—	152,345
Intercompany distributions	13,677	(30,504)	14,191	2,636	—
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	137,655	(30,504)	23,380	2,636	133,167
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	(67)	—	(67)
CASH AND CASH EQUIVALENTS					
Change in cash and cash equivalents	136,463	9,063	(12,078)	—	133,448
Balance, beginning of year	21,453	9,461	54,995	—	85,909
Balance, end of period	$157,916	$18,524	$42,917	—	$219,357

(Dollar amounts in thousands unless otherwise stated)

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	CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS For the Three Months Ended March 31, 2016				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$2,332	($3,624)	$32,327	—	$31,035
INVESTING ACTIVITIES					
Capital expenditures	—	—	(13,298)	—	(13,298)
Real estate development investments	—	—	(1,685)	—	(1,685)
Purchase of timberlands	—	—	(14,323)	—	(14,323)
Rayonier office building under construction	—	—	(186)	—	(186)
Change in restricted cash	—	—	10,613	—	10,613
Investment in subsidiaries	—	1,136	—	(1,136)	—
Other	—	—	(1,404)	—	(1,404)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	—	1,136	(20,283)	(1,136)	(20,283)
FINANCING ACTIVITIES					
Issuance of debt	—	213,000	72,552	—	285,552
Repayment of debt	—	(25,000)	(215,752)	—	(240,752)
Dividends paid	(30,675)	—	—	—	(30,675)
Proceeds from the issuance of common shares	18	—	—	—	18
Repurchase of common shares	(690)	—	—	—	(690)
Intercompany distributions	35,332	(170,861)	134,393	1,136	—
Other	(16)	—	—	—	(16)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	3,969	17,139	(8,807)	1,136	13,437
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	238	—	238
CASH AND CASH EQUIVALENTS					
Change in cash and cash equivalents	6,301	14,651	3,475	—	24,427
Balance, beginning of year	2,472	13,217	36,088	—	51,777
Balance, end of period	$8,773	$27,868	$39,563	—	$76,204

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

When we refer to "we," "us," "our," "the Company," or "Rayonier," we mean Rayonier Inc. and its consolidated subsidiaries. References herein to "Notes to Financial Statements" refer to the Notes to Consolidated Financial Statements of Rayonier Inc. included in Item 1 of this report.

This MD&A is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors which may affect future results. Our MD&A should be read in conjunction with our Consolidated Financial Statements included in Item 1 of this report, our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Form 10-K") and information contained in our subsequent reports filed with the Securities and Exchange Commission (the "SEC").

Forward-Looking Statements

Certain statements in this document regarding anticipated financial outcomes, including Rayonier's earnings guidance, if any, business and market conditions, outlook, expected dividend rate, Rayonier's business strategies, including expected harvest schedules, timberland acquisitions, sales of non-strategic timberlands, the anticipated benefits of Rayonier's business strategies, and other similar statements relating to Rayonier's future events, developments, or financial or operational performance or results, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as "may," "will," "should," "expect," "estimate," "believe," "intend," "project," "anticipate" and other similar language. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. While management believes that these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. The risk factors contained in Item 1A — *Risk Factors* in the 2016 Form 10-K and similar discussions included in other reports that we subsequently file with the SEC, among others, could cause actual results or events to differ materially from the Company's historical experience and those expressed in forward-looking statements made in this document.

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

Non-GAAP Measures

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

Our Company

We are a leading timberland real estate investment trust (“REIT”) with assets located in some of the most productive softwood timber growing regions in the United States and New Zealand. Our revenues, operating income and cash flows are primarily derived from the following core business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading. As of March 31, 2017, we owned or leased under long-term agreements approximately 2.6 million acres of timberlands located in the U.S. South (1.82 million acres) and U.S. Pacific Northwest (378,000 acres). We also have a 77% ownership interest in Matariki Forestry Group, a joint venture (“New Zealand JV”), that owns or leases approximately 434,000 acres (298,000 net plantable acres) of timberlands in New Zealand.

The Southern Timber, Pacific Northwest Timber and New Zealand Timber segments include all activities related to the harvesting of timber and other non-timber income activities, such as the leasing of properties for hunting, mineral extraction and cell towers. The New Zealand Timber segment also reflects any land or leasehold sales that occur within our New Zealand portfolio.

The Real Estate segment includes all U.S. land sales disaggregated into five sales categories: Improved Development, Unimproved Development, Rural, Non-Strategic / Timberlands and Large Dispositions.

The Trading segment reflects the log trading activities that support our New Zealand operations. The Trading segment complements the New Zealand Timber segment by adding scale and achieving cost savings that directly benefit the New Zealand Timber segment. Trading also generally contributes modestly to earnings without significant investment and provides market intelligence that benefits the timber business.

Industry and Market Conditions

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

The Company is also subject to the risk of price fluctuations in its major cost components. The primary components of the Company's cost of sales are the cost basis of timber sold (depletion), the cost basis of real estate sold and logging and transportation costs (cut and haul). Depletion includes the amortization of capitalized costs (site preparation, planting and fertilization, real estate taxes, timberland lease payments and certain payroll costs). Other costs include amortization of capitalized costs related to road and bridge construction and software, depreciation of fixed assets and equipment, road maintenance, severance and excise taxes, fire prevention and real estate commissions and closing costs.

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

Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates. For a full description of our critical accounting policies, see Item 7 — *Management’s Discussion and Analysis of Financial Condition and Results of Operations* in the 2016 Form 10-K.

Discussion of Timber Inventory and Sustainable Yield

See Item 1 — *Business* — *Discussion of Timber Inventory and Sustainable Yield* in the 2016 Form 10-K.

Our Timberlands

Our timber operations are disaggregated into three geographically distinct segments: Southern Timber, Pacific Northwest Timber and New Zealand Timber. The following table provides a breakdown of our timberland holdings as of March 31, 2017 and December 31, 2016:

(acres in 000s)	As of March 31, 2017			As of December 31, 2016		
	Owned	Leased	Total	Owned	Leased	Total
Southern						
Alabama	255	24	279	284	24	308
Arkansas	—	14	14	—	14	14
Florida	282	92	374	281	92	373
Georgia	554	105	659	554	107	661
Louisiana	145	1	146	145	1	146
Mississippi	67	—	67	67	—	67
Oklahoma	92	—	92	92	—	92
Tennessee	1	—	1	1	—	1
Texas	185	—	185	187	—	187
	1,581	236	1,817	1,611	238	1,849
Pacific Northwest						
Oregon	61	—	61	61	—	61
Washington	316	1	317	316	1	317
	377	1	378	377	1	378
New Zealand (a)	179	255	434	179	254	433
Total	2,137	492	2,629	2,167	493	2,660

(a) Represents legal acres owned and leased by the New Zealand JV, in which Rayonier owns a 77% interest. As of March 31, 2017, legal acres in New Zealand were comprised of 298,000 plantable acres and 136,000 non-productive acres.

The following tables detail activity for owned and leased acres in our timberland holdings by state from December 31, 2016 to March 31, 2017:

(acres in 000s)	Acres Owned			
	December 31, 2016	**Acquisitions**	**Sales**	**March 31, 2017**
Southern				
Alabama	284	—	(29)	255
Florida	281	1	—	282
Georgia	554	—	—	554
Louisiana	145	—	—	145
Mississippi	67	—	—	67
Oklahoma	92	—	—	92
Tennessee	1	—	—	1
Texas	187	—	(2)	185
	1,611	1	(31)	1,581
Pacific Northwest				
Oregon	61	—	—	61
Washington	316	—	—	316
	377	—	—	377
New Zealand (a)	179	—	—	179
Total	2,167	1	(31)	2,137

(a) Represents legal acres owned by the New Zealand JV, in which Rayonier has a 77% interest.

(acres in 000s)	Acres Leased			
	December 31, 2016	**New Leases**	**Expired Leases (a)**	**March 31, 2017**
Southern				
Alabama	24	—	—	24
Arkansas	14	—	—	14
Florida	92	—	—	92
Georgia	107	—	(2)	105
Louisiana	1	—	—	1
	238	—	(2)	236
Pacific Northwest				
Washington	1	—	—	1
New Zealand (b)	254	1	—	255
Total	493	1	(2)	492

(a) Includes acres previously under lease that have been harvested or sold.

(b) Represents legal acres leased by the New Zealand JV, in which Rayonier has a 77% interest.

Results of Operations

Consolidated Results

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

Financial Information (in millions)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Sales		
Southern Timber	$32.7	$44.7
Pacific Northwest Timber	24.8	19.3
New Zealand Timber	40.7	36.0
Real Estate		
Improved Development	—	1.7
Unimproved Development	—	0.9
Rural	6.7	3.7
Non-Strategic / Timberlands	5.6	7.1
Large Dispositions	42.0	—
Total Real Estate	54.3	13.4
Trading	34.0	21.4
Total Sales	$186.5	$134.8
Operating Income (Loss)		
Southern Timber	$13.9	$15.8
Pacific Northwest Timber	(0.9)	1.4
New Zealand Timber	10.3	4.7
Real Estate (a)	29.7	4.2
Trading	1.1	0.4
Corporate and other	(4.8)	(3.5)
Operating Income	49.3	23.0
Interest Expense, Interest Income and Other	(7.9)	(8.7)
Income Tax (Expense) Benefit	(6.3)	0.8
Net Income	35.1	15.1
Less: Net income attributable to noncontrolling interest	1.3	0.6
Net Income Attributable to Rayonier Inc.	$33.8	$14.5
Adjusted EBITDA (b)		
Southern Timber	$26.4	$32.4
Pacific Northwest Timber	9.3	6.0
New Zealand Timber	15.7	11.4
Real Estate	8.6	9.7
Trading	1.1	0.4
Corporate and Other	(4.0)	(4.3)
Total Adjusted EBITDA	$57.1	$55.6

(a) The three months ended March 31, 2017 include $28.2 million from a Large Disposition.

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

Southern Timber Overview	Three Months Ended March 31, 2017	2016
Sales Volume (in thousands of tons)		
Pine Pulpwood	823	1,181
Pine Sawtimber	505	528
Total Pine Volume	1,328	1,709
Hardwood	51	50
Total Volume	1,379	1,759
Percentage Delivered Sales	20%	24%
Percentage Stumpage Sales	80%	76%
Net Stumpage Pricing (dollars per ton)		
Pine Pulpwood	$17.29	$18.90
Pine Sawtimber	26.42	26.90
Weighted Average Pine	$20.76	$21.38
Hardwood	10.95	12.47
Weighted Average Total	$20.40	$21.11
Summary Financial Data (in millions of dollars)		
Sales	$32.7	$44.7
Less: Cut and Haul	(4.6)	(7.6)
Net Stumpage Sales	$28.1	$37.1
Operating Income	$13.9	$15.8
(+) Depreciation, depletion and amortization	12.5	16.6
Adjusted EBITDA (a)	$26.4	$32.4
Other Data		
Non-Timber Income (in millions of dollars) (b)	$5.7	$4.2
Period-End Acres (in thousands)	1,817	1,874

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

(b) Non-Timber Income is presented net of direct charges and excludes allocated overhead.

Pacific Northwest Timber Overview	Three Months Ended March 31, 2017	2016
Sales Volume (in thousands of tons)		
Pulpwood	89	90
Sawtimber	310	241
Total Volume	399	331
Sales Volume (converted to MBF)		
Pulpwood	8,264	8,600
Sawtimber	39,458	30,378
Total Volume	47,722	38,978
Percentage Delivered Sales	80%	87%
Percentage Sawtimber Sales	78%	73%
Delivered Log Pricing (in dollars per ton)		
Pulpwood	$38.71	$44.84
Sawtimber	74.88	67.95
Weighted Average Log Price	$66.06	$61.22
Summary Financial Data (in millions of dollars)		
Sales	$24.8	$19.3
Less: Cut and Haul	(10.3)	(8.7)
Net Stumpage Sales	$14.5	$10.6
Operating (Loss) Income	($0.9)	$1.4
(+) Depreciation, depletion and amortization	10.2	4.6
Adjusted EBITDA (a)	$9.3	$6.0
Other Data		
Non-Timber Income (in millions of dollars) (b)	$1.1	$0.8
Period-End Acres (in thousands)	378	373
Sawtimber (in dollars per MBF)	$609	$548
Estimated Percentage of Export Volume	25%	26%

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

(b) Non-Timber Income is presented net of direct charges and excludes allocated overhead.

New Zealand Timber Overview	Three Months Ended March 31, 2017	2016
Sales Volume (in thousands of tons)		
Domestic Sawtimber (Delivered)	196	186
Domestic Pulpwood (Delivered)	101	94
Export Sawtimber (Delivered)	180	186
Export Pulpwood (Delivered)	23	19
Total Volume	500	485
Delivered Log Pricing (in dollars per ton)		
Domestic Sawtimber	$78.45	$66.64
Domestic Pulpwood	$34.70	$29.49
Export Sawtimber	$108.73	$94.34
Summary Financial Data (in millions of dollars)		
Sales	$40.7	$34.2
Less: Cut and Haul	(16.0)	(14.6)
Less: Port and Freight Costs	(6.0)	(5.3)
Net Stumpage Sales	$18.7	$14.3
Land Sales	—	1.8
Total Sales	$40.7	$36.0
Operating Income	$10.3	$4.7
(+) Depreciation, depletion and amortization	5.4	4.9
(+) Non-cash cost of land sold	—	1.8
Adjusted EBITDA (a)	$15.7	$11.4
Other Data		
Non-timber Income / Carbon credits ($ in MMs)	$0.1	$0.1
New Zealand Dollar to U.S. Dollar Exchange Rate (b)	0.7148	0.6646
Net Plantable Period-End Acres (in thousands)	298	299
Export Sawtimber (in dollars per JAS m^3)	$126.38	$109.65
Domestic Sawtimber (in $NZD per tonne)	$120.74	$110.31

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

(b) Represents the average period rate.

Real Estate Overview	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Sales (in millions of dollars)		
Improved Development (a)	—	$1.7
Unimproved Development	—	0.9
Rural	6.7	3.7
Non-Strategic / Timberlands	5.6	7.1
Large Dispositions (b)	42.0	—
Total Sales	$54.3	$13.4
Acres Sold		
Improved Development (a)	—	47
Unimproved Development	—	48
Rural	2,284	1,444
Non-Strategic / Timberlands	3,923	6,130
Large Dispositions (b)	24,954	—
Total Acres Sold	31,161	7,669
Price per Acre (dollars per acre)		
Improved Development (a)	—	$37,353
Unimproved Development	—	18,000
Rural	2,950	2,548
Non-Strategic / Timberlands	1,427	1,155
Large Dispositions (b)	1,681	—
Weighted Average (Total) (c)	$1,988	$1,743
Weighted Average (Adjusted) (d)	$1,988	$1,525
Sales (Excluding Large Dispositions)	$12.3	$13.4
Operating Income	$29.7	$4.2
(+) Depreciation, depletion and amortization	2.6	3.2
(+) Non-cash cost of land and improved development	4.5	2.3
(–) Large Dispositions (b)	(28.2)	—
Adjusted EBITDA (e)	$8.6	$9.7

(a) Reflects land with capital invested in infrastructure improvements.

(b) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value. In January 2017, the Company completed a disposition of approximately 25,000 acres located in Alabama for a sale price and gain of approximately $42.0 million and $28.2 million, respectively.

(c) Excludes Large Dispositions.

(d) Excludes Improved Development and Large Dispositions.

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

Capital Expenditures By Segment (in millions of dollars)	Three Months Ended March 31, 2017	2016
Timber Capital Expenditures		
Southern Timber		
Reforestation, silviculture and other capital expenditures	$3.2	$3.1
Property taxes	2.6	1.9
Lease payments	1.8	2.0
Allocated overhead	1.0	1.0
Subtotal Southern Timber	$8.6	$8.0
Pacific Northwest Timber		
Reforestation, silviculture and other capital expenditures	1.9	2.3
Property taxes	0.2	0.1
Allocated overhead	0.5	0.4
Subtotal Pacific Northwest Timber	$2.6	$2.8
New Zealand Timber		
Reforestation, silviculture and other capital expenditures	1.4	1.3
Property taxes	0.2	0.1
Lease payments	0.6	0.4
Allocated overhead	0.7	0.6
Subtotal New Zealand Timber	$2.9	$2.4
Total Timber Segments Capital Expenditures	$14.1	$13.2
Real Estate	0.1	0.1
Corporate	0.2	—
Total Capital Expenditures	$14.4	$13.3
Timberland Acquisitions		
Southern Timber	$0.5	$14.3
Pacific Northwest Timber	1.5	—
New Zealand Timber	9.3	—
Subtotal Timberland Acquisitions	$11.3	$14.3
Real Estate Development Investments	$2.2	$1.7
Rayonier Office Building	$2.6	$0.2

The following tables summarize sales, operating income and Adjusted EBITDA variances for March 31, 2017 versus March 31, 2016 (millions of dollars):

Sales	**Southern Timber**	**Pacific Northwest Timber**	**New Zealand Timber**	**Real Estate**	**Trading**	**Total**
Three Months Ended March 31, 2016	$44.7	$19.3	$36.0	$13.4	$21.4	$134.8
Volume/Mix	(10.8)	3.3	0.7	(2.6)	8.9	(0.5)
Price	(1.2)	2.2	4.5	1.5	3.7	10.7
Foreign exchange (a)	—	—	1.3	—	—	1.3
Other (b)	—	—	(1.8)	42.0	—	40.2
Three Months Ended March 31, 2017	$32.7	$24.8	$40.7	$54.3	$34.0	$186.5

(a) Net of currency hedging impact.
(b) Real Estate includes $42.0 million of sales from Large Dispositions.

Operating Income	**Southern Timber**	**Pacific Northwest Timber**	**New Zealand Timber**	**Real Estate**	**Trading**	**Corporate and Other**	**Total**
Three Months Ended March 31, 2016	$15.8	$1.4	$4.7	$4.2	$0.4	($3.5)	$23.0
Volume/Mix	(4.4)	0.8	0.2	(1.4)	—	—	(4.8)
Price	(1.0)	1.7	4.2	1.5	—	—	6.4
Cost	1.4	(0.5)	(0.3)	(0.1)	0.7	(1.3)	(0.1)
Non-timber income	1.5	0.3	(2.0)	—	—	—	(0.2)
Foreign exchange (a)	—	—	1.0	—	—	—	1.0
Depreciation, depletion & amortization	0.6	(4.6)	0.1	(0.1)	—	—	(4.0)
Non-cash cost of land and improved development	—	—	2.0	(2.6)	—	—	(0.6)
Other (b)	—	—	0.4	28.2	—	—	28.6
Three Months Ended March 31, 2017	$13.9	($0.9)	$10.3	$29.7	$1.1	($4.8)	$49.3

(a) Net of currency hedging impact.
(b) Real Estate includes $28.2 million of operating income from Large Dispositions.

Adjusted EBITDA (a)	**Southern Timber**	**Pacific Northwest Timber**	**New Zealand Timber**	**Real Estate**	**Trading**	**Corporate and Other**	**Total**
Three Months Ended March 31, 2016	$32.4	$6.0	$11.4	$9.7	$0.4	($4.3)	$55.6
Volume/Mix	(7.9)	1.8	0.2	(2.5)	—	—	(8.4)
Price	(1.0)	1.7	4.2	1.5	—	—	6.4
Cost	1.4	(0.5)	(0.3)	(0.1)	0.7	0.3	1.5
Non-timber income	1.5	0.3	(2.0)	—	—	—	(0.2)
Foreign exchange (b)	—	—	1.7	—	—	—	1.7
Other (c)	—	—	0.5	—	—	—	0.5
Three Months Ended March 31, 2017	$26.4	$9.3	$15.7	$8.6	$1.1	($4.0)	$57.1

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators* below.
(b) Net of currency hedging impact.
(c) New Zealand Timber includes $0.4 million from a settlement received in Q1 2017.

Southern Timber

First quarter sales of $32.7 million decreased $12.0 million, or 27%, versus the prior year period. Harvest volumes decreased 22% to 1.38 million tons versus 1.76 million tons in the prior year period. The decrease in harvest volumes is largely attributable to an extraordinarily strong first quarter last year in which stumpage customers harvested volume early in the year; however, weaker demand due to mill outages also contributed to lower volumes. Average pine sawtimber stumpage prices decreased 2% to $26.42 per ton versus $26.90 per ton in the prior year period, while average pine pulpwood stumpage prices decreased 9% to $17.29 per ton versus $18.90 per ton in the prior year period. The modest decrease in average sawtimber prices was driven by oversupply in the Gulf states, which was largely offset by increased export volume and pricing in the coastal Atlantic region. The decrease in average pulpwood prices was driven primarily by increased supply across all regions due to dry weather conditions and reduced demand in certain regions due to mill outages. Overall, weighted-average stumpage prices (including hardwood) decreased 3% to $20.40 per ton versus $21.11 per ton in the prior year period. Operating income of $13.9 million decreased $1.9 million versus the prior year period due to lower volumes ($4.4 million) and lower weighted-average stumpage prices ($1.0 million), which were partially offset by lower overhead and other costs ($1.4 million), higher non-timber income ($1.5 million) and lower depletion rates ($0.6 million). First quarter Adjusted EBITDA of $26.4 million was $6.0 million below the prior year period.

Pacific Northwest Timber

First quarter sales of $24.8 million increased $5.5 million, or 28%, versus the prior year period. Harvest volumes increased 21% to 399,000 tons versus 331,000 tons in the prior year period due to additional volume from our Menasha acquisition. Average delivered sawtimber prices increased 10% to $74.88 per ton versus $67.95 per ton in the prior year period, while average delivered pulpwood prices decreased 14% to $38.71 per ton versus $44.84 per ton in the prior year period. The increase in average sawtimber prices was due to stronger export and domestic sawtimber markets as well as an increased mix of higher-value Douglas-fir. The decrease in average pulpwood prices was due to an increase in wood chip residuals from lumber mills, which in turn reduced the demand for pulpwood logs. Operating loss of $0.9 million versus operating income of $1.4 million in the prior year period was primarily due to higher depletion rates resulting from our Menasha acquisition ($4.6 million) and higher overhead and road maintenance costs ($0.5 million), which were partially offset by higher prices ($1.7 million), higher volumes ($0.8 million) and higher non-timber income ($0.3 million). First quarter Adjusted EBITDA of $9.3 million was $3.3 million above the prior year period.

New Zealand Timber

First quarter sales of $40.7 million increased $4.7 million, or 13%, versus the prior year period (which included a land sale of $1.8 million). Harvest volumes increased 3% to 500,000 tons versus 485,000 tons in the prior year period. Average delivered prices for export sawtimber increased 15% to $108.73 per ton versus $94.34 per ton in the prior year period, while average delivered prices for domestic sawtimber increased 18% to $78.45 per ton versus $66.64 per ton in the prior year period. The increase in export sawtimber prices was primarily due to stronger demand from China. The increase in domestic sawtimber prices (in U.S. dollar terms) was driven by strong demand for construction materials and the rise in the NZ$/US$ exchange rate (US$0.71 per NZ$1.00 versus US$0.66 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices increased 9% from the prior year period. Operating income of $10.3 million increased $5.6 million versus the prior year period due to higher prices ($4.2 million), favorable foreign exchange impacts ($1.0 million), higher other income ($0.4 million), higher volumes ($0.2 million) and lower depletion rates ($0.1 million), which were partially offset by higher overhead costs ($0.3 million). First quarter Adjusted EBITDA of $15.7 million was $4.3 million above the prior year period.

Real Estate

First quarter sales of $54.3 million increased $40.9 million versus the prior year period, while operating income of $29.7 million increased $25.5 million versus the prior year period. The first quarter sales and operating income included $42.0 million and $28.2 million, respectively, from Large Dispositions. Sales and operating income increased in the first quarter due to higher volumes (31,161 acres sold versus 7,669 acres sold in the prior year period). First quarter Adjusted EBITDA of $8.6 million was $1.1 million below the prior year period.

Rural sales of $6.7 million were comprised of 2,284 acres at an average price of $2,950 per acre, including 1,844 acres in Texas for an average price of $2,967 per acre. Non-strategic / Timberland sales of $5.6 million were comprised of 3,923 acres in Alabama at an average price of $1,427 per acre. Large Dispositions of $42.0 million were comprised of the previously announced disposition of 24,954 acres in Alabama at an average price of $1,681 per acre.

Trading

First quarter sales of $34.0 million increased $12.6 million versus the prior year period due to higher volumes and prices. Sales volumes increased 41% to 322,000 tons versus 228,000 tons in the prior year period due to increased volume from existing suppliers and stumpage blocks purchased from third-parties, coupled with improving export market demand. Average prices increased 12% to $105.43 per ton versus $94.09 per ton in the prior year period primarily due to stronger demand from China. Operating income of $1.1 million increased $0.7 million versus the prior year period.

Other Items

Corporate and Other Expense/Eliminations

First quarter corporate and other operating expenses of $4.8 million increased $1.3 million versus the prior year period due to higher costs related to shareholder litigation ($0.3 million) and the prior year first quarter gain on foreign currency derivatives ($1.2 million), which were partially offset by lower selling, general and administrative expenses ($0.2 million) due to cost reduction initiatives and changes made to our pension plan in the fourth quarter of 2016. Costs related to shareholder litigation include expenses incurred as a result of the securities litigation and the shareholder derivative demands. See Note 8 — *Contingencies*. In addition, these costs include the costs associated with the Company's response to a subpoena it received from the SEC in November 2014. In July 2016, the Division of Enforcement of the SEC notified the Company that it had concluded its investigation into the Company.

Interest Expense

First quarter interest expense of $8.4 million increased $1.3 million versus the prior year period due to higher outstanding debt, partially offset by lower average rates.

Income Tax (Expense) Benefit

First quarter income tax expense of $6.3 million increased $7.1 million versus the prior year period. The income tax expense is principally related to the New Zealand JV.

Outlook

We are on track to achieve our full-year Adjusted EBITDA guidance. We recently closed on previously-announced acquisitions totaling approximately 95,100 acres in coastal Florida, Georgia and South Carolina. The acquisitions represent an upgrade of our U.S. South portfolio, as they are comprised of well-stocked, highly productive properties in some of the strongest markets in the U.S. South. We believe these acquisitions further position us to benefit from the ongoing U.S. housing recovery as well as the potential increase in U.S. lumber production that is expected to result from the recently announced duties on Canadian lumber imports. In the Pacific Northwest Timber segment, we expect a modest improvement in sawtimber prices as domestic mills increase production and as exporters compete for log supply in the region. In our New Zealand Timber segment, we expect strong performance driven by sustained levels of demand in both domestic and export markets. In our Real Estate segment, we continue to see solid demand for our Rural properties and remain optimistic about the long-term prospects for our Wildlight development project, which we expect will generate its first sales in 2017.

Liquidity and Capital Resources

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

Summary of Liquidity and Financing Commitments

(millions of dollars)	March 31, 2017	December 31, 2016
Cash and cash equivalents	$219.4	$85.9
Total debt (a)	1,074.4	1,065.5
Shareholders’ equity	1,647.3	1,496.9
Total capitalization (total debt plus equity)	2,721.7	2,562.4
Debt to capital ratio	39%	42%
Net debt to enterprise value (b)	19%	23%

(a) Total debt as of March 31, 2017 includes $42.9 million of short-term borrowings in addition to $1,031.5 million of long-term borrowings, gross of $3.4 million of deferred financing costs.

(b) Enterprise value is calculated as the number of shares outstanding multiplied by the Company’s share price plus net debt as of March 31, 2017 and December 31, 2016.

Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for the three months ended March 31, 2016 and 2015.

(millions of dollars)	2017	2016
Cash provided by (used for):		
Operating activities	$33.9	$31.0
Investing activities	(33.6)	(20.3)
Financing activities	133.2	13.4

Cash Provided by Operating Activities

Cash provided by operating activities increased $2.9 million primarily due to higher operating results.

Cash Used for Investing Activities

Cash used for investing activities increased $13.3 million compared to 2016 primarily due to an increase in change in restricted cash of $50.2 million, an increase in capital expenditures of $1.1 million, an increase in real estate development investments of $0.5 million, an increase in spending on the construction of the Company’s office building of $2.4 million, and a deposit on timberland acquisition of $6.5 million. These amounts were partially offset by a decrease in timberland acquisitions of $3.0 million and net proceeds from a Large Disposition of $42.0 million.

Cash Provided by Financing Activities

Cash provided by financing activities increased $119.7 million from the prior year period due to an increase in equity issuances of $154.6 million, a decrease in common shares repurchases of $0.7 million and a decrease in dividends paid of $0.1 million. These amounts were partially offset by a decrease in net debt issuances of $35.6 million.

Expected 2017 Expenditures

Capital expenditures in 2017 are expected to be between $64 and $68 million, excluding capital expenditures related to the office building and any strategic timberland acquisitions we may make. Capital expenditures are expected to be comprised primarily of seedling planting, fertilization and other silvicultural activities, property taxes, lease payments, allocated overhead and other capitalized costs. Aside from capital expenditures, we may also acquire timberland as we actively evaluate acquisition opportunities.

Real estate development investments in 2017 are expected to be between $15 and $20 million. Expected real estate development investments are primarily related to Wildlight, our mixed-use community development project located north of Jacksonville at the interchange of I-95 and State Road A1A.

We are currently constructing a new headquarters building located in the Wildlight development project. The new office will allow us to consolidate three existing leased offices in Jacksonville and Fernandina Beach, Florida into one location and also serve as a catalyst for the Wildlight project. Construction costs of this building incurred in 2017 are expected to be approximately $6 million.

Our 2017 dividend payments are expected to be approximately $127 million assuming no change in the quarterly dividend rate of $0.25 per share or material changes in the number of shares outstanding.

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

We have no mandatory pension contribution requirements in 2017 but may make discretionary contributions in the future. On an ongoing basis, cash income tax payments are expected to be minimal.

Performance and Liquidity Indicators

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

Management uses CAD as a liquidity measure. CAD is a non-GAAP measure that management uses to measure cash generated during a period that is available for dividend distribution, repurchase of the Company’s common shares, debt reduction and strategic acquisitions. We define CAD as cash provided by operating activities adjusted for capital spending (excluding timberland acquisitions and spending on the Company’s office building) and working capital and other balance sheet changes. CAD is not necessarily indicative of the CAD that may be generated in future periods.

Management uses Adjusted EBITDA as a performance measure. Adjusted EBITDA is a non-GAAP measure that management uses to make strategic decisions about the business and that investors can use to evaluate the operational performance of the assets under management. It removes the impact of specific items that management believes do not directly reflect the core business operations on an ongoing basis. We define Adjusted EBITDA as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, costs related to shareholder litigation, the gain on foreign currency derivatives and Large Dispositions. Costs related to shareholder litigation include expenses incurred as a result of the securities litigation and the shareholder derivative demands. See Note 8—*Contingencies*. In addition, these costs include the costs associated with the Company’s response to a subpoena it received from the SEC in November 2014. In July 2016, the Division of Enforcement of the SEC notified the Company that it had concluded its investigation into the Company.

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

	Three Months Ended March 31,	
	2017	**2016**
Net Income to Adjusted EBITDA Reconciliation		
Net income	$35.1	$15.1
Interest, net	7.9	8.7
Income tax expense (benefit)	6.3	(0.8)
Depreciation, depletion and amortization	30.8	29.3
Non-cash cost of land and improved development	4.5	4.1
Costs related to shareholder litigation (a)	0.7	0.4
Gain on foreign currency derivatives (b)	—	(1.2)
Large Dispositions (c)	(28.2)	—
Adjusted EBITDA	$57.1	$55.6

(a) Costs related to shareholder litigation include expenses incurred as a result of the securities litigation and the shareholder derivative demands. See Note 8—*Contingencies*. In addition, these costs include the costs associated with the Company's response to a subpoena it received from the SEC in November 2014. In July 2016, the Division of Enforcement of the SEC notified the Company that it had concluded its investigation into the Company.

(b) Gain on foreign currency derivatives is the gain resulting from the foreign exchange derivatives the Company used to mitigate the risk of fluctuations in foreign exchange rates while awaiting the capital contribution to the New Zealand JV.

(c) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value. In January 2017, the Company completed a disposition of approximately 25,000 acres located in Alabama for a sale price and gain of approximately $42.0 million and $28.2 million, respectively.

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

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and other	Total
March 31, 2017							
Operating income (loss)	$13.9	($0.9)	$10.3	$29.7	$1.1	($4.8)	$49.3
Depreciation, depletion and amortization	12.5	10.2	5.4	2.6	—	0.1	30.8
Non-cash cost of land and improved development	—	—	—	4.5	—	—	4.5
Costs related to shareholder litigation (a)	—	—	—	—	—	0.7	0.7
Large Dispositions (b)	—	—	—	(28.2)	—	—	(28.2)
Adjusted EBITDA	$26.4	$9.3	$15.7	$8.6	$1.1	($4.0)	$57.1
March 31, 2016							
Operating income	$15.8	$1.4	$4.7	$4.2	$0.4	($3.5)	$23.0
Depreciation, depletion and amortization	16.6	4.6	4.9	3.2	—	—	29.3
Non-cash cost of land and improved development	—	—	1.8	2.3	—	—	4.1
Costs related to shareholder litigation (a)	—	—	—	—	—	0.4	0.4
Gain on foreign currency derivatives (c)	—	—	—	—	—	(1.2)	(1.2)
Adjusted EBITDA	$32.4	$6.0	$11.4	$9.7	$0.4	($4.3)	$55.6

(a)Costs related to shareholder litigation include expenses incurred as a result of the securities litigation and the shareholder derivative demands. See Note 8—*Contingencies*. In addition, these costs include the costs associated with the Company's response to a subpoena it received from the SEC in November 2014. In July 2016, the Division of Enforcement of the SEC notified the Company that it had concluded its investigation into the Company.

(b) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value. In January 2017, the Company completed a disposition of approximately 25,000 acres located in Alabama for a sale price and gain of approximately $42.0 million and $28.2 million, respectively.

(c) Gain on foreign currency derivatives is the gain resulting from the foreign exchange derivatives used by the Company to mitigate the risk of fluctuations in foreign exchange rates while awaiting the capital contribution to the New Zealand JV.

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

	Three Months Ended March 31,	
	2017	2016
Cash provided by operating activities	$33.9	$31.0
Capital expenditures (a)	(14.4)	(13.3)
Working capital and other balance sheet changes	19.3	18.7
CAD	38.8	36.4
Mandatory debt repayments	—	—
CAD after mandatory debt repayments	$38.8	$36.4
Cash used for investing activities	($33.6)	($20.3)
Cash provided by (used for) financing activities	$133.2	$13.4

(a) Capital expenditures exclude timberland acquisitions of $11.3 million and $14.3 million and spending on the Rayonier office building of $2.6 million and $0.2 million during the three months ended March 31, 2017 and March 31, 2016, respectively.

Liquidity Facilities

2017 Debt Activity

During the three months ended March 31, 2017, the Company made additional borrowings of $15.0 million on the Revolving Credit Facility. Proceeds from the additional borrowings were used to repay the $15.0 million solid waste bonds that were due in 2020. As of March 31, 2017, the Company had available borrowings of $154.6 million under the Revolving Credit Facility, net of $5.4 million to secure its outstanding letters of credit.

In addition, the New Zealand JV made $11.3 million of borrowings, net of repayments and changes in exchange rates, on the New Zealand JV Working Capital Facility. As of March 31, 2017, draws totaling NZ$23.8 million remain available on the working capital facilities. The New Zealand JV also paid $2.5 million of its shareholder loan held with the non-controlling interest party during the three months ended March 31, 2017. Changes in exchange rates increased debt on a U.S. dollar basis for its shareholder loan by $0.2 million.

Off-Balance Sheet Arrangements

We utilize off-balance sheet arrangements to provide credit support for certain suppliers and vendors in case of their default on critical obligations, and collateral for certain self-insurance programs that we maintain. These arrangements consist of standby letters of credit and surety bonds. As part of our ongoing operations, we also periodically issue guarantees to third parties. Off-balance sheet arrangements are not considered a source of liquidity or capital resources and do not expose us to material risks or material unfavorable financial impacts. See Note 9 — *Guarantees* for details on the letters of credit, surety bonds and guarantees as of March 31, 2017.

Contractual Financial Obligations

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

The following table aggregates our contractual financial obligations as of March 31, 2017 and anticipated cash spending by period:

		Payments Due by Period			
Contractual Financial Obligations (in millions)	**Total**	**Remaining 2017**	**2018-2019**	**2020-2021**	**Thereafter**
Long-term debt (a)	$1,031	—	—	$40	$991
Current maturities of long-term debt (b)	43	43	—	—	—
Interest payments on long-term debt (c)	201	23	60	58	60
Operating leases — timberland	194	7	18	17	152
Operating leases — PP&E, offices	5	1	2	1	1
Commitments — derivatives (d)	56	6	14	14	22
Commitments — other (e)	3	3	—	—	—
Total contractual cash obligations	$1,533	$83	$94	$130	$1,226

(a) The book value of long-term debt, net of deferred financing costs, is currently recorded at $1,028.1 million on the Company's Consolidated Balance Sheet, but upon maturity the liability will be $1,031.5 million.

(b) The book value of our current maturities of long-term debt is currently recorded at $42.9 million on the Company's Consolidated Balance Sheet, but upon maturity the liability will be $42.8 million.

(c) Projected interest payments for variable rate debt were calculated based on outstanding principal amounts and interest rates as of March 31, 2017.

(d) Commitments represent payments expected to be made on derivative financial instruments (foreign exchange contracts and interest rate swaps). See Note 11 — *Derivative Financial Instruments and Hedging Activities.*

(e) Commitments include payments expected to be made on the construction of the Company's office building.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market and Other Economic Risks

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

As of March 31, 2017 we had $690 million of U.S. long-term variable rate debt. Our primary interest rate exposure on variable rate debt results from changes in LIBOR. However, we use interest rate swaps to manage our exposure to interest rate movements on our term credit agreement by swapping existing borrowings from floating rates to fixed rates. The notional amount of outstanding interest rate swap contracts at March 31, 2017 was $650 million. The Term Credit Agreement and associated interest rate swaps mature in August 2024 and the Incremental Term Loan agreement and associated interest rate swaps mature in May 2026. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in a corresponding increase/decrease of approximately $0.4 million in interest payments and expense over a 12 month period.

The fair market value of our U.S. long-term fixed interest rate debt is also subject to interest rate risk. The estimated fair value of our long-term fixed-rate debt at March 31, 2017 was $325.2 million compared to the $325 million principal amount. We use interest rates of debt with similar terms and maturities to estimate the fair value of our debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical one-percentage point increase/decrease in prevailing interest rates at March 31, 2017 would result in a corresponding decrease/increase in the fair value of our long-term fixed-rate debt of approximately $15 million.

We estimate the periodic effective interest rate on U.S. long-term fixed and variable rate debt for the first quarter was approximately 3.3% after consideration of interest rate swaps and estimated patronage payments, excluding unused commitment fees on the revolving credit facility.

The functional currency of the Company’s New Zealand-based operations and New Zealand JV is the New Zealand dollar. Through these operations and our ownership in the New Zealand JV, we are exposed to foreign currency risk on cash held in foreign currencies and on foreign export sales and ocean freight payments that are predominantly denominated in U.S. dollars. To mitigate these risks, the New Zealand JV routinely enters into foreign currency exchange contracts and foreign currency option contracts to hedge a portion of the New Zealand JV’s foreign exchange exposure. At March 31, 2017, the New Zealand JV had foreign currency exchange contracts with a notional amount of $61 million and foreign currency option contracts with a notional amount of $81 million outstanding. The amount hedged represents 54% of forecast U.S. dollar denominated harvesting sales proceeds over the next 18 months and 69% of log trading sales proceeds over the next 3 months.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of March 31, 2017.

In the quarter ended March 31, 2017, based upon the evaluation required by paragraph (d) of SEC Rule 13a-15, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 8—*Contingencies* in the "Notes to Consolidated Financial Statements" under Item 1 of Part I of this report is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

In February 2016, the Board of Directors approved the repurchase of up to $100 million of Rayonier's common shares (the "share repurchase program") to be made at management's and the Board of Director's discretion. The program has no time limit and may be suspended or discontinued at any time. There were no shares repurchased under this program in the first quarter of 2017 and there was $99.3 million, or approximately 3,504,249 shares based on the period end closing stock price of $28.34, available for repurchase as of March 31, 2017.

In 1996, we began a Common Share repurchase program (the "1996 anti-dilutive program") to minimize the dilutive effect of our employee incentive stock plans on earnings per share. This program limits the number of shares that may be purchased each year to the greater of 1.5% of outstanding shares at the beginning of the year or the number of incentive shares issued to employees during the year. In October 2000, July 2003 and October 2011, our Board of Directors authorized the purchase of additional shares in the program totaling 2.1 million shares. The 1996 anti-dilutive program does not have an expiration date. There were no shares purchased under this program in the first quarter of 2017 and there were 3,778,625 shares available for purchase at March 31, 2017.

The following table provides information regarding our purchases of Rayonier common stock during the quarter ended March 31, 2017:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b)
January 1 to January 31	—	—	—	7,282,874
February 1 to February 28	—	—	—	7,282,874
March 1 to March 31	298	$28.34	—	7,282,874
Total	298		—	

(a) Includes 298 shares of the Company's common stock purchased in March from a former employee in a non-open market transaction. The shares of stock were sold by the former employee of the Company in exchange for cash that was used to pay withholding taxes associated with the vesting of a restricted stock award under the Company's stock incentive plan. The price per share surrendered is based on the closing price of the Company's stock on the vesting date of the award.

(b) Maximum number of shares authorized to be purchased as of March 31, 2017 include 3,778,625 under the 1996 anti-dilutive program and approximately 3,504,249 under the share repurchase program.

Item 6. Exhibits

10.1	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective January 1, 2017*	Filed herewith
10.2	2017 Performance Share Annual Award Program*	Filed herewith
10.3	Rayonier Annual Bonus Program, as amended and restated*	Filed herewith
31.1	Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32	Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following financial information from our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017, formatted in Extensible Business Reporting Language ("XBRL"), includes: (i) the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the Three Months Ended March 31, 2017 and 2016; (ii) the Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016; (iii) the Consolidated Statements of Shareholders' Equity for the Three Months Ended March 31, 2017 and the Years Ended December 31, 2016 and 2015; (iv) the Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016; and (v) the Notes to Consolidated Financial Statements	Filed herewith

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* Management contract or compensatory plan.

SIGNATURE

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

	RAYONIER INC.
	(Registrant)
By:	/s/ APRIL TICE
	April Tice *Director, Financial Services and Corporate Controller* *(Duly Authorized Officer, Principal Accounting Officer)*

Date: May 5, 2017

AMENDMENT TO RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES ("the Plan")

WHEREAS, Rayonier lnc. (the "Employer") maintains the Rayonier Investment and Savings Plan for Salaried Employees (the "Plan") for its employees;

WHEREAS, Rayonier Inc. has decided that it is in its best interest to amend the Plan;

WHEREAS, Section 14.0l(b) of the Plan authorizes the Employer to amend the selections under the Rayonier Investment and Savings Plan for Salaried Employees Adoption Agreement.

NOW THEREFORE BE IT RESOLVED, that the Rayonier Investment and Savings Plan for Salaried Employees Adoption Agreement is amended as follows. The amendment of the Plan is effective as of 1-1-2017.

1. The Adoption Agreement is amended to read:

5-2 POST-SEVERANCE COMPENSATION. Total Compensation includes post-severance compensation, to the extent provided in Section l.14l(b) of the Plan.

x (a) **Exclusion of post-severance compensation from Total Compensation.** The following amounts paid after a Participant's severance of employment are excluded from Total Compensation:

x (1) Unused leave payments. Payment for unused accrued bona fide sick, vacation, or other leave, but only if the Employee would have been able to use the leave if employment had continued.

x (2) Deferred compensation. Payments received by an Employee pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Employee at the same time if the Employee had continued in employment and only to the extent that the payment is includible in the Employee's gross income.

[Note: Plan Compensation (as defined in Section 1.97 of the Plan) includes any post-severance compensation amounts that are includible in Total Compensation. The Employer may elect to exclude all compensation paid after severance of employment or may elect to exclude specific types of post-severance compensation from Plan Compensation under AA §5-3.]

o (b) **Continuation payments for disabled Participants.** Unless designated otherwise under this subsection, Total Compensation does not include continuation payments for disabled Participants.

Payments to disabled Participants. Total Compensation shall include post-severance compensation paid to a Participant who is permanently and totally disabled, as provided in Section 1.141(c) of the Plan. For this purpose, disability continuation payments will be included for:

o (1) Nonhighly Compensated Employees only,

o (2) All Participants who arc permanently and totally disabled for a fixed or determinable period.

EMPLOYER SIGNATURE PAGE

PURPOSE OF EXECUTION. This Signature Page is being executed for Rayonier Investment and Savings Plan for Salaried Employees to effect:

o (a)) The adoption of a **new plan**, effective__ [*insert Effective Date of Plan*]. [*Note: Date can be no earlier than the first day of the Plan Year in which the Plan is adopted.]*

o (b) The **restatement** of an existing plan, in order to comply with the requirements of PPA, pursuant to Rev. Proc. 2011-49.

(1) Effective date of restatement: __. *[Note: Date can be no earlier than January 1, 2007. Section 14.01(/)(2) of Plan provides for retroactive effective dates for all PPA provisions. Thus, a current effective date may be used under this subsection (I) without jeopardizing reliance.]*

(2) Name of plan(s) being restated: __

(3) The original effective date of the plan(s) being restated: __

x (c) An **amendment or restatement** of the Plan (other than to comply with PPA). If this Plan is being amended, a snap-on amendment may be used to designate the modifications to the Plan or the updated pages of the Adoption Agreement may be substituted for the original pages in the Adoption Agreement. All prior Employer Signature Pages should be retained as part of this Adoption Agreement.

(1) Effective Date(s) of amendment/restatement: 1-1-2017

(2) Name of plan being amended/restated: Rayonier Investment and Savings Plan for Salaried Employees

(3) The original effective date of the plan being amended/restated: 3-1-1994

(4) If Plan is being amended, identify the Adoption Agreement section(s) being amended: Section 5-2(a) is amended to exclude unused leave from total compensation.

VOLUME SUBMITTER SPONSOR INFORMATION. The Volume Submitter Sponsor (or authorized representative) will inform the Employer of any amendments made to the Plan and will notify the Employer if it discontinues or abandons the Plan. To be eligible to receive such notification, the Employer agrees to notify the Volume Submitter Sponsor (or authorized representative) of any change in address. The Employer may direct inquiries regarding the Plan or the effect of the Favorable IRS Letter to the Volume Submitter Sponsor (or authorized representative) at the following location:

Name of Volume Submitter Sponsor (or authorized representative): Massachusetts Mutual Life Insurance Company

Address: 1295 State Street Springfield. MA 01111-0001

Telephone number: (800) 309-3539

IMPORTANT INFORMATION ABOUT THIS VOLUME SUBMITTER PLAN. A failure to properly complete the elections in this Adoption Agreement or to operate the Plan in accordance with applicable law may result in disqualification of the Plan. The Employer may rely on the Favorable IRS Letter issued by the National Office of the Internal Revenue Service to the Volume Submitter Sponsor as evidence that the Plan is qualified under Code §401(a), to the extent provided in Rev. Proc. 2011-49. The Employer may not rely on the Favorable IRS Letter in certain circumstances or with respect to certain qualification requirements, which are specified in the Favorable IRS Letter issued with respect to the Plan and in Rev. Proc. 2011-49. In order to obtain reliance in such circumstances or with respect to such qualification requirements, the Employer must apply to the office of Employee Plans Determinations of the Internal Revenue Service for a determination letter. See Section 1.66 of the Plan.

By executing this Adoption Agreement, the Employer intends to adopt the provisions as set forth in this Adoption Agreement and the related Plan document. By signing this Adoption Agreement, the individual below represents that he/she has the authority to execute this Plan document on behalf of the Employer. This Adoption Agreement may only be used in conjunction with Basic Plan Document #04.
The Employer understands that the Volume Submitter Sponsor has no responsibility or liability regarding the suitability of the Plan for the Employer's needs or the options elected under this Adoption Agreement. It is recommended that the Employer consult with legal counsel before executing this Adoption Agreement.

Rayonier Inc.
(Name of Employer)

Shelby Pyatt	VP, HR and IT
(Name of authorized representative)	*(Title)*
/s/ SHELBY PYATT	1/17/2017
(Signature)	*(Date)*

Exhibit 10.2

Rayonier

2017 Performance Share Award Program

The number of shares to which a participant could become entitled under the 2017 Performance Share Award Program (the "Program") can range from 0% to a maximum of 200% of the Target Award depending on Rayonier's total shareholder return ("TSR") performance for the Performance Period of April 1, 2017 through March 31, 2020, as compared to the TSR performance of the designated peer group companies for the same period. There will be no payout if results fall below the 30th percentile performance threshold.

- TSR is defined as stock price appreciation plus the reinvestment of dividends on the ex-dividend date. For purposes of performance measurement, TSR shall be the final reported figure as may be adjusted by the Committee for unusual items to avoid distortion in the operation of the Program.
- TSR over the performance period will be calculated by measuring the value of a hypothetical $100 investment in Rayonier shares as compared to an equal investment in each of the peer group companies.
- TSR calculations of stock price appreciation will be the average of the closing prices of Rayonier common shares and that of each of the peer group companies for the first 20 trading dates and last 20 trading dates of the Performance Period.

The final number of shares in an Award will be determined as follows:

- The TSR performance of Rayonier and the peer group companies will be calculated.
- The percentile rank of each peer company will be calculated (excluding Rayonier).
- Rayonier's relative percentile performance, will be calculated using a continuous rank percentile calculation, by interpolating between the percentile rank of the peer company just above and below Rayonier's TSR performance for the period.
- The payout percentage of Target Award based on Rayonier's percentile TSR performance against the peer group companies will be calculated per the following table:

Percentile Rank	**Award (Expressed As Percent of Target Award)**
80th and Above	200%
51st –79th	100%, plus 3.33% for each incremental percentile position over the 50th percentile
50th	100%
31st – 49th	30%, plus 3.5% for each incremental percentile position over the 30th percentile
30th	30%
Below 30th	0%

- The payout percentage may not exceed 100% of target awards if Rayonier's TSR for the Performance Period is negative.
- Payment, if any, is to be made in Rayonier Common Shares, and may be offset, to the extent allowed under applicable regulations, by the number of shares equal in value to the amount needed to cover associated tax liabilities.
- Dividend equivalents and interest will be paid in cash on the number of Rayonier Common Shares earned under the Program.
- Dividends equivalents and interest will be calculated by taking the dividends paid on one share of Rayonier Common Stock during the performance period times the number of shares awarded at the end of the period. Interest on such dividends will be earned at a rate equal to the prime rate as reported in the Wall Street Journal, adjusted and compounded annually, from the date such cash dividends were paid by the Company.
- Awards will be valued as soon as practicable following the end of the performance period. Awards, including dividends and interest, will be distributed to participants as soon as practicable following the valuation date.
- Target awards will be prorated in cases of retirement, death, or disability in accordance with Plan provisions.
- Notwithstanding any other provision in this Plan to the contrary, any award or shares issued thereunder and any amount received with respect to the sale of any such Award or shares, shall be subject to potential cancellation, recoupment, rescission, payback, or other action in accordance with the terms of the Company's Clawback Policy as in effect from time to time (the "Clawback Policy").

2017 Performance Share Award Program – Peer Group

(April 1, 2017 – March 31, 2020)

Custom Timber Peer Group (Weighted 80%)

- Catchmark Timber Trust
- Deltic Timber
- Potlatch Corporation
- Pope Resources
- Weyerhaeuser

Real Estate Segment of the S&P 400 Midcap Index (Weighted 20%)

RAYONIER

ANNUAL BONUS PROGRAM
(as amended and restated December 2016)

Rayonier

Annual Bonus Program

1. Purpose

This Rayonier Annual Bonus Program ("Bonus Program") is adopted pursuant to the Rayonier Non-Equity Incentive Plan (the "Plan") and is the vehicle through which the Compensation and Management Development Committee (the "Committee") of the Rayonier Board of Directors will make awards to key personnel that have an impact on the Company's achievement of annual or other short-term Performance Objectives.

The Bonus Program is effective for Performance Periods designated by the Committee until such time as the Bonus Program is modified or terminated.

2. Definitions

For purposes of the Bonus Program, the following terms have the indicated definitions. Terms not defined here have the same meaning as under the Plan.

(a) "Available Bonus Pool" means with respect to any Performance Period, the sum of the Preliminary Bonus Awards for all Designated Employees excluding Covered Executives, as adjusted by any change made by the Committee pursuant to Section 4(d)(i); *provided that*, such sum shall not exceed the amount specified in Section 4(a).

(b) "Bonus Award" means the bonus payable in respect of a specified Performance Period to a Designated Employee determined in accordance with Section 4.

(c) "Bonus Program" means this Rayonier Annual Bonus Program, as it may be modified from time to time by the Committee.

(d) "Clawback Policy" has the meaning set forth in Section 8(j).

(e) "Code" means the Internal Revenue Code of 1986, as it may be amended from time to time, and the applicable regulations thereunder.

(f) "Rayonier Performance Factor" or "RPF" has the meaning set forth in Section 5.

(g) "Covered Executive" has the same meaning as set forth in the Plan.

(h) "Designated Employees" means with respect to any applicable Performance Period, the Covered Executives and other U.S. based employees as designated by the Committee prior to the end of the first quarter of the Performance Period.

(i) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(j) "Performance Period" means the Company's fiscal year or any other period designated by the Committee with respect to which Bonus Awards are granted.

(k) "Performance Bonus Award" is the Bonus Award determined in accordance with this Bonus Program and the Plan.

(l) "Plan" means the Rayonier Non-Equity Incentive Plan, pursuant to which this Bonus Program is adopted, or any successor thereto.

(m) "Preliminary Bonus Award" means:

(i) for Designated Employees other than Covered Executives, the product of multiplying (a) the employee's Target Award times (b) the Rayonier Performance Factor calculated in accordance with Exhibit A; and

(ii) for Covered Executives, an amount equal to 150% of the executive's Target Award unless the Rayonier Performance Factor is 0%, in which case the Preliminary Bonus Award will be zero.

(n) "Target Award" means with respect to a Designated Employee, the amount expressed as a percent of the Designated Employee's Performance Period base pay earnings.

3. Administration

The Committee shall administer the Bonus Program for all Designated Employees in accordance with the Plan, provided that, as specified in the Committee's Charter, the Bonus Award for the Chief Executive Officer shall be subject to review and approval by the independent members of the Board of Directors.

Before payment of any Bonus Award is made to a Covered Executive under this Bonus Program, the Committee shall have complied with the provisions of Section 4(d)(iv).

4. Procedures for Establishing and Determining Performance Bonus Awards

(a) *Maximum Bonus Pool for a Performance Period.* The aggregate amount payable as Bonus Awards for any Performance Period for all Designated Employees shall not exceed 150% of the sum of the Target Awards for all Executives.

(b) *Setting Performance Goals, Performance Objectives and Target Awards.* Within ninety (90) days of the start date of each Performance Period (or by such earlier time as may be required in the future by the applicable provisions of the Code in the case of Covered Executives), the Committee shall:

(i) Determine the Designated Employees by class or otherwise who will participate in the Bonus Program for the particular Performance Period;

(ii) Determine the parameters of the Rayonier Performance Factor to be applied for the Performance Period in accordance with Section 5(a) and substantially in the form set forth on Exhibit A;

(iii) Establish the Target Award for the Performance Period for the Designated Employees covered by the Bonus Program by class or otherwise, including for each Covered Executive, by reference to a percent of base salary by Salary Grade at the end of the performance period as set forth on Exhibit B; and

(c) *Calculation of Performance Bonus Awards.* In the case of Designated Employees who are not Covered Executives, individual Performance Bonus Awards are determined based upon the Designated Employee's Preliminary Bonus Award, adjusted up to +30/-100% based upon the Designated Employee's performance against identified individual objectives established for each Designated Employee; provided that, the sum of all Performance Bonus Awards for Designated Employees who are not Covered Executives cannot exceed the Available Bonus Pool. Notwithstanding any adjustments recommended in respect of a Designated Employee's performance against identified individual objectives, the Committee may increase or reduce the final Performance Bonus Award of any Designated Employee who is not a Covered Executive where it deems appropriate, in its sole discretion, subject to the aggregate limitation in Section 4(a) for all Bonus Awards. Covered Executive Performance Bonus Awards are calculated pursuant to (d)(ii) of this Section 4.

(d) *Certification of RPF and Finalization of Bonus Awards.* At the end of each Performance Period, the Committee shall:

(i) Review the calculation of the Available Bonus Pool and the Preliminary Bonus Award payout levels for all Designated Employees covered by the Bonus Program, and if the Committee deems necessary or appropriate, exercise its discretion to increase or decrease the Available Bonus Pool based on such factors as it may deem relevant. Preliminary Bonus Awards of Designated Employees that comprise the Available Bonus Pool will be adjusted proportionately in the event of such a discretionary adjustment. The Committee shall make such adjustments as provided for in Section 4 (c) to individual Performance Bonus Awards to Designated Employees who are not Covered Executives as the Committee deems appropriate in its discretion;

(ii) With respect to each Covered Executive, determine the reductions if any to the Covered Executives' Preliminary Bonus Awards based upon the Committee's review of each Covered Executive's performance in terms of the RPF and performance against identified individual objectives established for each Covered Executive, with such determination in the sole negative discretion of the Committee;

(iii) Establish the form of payment and the payment date for Bonus Awards for the Performance Period for Covered Executives as provided in Section 6; and

(iv) Prior to the payment of a Bonus Award to any Covered Executive, certify by Committee resolution or otherwise in writing, in accordance with the requirements of Section 162(m) of the Code and Section 5(e)(B) of the Plan, whether the material terms for paying such Bonus Award in respect of the Performance Period have been achieved or met.

5. Rayonier Performance Factor

(a) *Criteria for Establishing the RPF.* The "Rayonier Performance Factor" shall consist of those Performance Goals permitted under the Plan that are selected by the Committee for the specified Performance Period, and weighted as designated by the Committee for such Performance Period so as to reflect Performance Objectives under the Plan. Such selection and weighting in determining the Rayonier Performance Factor may be changed from time to time by the Committee consistent with the provisions of the Plan in respect of Covered Executives, *provided that* with respect to a particular Performance Period, the Rayonier Performance Factor shall be established generally prior to the commencement of such Performance Period and in all events not later than the end of the first quarter of any Performance Period.

(b) *Initial RPF Performance Goals and Parameters.* The Rayonier Performance Factor shall be computed as specified in Exhibit A hereto until changed by the Committee as provided in Section 5(a), with such adjustments to reported earnings for accounting rule changes, special non-recurring items, discontinued operations, and similar adjustments as are approved by the Committee made so as to provide consistent measurements of continuing performance.

6. Payment of Bonus Awards

(a) *Entitlement to Payments Generally.* Subject to Sections 4(d)(iii) and (iv) for Covered Executives, Bonus Awards for a Performance Period shall be paid at such time as designated by the Committee following the closing of the Performance Period and its determination of the final Bonus Awards as provided in Section 4(d), to Designated Employees who are employed by the Company on the payment date or whose employment terminated as a result of death, disability or normal retirement following the end of the applicable Performance Period. The Chief Executive Officer shall determine if a pro-rated Bonus Award shall be paid to any Designated Employee, other than a Covered Executive, whose employment terminated as a result of death, disability or normal retirement during the applicable Performance Period. Except as provided in the previous sentence, the Committee shall determine in its sole discretion if a Bonus Award shall be paid to any Designated Employee who is not employed by the Company on the payment date.

(b) *Employment After Commencing of a Performance Period.* Subject to such modifications as may be approved by the Committee, Designated Employees who commence employment after the start of a Performance Period may be granted a Bonus Award determined pro-rata for the term of such employee's employment during the Performance Period. To the extent a new Designated Employee may become entitled to a Bonus Award hereunder, a Target Award shall be computed for such Designated Employee to reflect such pro-rata participation and the Available Bonus Pool shall be adjusted to reflect such Target Award.

(c) *Form of Payment.* Bonus Awards shall be paid in cash, except that Bonus Awards for Covered Executives may be paid in cash, stock, other stock-based or stock-denominated units or any combination thereof as determined by the Committee to the extent permitted by the Plan at the time, and subject to compliance with any applicable listing requirements and securities laws.

(d) *Timing of Payments.* Before payment of any Bonus Award is made to a Covered Executive under this Bonus Program, the Committee shall have complied with the provisions of Section 4(d)(iv). It is anticipated that for Designated Employees other than Covered Executives, if authorized by the Committee, payments of Bonus Awards can be based on preliminary data available in the last month of the Performance Period and made shortly after the end of the Performance Period, subject to confirmation following the close of the Performance Period by report to the Committee at its next regularly scheduled meeting following such payments indicating that payment was made in compliance with the terms of the Bonus Program. The time of payment shall be as determined by the Committee, though in all events payment shall be made prior to the end the applicable short-term deferral period under Section 409A of the Code.

7. Termination and Amendment

Subject to the provisions of the Plan, the Committee may terminate or amend the Bonus Program at any time.

8. Other Provisions

(a) No Designated Employee shall have any claim or right to be granted a Bonus Award under the Bonus Program until such Bonus Award is actually made. Neither the existence of this Bonus Program, nor any action taken hereunder, shall be construed as giving any Designated Employee any right to be retained in the employ of the Company or in any way interfere with or limit the right of the Company to terminate any Designated Employee's employment at any time. Nothing contained in this Bonus Program shall limit the ability of the Company to make payments or awards to Designated Employees under any other plan, agreement or arrangement in effect at time the Bonus Program is established or upon a subsequent date.

(b) No employee shall, at any time, have a right to become a Designated Employee in the Bonus Program for any Performance Period, for any reason, including notwithstanding the individual's having previously participated in the Bonus Program.

(c) The Company shall have the right to deduct from a Bonus Award or from any other amounts due the Designated Employee from the Company, any taxes or other amounts required or permitted to be withheld by law.

(d) No Designated Employee or any other party claiming an interest in amounts earned under the Bonus Program shall have any interest whatsoever in any specific asset of the Company. To the extent that any person or entity acquires a right to receive payments under the Bonus Program, such rights shall be that of an unsecured general creditor of the Company.

(e) All questions pertaining to the construction, regulation, validity and effect of the provisions of the Bonus Program shall be determined in the sole discretion of the Committee pursuant to the Plan.

(f) With the exception of payments made following the death of a Designated Employee, the rights and benefits of a Designated Employee hereunder are personal to the Designated Employee and shall not be subject to any voluntary or involuntary alienation, assignment, pledge, transfer, encumbrance, attachment, garnishment or other disposition.

(g) Bonus Awards under this Bonus Program shall not constitute compensation for the purpose of determining participation or benefits under any other plan of the Company unless specifically included as compensation in such plan.

(h) If any provision of this Bonus Program would cause a Performance Bonus Award not to constitute "qualified performance-based compensation" under Section 162(m) with respect to a Covered Executive, that provision shall be severed from, and shall be deemed not to be a part of, the Bonus Program, in respect of such Covered Executive but the other provisions hereof shall remain in full force and effect.

(i) In the *event* that changes are made to Section 162(m) to permit greater flexibility under the Bonus Program, the Committee may make any adjustments it deems appropriate.

(j) Notwithstanding any other provision in this Plan to the contrary, any Bonus Award issued thereunder and any amount received with respect of any Bonus Award, shall be subject to potential cancellation, recoupment, rescission, payback, or other action in accordance with the terms of the Company's Clawback Policy as in effect from time to time (the "Clawback Policy".

(k) This Bonus Program is governed by the Plan, and the Committee reserves the full discretion provided for under the Plan in administering this Bonus Program.

9. Adoption Date

This Bonus Program was first adopted by the Committee on December 9, 2004 with application for Performance Periods commencing January 1, 2005, and amended and restated as herein provided on December 16, 2016, with application for Performance Periods commencing January 1, 2017.

RAYONIER

ANNUAL BONUS PROGRAM

METHODOLOGY FOR COMPUTING THE PAYOUT
FOR THE 2017 PERFORMANCE PERIOD

2017 Performance Goals	**Payout Range**
Recurring Cash Flow ("RCF") [(1)] divided by Budget RCF (Weighted 80%)	0% - 120%
Strategic Performance Objectives / Quality of Earnings Assessment [(2)] (Weighted 20%)	0% - 30%

1) Recurring Cash Flow is defined as Cash Available for Distribution ("CAD") plus interest expense (to exclude capital structure decisions).
2) The Compensation Committee of the Board of Directors will determine the Strategic Performance Objectives / Quality of Earnings Assessment payout based on management's performance against approved annual strategic objectives and an overall assessment of quality of earnings.

Rayonier Performance Factor Payout Calculation:

	Threshold	**Target**	**Maximum**
RCF Performance (against budget)	80%	100%	110%
Financial Payout [(1)] (weighted)	40%	80%	120%
Strategic/Quality of Earnings Payout (weighted)	0%	20%	30%
Total Payout	40%	100%	150%

(1) Values are interpolated between threshold and target and target and maximum

EXHIBIT 31.1

CERTIFICATION

I, David L. Nunes, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 5, 2017

/s/ DAVID L. NUNES

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

EXHIBIT 31.2

CERTIFICATION

I, Mark McHugh, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 5, 2017

/s/ MARK MCHUGH

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

EXHIBIT 32

CERTIFICATION

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

1. The quarterly report on Form 10-Q of Rayonier Inc. (the "Company") for the period ended March 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

May 5, 2017

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