

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

FORM 8-K

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

**DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)
February 27, 2006**

RAYONIER INC.

COMMISSION FILE NUMBER 1-6780

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

**50 North Laura Street, Jacksonville, Florida 32202
(Principal Executive Office)**

Telephone Number: (904) 357-9100

Check the appropriate box below if the form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

The following information is being filed pursuant to Section 1 Item 1.01, "Entry into a Material Definitive Agreement".

On February 27, 2006 the Compensation and Management Development Committee (the "Committee") of the Board of Directors of Rayonier Inc. (the "Company") approved the Rayonier Annual Corporate Bonus Program (the "Program"). Under the Program, target annual bonus awards to key personnel are based on the Company's achievement of a Corporate Performance Factor which is weighted as follows:

- 45% actual net income vs. budgeted net income;
- 15% actual return on total capital vs. budgeted return on total capital; and
- 40% actual cash available for distribution ("CAD") vs. budgeted CAD (calculated on a quarterly basis).

Resulting awards, if any, will be paid in cash in the first quarter of the following year, except that awards to certain senior executives may be paid either in cash, as stock-based awards or a combination thereof, at the Committee's discretion.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the Program, a copy of which is filed as Exhibit 10.1 hereto and is incorporated by reference herein.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

10.1 Rayonier Annual Corporate Bonus 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 hereunto duly authorized.

RAYONIER INC. (Registrant)

BY: /s/ HANS E. VANDEN NOORT

Hans E. Vanden Noort
Senior Vice President and
Chief Accounting Officer

March 3, 2006

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EXHIBIT INDEX

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>	<u>LOCATION</u>
10.1	Rayonier Annual Corporate Bonus Plan	Filed herewith

RAYONIER
ANNUAL CORPORATE BONUS PROGRAM
(as amended and restated February 27, 2006)

Rayonier
Annual Corporate Bonus Program

1. Purpose

This Rayonier Annual Corporate Bonus Program (“Bonus Program”) 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 2004 Incentive Stock and Management Bonus Plan (the “Plan”).

- (a) “Available Bonus Pool” means with respect to any Performance Period, the sum of the Preliminary Bonus Awards for all Executives; *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, and which in the case of a Covered Executive is such individual’s “Bonus Award” for purposes of Section 9 of the Plan.
- (c) “Bonus Program” means this Rayonier Annual Corporate Bonus Program, as it may be modified from time to time by the Committee.
- (d) “Budgeted Net Income” means the Net Income budget as approved by the Board for the applicable Performance Period.
- (e) “Corporate Performance Factor” or “CPF” has the meaning set forth in Section 5.
- (f) “Covered Executive” (i.e. the Company’s top five executives) has the same meaning as a “Participant” under Section 9 of the Plan.
- (g) “Designated Employees” means with respect to any applicable Performance Period, the Covered Executives and other Executives designated, by Salary Grade or otherwise, by the Committee prior to the end of the first quarter of the Performance Period.
- (h) “Executive” means any Rayonier employee at Salary Grade 15 or higher, including the Covered Executives.
- (i) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

- (j) “Net Income” means, for each Performance Period, the Company’s net income from continuing operations as defined by accounting principles generally accepted in the United States, as reported in the Company’s income statement for the Performance Period, adjusted to eliminate the after-tax effects of any restructuring charges or other unusual items, all as determined by the Company and reported to the Committee.
- (k) “Preliminary Bonus Award” means the product of multiplying (i) an Executive’s Target Award for the Performance Period (applying such Executive’s base salary at the end of the Performance Period) times (ii) the actual CPF in respect of that Performance Period.
- (l) “Performance Period” means the Company’s fiscal year or any other period designated by the Committee with respect to which Bonus Awards are granted.
- (m) “Performance Bonus Award” has the meaning set forth in the Plan and is the Bonus Award determined in accordance with this Bonus Program and the Plan in the case of a Covered Executive.
- (n) “Plan” means the Rayonier 2004 Incentive Stock and Management Bonus Plan, pursuant to which this Bonus Program as it applies to Covered Executives is adopted, or any successor thereto.
- (o) “Target Award” means with respect to an Executive, the amount that would become such Executive’s Preliminary Bonus Award if the CPF in respect of the applicable Performance Period is 100%, expressed as a percentage of the Executive’s Performance Period end base salary.

3. Administration

The Committee shall administer the Bonus Program for all Designated Employees, including in accordance with the Plan, with respect to Covered Executives.

Before payment of any Bonus Award is made under this Bonus Program, the Committee shall have complied with the provisions of Section 4.

4. Procedures for Establishing and Determining Bonus Awards

- (a) *Maximum Bonus Awards 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 Bonus Awards for all Executives.
- (b) *Setting Performance Goals, Performance Objectives and Target Awards.* Not later than the end of the first quarter of each Performance Period (or by such earlier time as may be required in the future by the applicable provisions of the Internal Revenue Code of 1986 in the case of Covered Executives), the Committee shall:
 - (i) Determine the class of Executives who will participate in the Bonus Program for the particular Performance Period;
 - (ii) Determine the parameters of the Corporate Performance Factor to be applied for the Performance Period in accordance with Section 5(a), and
 - (iii) Establish the parameters for the Target Award for the Performance Period for the class of Executives covered by the Bonus Program, including for each Covered

Executive, substantially in the form set forth on Exhibit B hereto by Salary Grade or in such other similar format as may be approved by the Committee from time to time.

- (c) *Certification of CPF and Finalize 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 for Executives covered by the Bonus Program, with specific review of the Preliminary Bonus Awards for the Covered Executives, including the Chief Executive Officer, and for such other Executives identified by the Committee, which may include the direct reports to the Chief Executive Officer whether or not they are Covered Executives;
 - (ii) Review such adjustments, under Section 5(c) or otherwise, to the Preliminary Bonus Award for any Executive recommended by the Chief Executive Officer or that the Committee, in its discretion, otherwise deems appropriate in establishing the final amount, if any, of the Bonus Award for such Executive; *provided that*, the Preliminary Bonus Award for any Covered Executive may not be increased or exceed 200% of the Covered Executive's base salary in effect at the end of the Performance Period, and following all such adjustments, the sum of all Bonus Awards payable in respect of the Performance Period shall not exceed the amount determined in accordance with Section 4(a),
 - (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 9(e) of the Plan, whether the Corporate Performance Factor and other material terms for paying such Bonus Award in respect of the Performance Period have been achieved or met.

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.

5. **Corporate Performance Factor**

- (a) *Criteria for Establishing the CPF.* The "Corporate Performance Factor" shall consist of those Performance Goals permitted under Section 9 of 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 Corporate Performance Factor may be changed from time to time by the Committee consistent with the provisions of Section 9 of the Plan in respect of Covered Executives, *provided that* with respect to a particular Performance Period, the Corporate 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 CPF Performance Goals and Parameters.* The Corporate 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 corporate performance.
- (c) *Post-Performance Period Adjustments to CPF for Executives Other Than Covered Executives.* Subject to the aggregate amount of Bonus Awards not exceeding the Available Bonus Pool, the Corporate Performance Factor with respect to Bonus Awards for any particular Performance Period may be adjusted for Executives who are not Covered Executives, upon the recommendation of the Chief Executive Officer based on a qualitative judgment as to the effectiveness of the Executives in non-financial areas or as otherwise determined in the discretion of the Committee.

6. Payment of Bonus Awards

- (a) *Entitlement to Payments Generally.* Subject to Sections 4(c)(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(c), 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 Employee, 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, Executives 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 Executive may become entitled to a Bonus Award hereunder, a Target Bonus Award shall be computed for such Executive to reflect such pro-rata participation and the Available Bonus Pool shall be adjusted to reflect such Target Bonus.
- (c) *Form of Payment.* Bonus Awards shall be paid in cash, except that Bonus Awards that are Performance 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. Stock or stock-based awards may be granted under the terms and conditions of the Plan applicable to stock awards under the Plan and in compliance with the applicable rules of the Exchange Act.

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.

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 February 27, 2006, with application for Performance Periods commencing January 1, 2006.

Administration
February 2006

RAYONIER
ANNUAL CORPORATE BONUS PROGRAM
 METHODOLOGY FOR COMPUTING THE *CORPORATE PERFORMANCE FACTOR*
 FOR THE 2006 PERFORMANCE PERIOD

2006 Performance Goals	Performance Goal Calculation Formula	2006 Weighting
Net Income vs. Budget	N.I. minus Budget N.I. divided by: plus 1 Absolute Value of Budget N.I.	45.0%
ROTC vs. Budget	ROTC minus Budget ROTC divided by: plus 1 Absolute Value of Budget ROTC	15.0%
CAD vs. Budget	CAD minus Budget CAD divided by: plus 1 Absolute Value of Budget CAD	40.0%

Apply formula separately for actual cumulative CAD vs. budget for each quarter ending 3/31, 6/30, 9/30 and 12/31 within the Performance Period.

COMPUTATION OF CPF

Performance Goal Calculations:

- Apply the Performance Goal Calculation Formula for each Performance Goal as specified above.

Performance Goal Limitation:

Following application of each Performance Goal Calculation Formula:

- If the result of the Calculation Formula is less than zero, record zero for that Performance Goal.
- If the result of the Calculation Formula is greater than 1.5, record 1.5 for that Performance Goal.

Computation of CPF for the Performance Period:

CPF for the Performance Period is then determined by applying the applicable Weighting for the Performance Goal to the greater of the result of the Calculation Formula or the Performance Goal Limitation for such Performance Goal, and then taking the average of the result.

RAYONIER
ANNUAL CORPORATE BONUS PROGRAM
TARGET BONUS FOR RAYONIER EXECUTIVES
AS A PERCENT OF BASE SALARY*

<u>Salary Grade</u>	<u>Bonus Target %</u>
32	100
31	93
30	87
29	80
28	69
27	65
26	61
25	44
24	41
23	38
22	36
21	33
20	30
19	27
18	18
17	15
16	13
15	10

* Year-end Base Salary or Performance Period ending base salary as may be applicable.

Administration
February 2006