



**Rayonier**
More than trees

2020 Annual Report





Financial Highlights

<i>(Dollars in millions)</i>	2020	2019	2018
Sales & Earnings			
Sales	\$ 859.2	\$ 711.6	\$ 816.1
Pro Forma Revenue (Sales) ^(a)	720.4	711.6	816.1
Operating Income	74.4	107.0	170.1
Pro Forma Operating Income ^(a)	82.3	107.0	170.1
Net Income attributable to Rayonier, L.P.	37.6	59.1	102.2
Net Income attributable to Rayonier Inc.	37.1	59.1	102.2
Pro Forma Net Income ^(a)	33.5	59.1	102.2
Adjusted EBITDA By Segment^(b)			
Southern Timber	\$ 109.1	\$ 119.7	\$ 102.8
Pacific Northwest Timber	37.1	16.7	40.9
New Zealand Timber	55.0	75.8	90.8
Timber Funds	1.8	—	—
Real Estate	91.4	59.5	123.4
Trading	(0.5)	—	1.0
(-) Corporate/Other	(26.6)	(23.9)	(21.1)
Total Adjusted EBITDA	\$ 267.4	\$ 247.8	\$ 337.7
Cash Flow			
Cash provided by Operating Activities	\$ 204.2	\$ 214.3	\$ 310.1
Cash Available for Distribution ^(b)	162.4	149.4	240.1
Debt & Debt Ratios			
Debt (excluding Timber Funds) ^(c)	\$1,294.9	\$1,057.0	\$ 975.0
Cash (excluding Timber Funds)	80.5	68.7	148.4
Net Debt	1,214.4	988.3	826.6
Net Debt to Enterprise Value ^(d)	23%	19%	19%

(a) These non-GAAP measures are defined and reconciled on page 9.

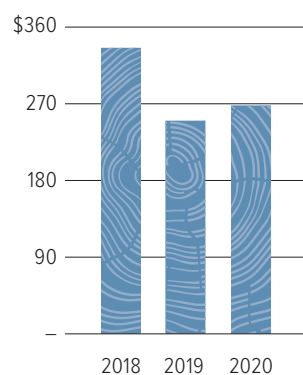
(b) Adjusted EBITDA and Cash Available for Distribution (CAD) are non-GAAP measures defined and reconciled on pages 53 and 54, respectively, within this Annual Report on Form 10-K.

(c) Total debt as of December 31, 2020, 2019 and 2018 reflects the principal on long-term debt, net of fair market value adjustments and gross of deferred financing costs of \$2.5 million, \$1.9 million and \$2.4 million, respectively.

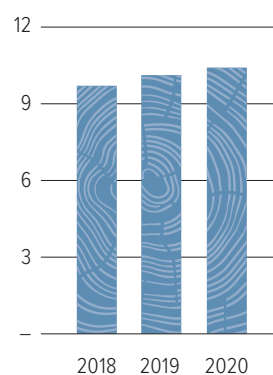
(d) Enterprise value based on equity market capitalization (including Rayonier, L.P. units) plus net debt based on Rayonier Inc.'s share price at year-end.

(e) Excludes Timber Funds.

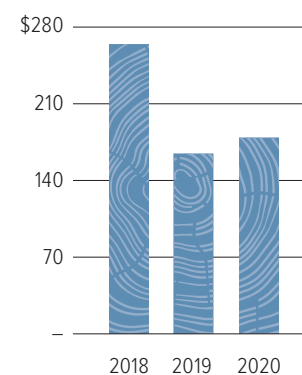
Adjusted EBITDA^(b)
(Dollars in millions)



Total Harvest^(e)
(Tons in millions)



CAD^(b)
(Dollars in millions)





David L. Nunes

President and
Chief Executive Officer

Dear Fellow
Shareholders:

As I reflect on 2020, first and foremost, I want to thank our employees, contractors and customers. Their hard work, collaboration and resilience amid unprecedented circumstances were inspiring, and ultimately allowed us to deliver strong financial results despite the myriad challenges we faced due to the COVID-19 pandemic. Our team quickly adapted to these challenges and truly exemplified the power of our culture, which stresses an ownership mindset and pushes decision making down within the organization. Our strong performance in 2020 further reflects the quality and diversity of our assets, which allowed us to capitalize on various domestic and export market opportunities as well as an unanticipated surge in real estate demand during the pandemic-fueled market volatility we experienced throughout the year.

Stepping back to early 2020, we were beginning to see many states and municipalities shift to shelter-in-place mandates. Due in no small part to the extraordinary demand for basic supplies such as toilet paper, the forest products sector was deemed an essential industry by the U.S. Department of Homeland Security. This distinction allowed us to continue to operate, but also necessitated the rapid development of enhanced safety protocols to protect our employees, contractors and customers. Meanwhile, the New Zealand government took a different approach, and our operations there were effectively shut down for over a month during the first half of the year. Fortunately, we have come a long way since last March and April, as we are seeing strong demand within both our U.S. and New Zealand markets fueled by a combination of domestic construction activity and export demand.

Still, as we sit here today, working from home, and for most of us, waiting for a vaccine shot, we are reminded of the tremendous toll of this pandemic. In addition to the tragic loss of life, it has also caused significant damage to the global economy, as well as the local economies of the communities where we operate. While there is still much work left to bring the virus under control and to repair the economic fallout from COVID-19, we are increasingly optimistic that the vaccine rollout during the first half of 2021 will help support a gradual return to some semblance of normalcy for the economy and society as a whole.

2020 in Review

Full-year 2020 net income attributable to Rayonier was \$37 million, or \$0.27 per share, which included the impact of a Large Disposition, costs related to the merger with Pope Resources, and timber write-offs resulting from casualty events. Excluding these items, pro-forma net income was \$33.5 million, or \$0.25 per share, which compares to net income attributable to Rayonier of \$59 million, or \$0.46 per share, in 2019. Our total Adjusted EBITDA in 2020 was \$267 million, 8% higher than the prior year total of \$248 million. Higher Adjusted EBITDA from our Real Estate and Pacific Northwest Timber segments more than offset lower Adjusted EBITDA from our Southern Timber and New Zealand Timber segments, as our businesses adapted to the challenges posed by the pandemic. Full-year Cash Available for Distribution (CAD) was \$162 million in 2020, representing a 9% increase from the \$149 million of CAD we generated in 2019.

Notwithstanding the multitude of disruptions associated with the COVID-19 pandemic, each of our three timber segments performed well in 2020. In our Southern Timber segment, Adjusted EBITDA declined from the record year we had in 2019 due to lower non-timber income, but still represented the second-highest Adjusted EBITDA result we have ever achieved. We were encouraged by the uptick in pricing at the end of the year as our more tensioned log markets benefited from record lumber prices. In the Pacific Northwest Timber segment, Adjusted EBITDA more than doubled versus 2019, bolstered by the partial year contribution from the Pope Resources acquisition as well as the sharp increase in log prices in the second half of the year driven by strong domestic demand. New Zealand Timber segment results declined versus the prior year due to challenging export market conditions and harvest deferrals stemming from the pandemic-related shutdown of the economy early in the year, offset partially by improved market conditions in the back half of the year. Lastly, Real Estate segment results were particularly strong based on an increase in sales from the Wildlight and Richmond Hill Improved Development projects as well as higher non-strategic timberland sales.

Closing and Integration of Pope Resources Acquisition

Closing and integrating the acquisition of Pope Resources (Pope) was one of our key priorities for the year. We announced a definitive merger agreement with Pope on January 15, 2020, concluding an on-again, off-again effort that spanned multiple years. Our Board, noting how often corporate mergers don't work out as planned, challenged us to develop a comprehensive integration process that would blend the best attributes of both organizations. Despite unexpected challenges imposed by the COVID-19 outbreak, the closing occurred ahead of schedule on May 8th. Teams from both Rayonier and Pope, working almost entirely remotely, developed and implemented an integration plan that allowed us to select the best systems and processes across both organizations to deploy going forward, as well as tap into the regional expertise of Pope's personnel. We brought across the majority of Pope's people, and successfully mixed expertise from both organizations to create a stronger combined team.

The Pope acquisition added 124,000 acres of high-quality western Washington timberlands to our portfolio, bringing our ownership in the region to just over 500,000 acres. With a complementary age-class fit to our existing portfolio, these lands increased our Pacific Northwest sustainable yield by 32% and increased our proportion of Douglas-fir merchantable timber inventory from 60% to 68%. We also now have a higher proportion of ground-based logging given the more gentle terrain of Pope's timberlands relative to our existing portfolio. In addition to lowering our average harvest costs and thereby improving our cash flow metrics, these lands are located in strong log markets that provide for greater operational flexibility in the future.

In addition to its high-quality timberland assets, the Pope acquisition included a complementary real estate business, which is well regarded in the west Puget Sound region of Washington. With a diverse portfolio of 2,000 acres, we envision Pope's real estate business not only providing additional scale and diversity to our existing real estate platform, but also contributing additional management expertise.

We remain intensely focused on active portfolio management with the objective of continuously improving our land base and long-term financial profile through both addition and subtraction.

Continuously Improving Our Portfolio

Pope's subsidiary Olympic Resource Management included a private equity timber fund business with 141,000 acres of timberlands under management in Washington, Oregon and California. We continue to evaluate strategic alternatives for this business, as we do not view it as a good strategic fit for Rayonier longer term.

Overall, we are encouraged by the benefits that have already started to accrue from the Pope transaction. Looking forward, we believe that our increased operational flexibility and market reach within the Pacific Northwest, the attractive Pope real estate portfolio, and the addition of a strong team of talented professionals will all contribute to our future cash flow growth.

Role of Active Portfolio Management

While the Pope Resources acquisition underscored the role of external growth for Rayonier, it's important to note that we don't believe in growth for growth's sake. Rather, we remain intensely focused on active portfolio management with the objective of continuously improving our land base and long-term financial profile through both addition and subtraction. We believe active portfolio management, if done well, can create alpha for our investors as we work to optimize our assets and growth profile.

Our portfolio management moves in 2020 highlighted this mindset. During the first quarter, we completed the sale of our remaining 67,000 acres in Mississippi for net proceeds of \$116 million. While these properties were highly productive, we ultimately decided to exit Mississippi based on our limited operating scale as well as the significant overhang of merchantable timber inventory in this market, which we believe will translate to limited log price appreciation for the foreseeable future. During 2020, we also sold 20,000 acres of scattered, low-quality parcels in Alabama and Georgia for \$19 million. Collectively, the proceeds from these transactions helped to fund the cash portion of the Pope acquisition, which we believe represents a better deployment of capital for our shareholders.

On balance, we grew the size of our timberland portfolio by 29,000 acres in 2020 (excluding the impact of the Pope private equity timber fund business). While the absolute growth in our acreage was fairly modest, we believe we are entering 2021 with a materially stronger, more valuable and better-positioned portfolio that will both generate more cash flow and provide enhanced optionality going forward. As such, we believe this past year represents active portfolio management at its best.

Adding Value from Our Real Estate Portfolio

Our real estate business is focused on optimizing our portfolio value by identifying and selling rural and higher and better use (HBU) development properties at strong premiums to timberland values. We pursue a variety of strategies designed to maximize HBU values, and we have a dedicated team of real estate professionals that continuously evaluates our portfolio and identifies and executes on opportunities to unlock value. With the acquisition of Pope, we further augmented both our real estate team as well as our portfolio of HBU properties. We believe that our focus on extracting HBU premiums from our portfolio through opportunistic real estate sales and other value-added activities differentiates us from our peers and is a key component of our mission to generate industry-leading financial returns.

The mainstay of our real estate business is selling rural HBU parcels to neighboring landowners or buyers acquiring the land for residential or recreational use, which typically involves no entitlement changes or capital spending to upgrade the properties. In some cases, however, we will transfer larger parcels to one of our taxable REIT subsidiaries and make modest investments to improve the appeal of such properties. We will also selectively invest in entitlements to add value to parcels that have the potential for higher density development, and then subsequently monetize those properties as Unimproved Development sales. In very select situations, particularly where we have a large contiguous ownership, such as with our Wildlight project north of Jacksonville, FL and our Richmond Hill project south of Savannah, GA, we may elect to develop an entitled property to catalyze downstream absorption and add value to our neighboring land holdings.



Our strong performance in 2020 reflects the quality and diversity of our assets, which allowed us to capitalize on various domestic and export market opportunities as well as an unanticipated surge in real estate demand during the pandemic-fueled market volatility we experienced throughout the year.





We believe that our focus on extracting HBU premiums from our portfolio through opportunistic real estate sales and other value-added activities differentiates us from our peers and is a key component of our mission to generate industry-leading financial returns.



Rayonier welcomes the increased ESG scrutiny placed on the business community. We have long recognized the important role we play as a responsible steward of the environment, the lands we own and operate, and the communities we call home.

Focus on Responsible Stewardship

Notably, the COVID-19 pandemic has generated increased demand for rural properties as the space, privacy and recreational opportunities offered by these properties are attracting buyers. In addition, we have seen increased demand for entitled raw land and finished lots within our suburban Improved Development projects, as single-family residential construction activity has picked up due to both improved affordability driven by low interest rates and COVID-related demand trends shifting away from urban markets.

Our Wildlight project, which is part of a 24,000-acre entitlement, has benefited from these trends and continues to gain encouraging momentum. In February 2021, PulteGroup announced it will build a Del Webb community on 226 acres it will purchase within Wildlight this year. The Del Webb community will consist of up to 660 single-family homes designed for active adults aged 55 and older. Additionally, Publix Super Markets recently announced that it will be building a grocery store at Wildlight Crossings, a new 90,000-square-foot multi-tenant commercial center at the gateway to the project. We are also working with developers on introducing new multifamily options within the project, which we expect will benefit from the completion of a newly designed I-95 interchange and the widening of the project's main access road, East State Road 200.

Activity at our Richmond Hill project, consisting of 20,000 acres, is also picking up with the recent opening of a new I-95 interchange that separates the Belfast Commerce Park and the mixed-use portions of the project. With the interchange now open and existing rail access to the Port of Savannah, we expect that the Belfast Commerce Park will be substantially sold out by the end of this year, well ahead of our initial underwriting projections. An expanded K-12 school campus is also taking shape on land donated by Rayonier, with a middle school and elementary school now open and a high school under construction. These important amenities, along with other publicly funded infrastructure, will help to stimulate demand for the residential and commercial portions of this project. Against this backdrop, we expect to begin developing our first phase of residential lots this year and are very excited about the long-term prospects for this project.

As our catalytic real estate investments have taken shape and demand trends have shifted toward rural and amenity-oriented

suburban communities in the wake of the COVID pandemic, I am increasingly optimistic about the future prospects for our real estate business. We are proud of the differentiation provided by the people and assets in our real estate segment, and view this as a meaningful contributor to Rayonier's future success.

Increasing Focus on ESG

Both public and private companies in the U.S. have experienced a growing interest in, and scrutiny of, Environmental, Social and Governance (ESG) practices by a multitude of stakeholders. This has come about from a variety of sources, including an increased awareness of the risks posed by global climate change, the expanded presence and influence exerted by passive investors, the growth and increasing influence of European investors, and more recently, the growing social justice movement following the death of George Floyd and others. Together, these factors have led corporate boards and management teams to more carefully reflect on their ESG values and to adopt a more holistic view of their ESG practices, strategies and disclosures.

Rayonier welcomes the increased ESG scrutiny placed on the business community. We have long recognized the important role we play as a responsible steward of the environment, the lands we own and operate, and the communities we call home. As a natural resource company that has operated its lands dating back nearly a century, and with the acquisition of Pope Resources, dating back to the mid-1800s, we think we've learned a few things about managing sustainably to protect the interests of all our stakeholders. We've also borrowed heavily from our 29 years of experience in New Zealand, where the Māori term "Kaitiakitanga," which translates to guardianship and protection, embraces the concepts of ESG and the broader duty of care with respect to people, the land and our business. Our strategic planning efforts look out over multiple future rotations of trees within our forests, taking us well into the next century. As we bring this very long-term mindset to managing our forestry assets, we also approach our business with the long-term interests of all our stakeholders at heart. Our culture is built around creating long-term value, and is in turn reinforced by well-aligned measurement systems and high ownership requirements for our senior leadership team.

Our mission of providing industry-leading financial returns to our shareholders while serving as a responsible steward of our lands is well aligned with the holistic approach embodied by greater adherence to ESG principles. Furthermore, our long-term vision of having the best-in-class assets, operations, disclosure and transparency, while being the preferred employer for forestry and land management professionals and the preferred timberland investment vehicle for institutional investors, also exemplifies our balanced approach to addressing the interests of multiple stakeholders.

Since emerging as a pure-play timberland REIT following the spin-off of the Performance Fibers business in 2014, we have sought to lead the sector in transparent disclosure of our operations and financial results. To this end, we provide greater detail on the nature of our merchantable timber inventory and sustainable harvest level. We define our 11 million tons of sustainable harvest as the harvest level we can generate into perpetuity, and further provide this information for each of our three timber operating segments. Striving to continuously improve our processes and systems, we routinely analyze and review with our Board annual cut-out analyses on completed harvest blocks to test the accuracy of the projected harvest volume coming out of our timber inventory systems. In addition, we perform annual inventory verification cruises, which capture detailed timber stocking data across thousands of sample plots, in order to validate our growth and yield models and make refinements to our merchantable timber inventory as needed. Collectively, we believe these practices, in concert with third-party certification, provide additional validation of our sustainable land management practices.

As the world grapples with the potential impacts of climate change, there is a greater recognition of the role trees play in combatting the effects of carbon emissions through photosynthesis and the sequestration of atmospheric carbon in downstream wood products. Recently, we released our first comprehensive carbon report (accessible by visiting our Responsible Stewardship webpage), which discloses the 732 million metric tons of carbon stored across our land base at the end of 2019. In addition, it breaks down the 5.7 million metric tons of carbon that we sequestered in 2019 after netting out the carbon emitted from our operations (including Scope 1, 2 and 3 emissions) and the carbon removed from our forests and transferred to our customers. The report further details a life-cycle analysis of the carbon that continues to be stored in downstream forest products over the next century based upon the various products produced by our customers. This analysis illustrates the increasing amount of carbon sequestered in downstream forest products over multiple rotations, which is ultimately additive to the carbon collectively sequestered across our ownership. We believe this is the most extensive carbon report produced to date detailing the role that sustainably managed working forests play as part of a natural climate solution, and further underscores our commitment to sector-leading transparency and disclosure.

We will be releasing our first sustainability report since the spin-off later this year, which will provide additional details on our ESG goals,

practices and strategies. This document is intended to demonstrate the full spectrum of Rayonier's ESG efforts as well as underscore both our holistic approach and long-term commitment to ESG initiatives as part of our broader mission.

Well Positioned for Long Term Cash Flow Growth

This past year presented some unprecedented challenges for Rayonier. But it also highlighted the strength of our culture and the resilience of our people in how we responded to these challenges and how we've positioned the company for future success. We remain steadfastly committed to achieving our vision of having best-in-class assets, operations, disclosure and transparency, while being the preferred employer for forestry and land management professionals and the preferred timberland investment vehicle for institutional investors.

In the span of the past year, our Board has also undergone significant change. Last March, we were saddened by the death of our Chairman, Richard Kincaid, who had served on the Board since 2004 and as Chairman since the spin-off of the Performance Fibers business in 2014. His experience, wisdom and judgment have been missed by all at Rayonier, and I personally have missed his counsel and mentorship. Two other Directors, Bernie Lanigan and former Senator Blanche Lincoln, recently retired after serving on our Board since the spin-off. We wish them well and thank them for their multitude of contributions over the years. In their place, we have welcomed three new Directors, Ann Nelson, Meridee Moore, and Matthew Rivers, who bring a complementary blend of industry, finance, investment, and ESG expertise to our Board. We're excited to have these new Directors on our Board, and have already benefited from their unique perspectives regarding Rayonier's future.

Rayonier has a well-diversified portfolio of high quality commercial timberlands located in some of the strongest softwood timber markets in the world, as well as an attractive pipeline of HBU real estate opportunities. Our assets provide investors with both durable cash flow and an opportunity for long-term value growth. In addition, our conservative balance sheet and nimble approach to capital allocation position us to capitalize on future growth opportunities. Our Board, leadership team and employees work hard to stay focused on growing long-term value per share, while also striving to deliver competitive short-term results and dividends. I would like to thank our entire team as well as our shareholders for your continued trust in our stewardship of your investment in Rayonier. As always, we welcome your input and feedback.



David L. Nunes
President and Chief Executive Officer

Reconciliation of Non-GAAP Measures

(Dollars in millions, except per share amounts)	2020	2019	2018			
PRO FORMA REVENUE (SALES)^(a)						
Sales	\$ 859.2	\$ 711.6	\$ 816.1			
Sales attributable to noncontrolling interest in Timber Funds	(22.8)	—	—			
Large Dispositions ^(b)	(116.0)	—	—			
Pro Forma Revenue (Sales)	\$ 720.4	\$ 711.6	\$ 816.1			
PRO FORMA OPERATING INCOME^(c)						
Operating Income	\$ 74.4	\$ 107.0	\$ 170.1			
Operating loss attributable to noncontrolling interest in Timber Funds	11.6	—	—			
Costs related to the merger with Pope Resources ^(d)	17.2	—	—			
Timber write-offs resulting from casualty events attributable to Rayonier Inc. ^(e)	7.9	—	—			
Large Dispositions ^(b)	(28.7)	—	—			
Pro Forma Operating Income	\$ 82.3	\$ 107.0	\$ 170.1			
PRO FORMA NET INCOME^(f)						
		Per diluted share	Per diluted share	Per diluted share		
Net Income attributable to Rayonier Inc.	\$ 37.1	\$ 0.27	\$ 59.1	\$ 0.46	\$ 102.2	\$ 0.79
Costs related to the merger with Pope Resources ^(d)	17.2	0.13	—	—	—	—
Timber write-offs resulting from casualty events attributable to Rayonier Inc. ^(e)	7.9	0.06	—	—	—	—
Large Dispositions ^(b)	(28.7)	(0.21)	—	—	—	—
Pro Forma Net Income	\$ 33.5	\$ 0.25	\$ 59.1	\$ 0.46	\$ 102.2	\$ 0.79

(a) Pro Forma Revenue (Sales) is defined as revenue (sales) adjusted for sales attributable to the noncontrolling interest in Timber Funds and Large Dispositions. Rayonier believes that this non-GAAP financial measure provides investors with useful information to evaluate our core business operations because it excludes specific items that are not indicative of ongoing operating results attributable to Rayonier Inc.

(b) "Large Dispositions" are defined as transactions involving the sale of timberland that exceed \$20 million in size and do not have a demonstrable premium relative to timberland value.

(c) Pro Forma Operating Income is defined as operating income adjusted for operating loss attributable to noncontrolling interest in Timber Funds, costs related to the merger with Pope Resources, timber write-offs resulting from casualty events and Large Dispositions. Rayonier believes that this non-GAAP financial measure provides investors with useful information to evaluate our core business operations because it excludes specific items that are not indicative of ongoing operating results attributable to Rayonier Inc.

(d) "Costs related to the merger with Pope Resources" include legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources.

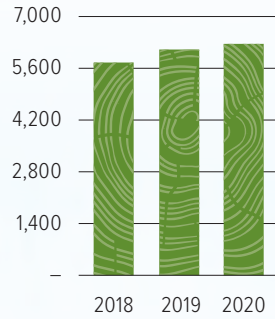
(e) "Timber write-offs resulting from casualty events" include the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events which cannot be salvaged.

(f) Pro Forma Net Income is defined as net income attributable to Rayonier Inc. adjusted for costs related to the merger with Pope Resources, timber write-offs resulting from casualty events and Large Dispositions. Rayonier believes that this non-GAAP financial measure provides investors with useful information to evaluate our core business operations because it excludes specific items that are not indicative of ongoing operating results attributable to Rayonier Inc.

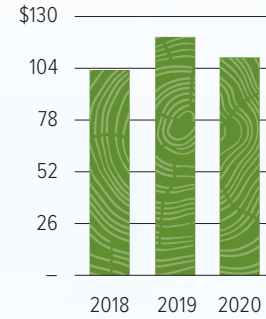
U.S. South

- » Acreage: 1.73mm acres
- » Sustainable Yield: 5.9–6.3mm tons
- » Planted/Plantable: 67%
- » Average Site Index⁽¹⁾: 72 feet

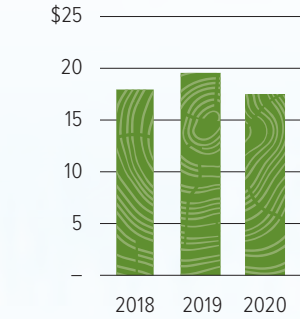
Harvest Volume
(Tons in thousands)



Adjusted EBITDA
(Dollars in millions)



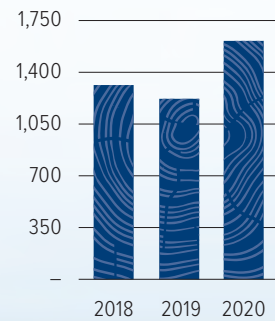
Adj. EBITDA/Ton
(Dollars per ton)



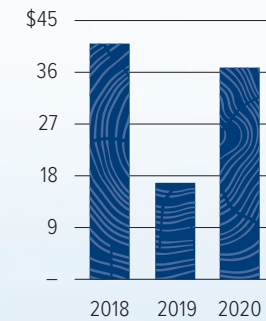
U.S. Pacific Northwest

- » Acreage: 507,000 acres
- » Sustainable Yield: 1.8–1.9mm tons
- » Planted/Plantable: 77%
- » Average Site Index⁽²⁾: 110 feet

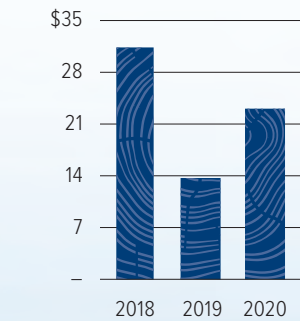
Harvest Volume
(Tons in thousands)



Adjusted EBITDA
(Dollars in millions)



Adj. EBITDA/Ton
(Dollars per ton)



Rayonier Timberland
Acreage* Total:

2.7 Million Acres

* Acreage as of 12/31/2020, excluding “look-through” acres in Timber Funds business.

507,000 Acres

U.S. Pacific Northwest

417,000 Acres

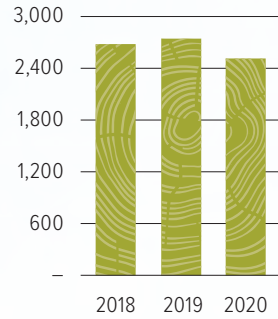
New Zealand

⁽¹⁾ Site index reflects the average height of the dominant and codominant trees at a base age of 25.
⁽²⁾ Site index reflects the average height of the dominant and codominant trees at a base age of 50.

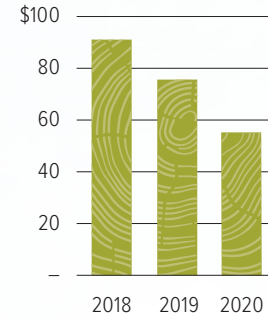
New Zealand

- » Acreage: 417,000 acres
- » Sustainable Yield: 2.4–2.7mm tons
- » Planted/Plantable: 71%
- » Average Site Index⁽³⁾: 94 feet

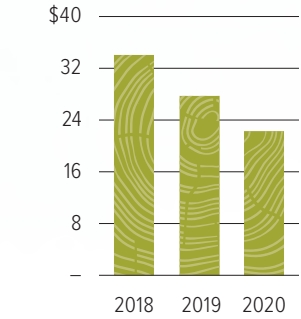
Harvest Volume
(Tons in thousands)



Adjusted EBITDA
(Dollars in millions)



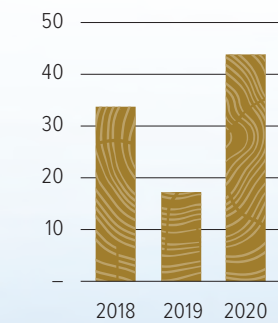
Adj. EBITDA/Ton
(Dollars per ton)



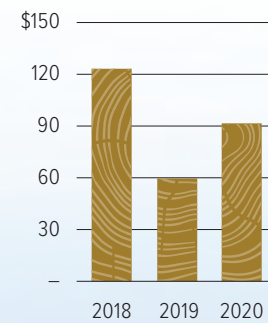
Real Estate

- » Focused on Monetizing Higher-and-Better-Use Timberlands
- » Active Development Projects: Wildlight, FL, Richmond Hill, GA and west Puget Sound area of WA
- » Land Use Entitlements for Future Growth
- » Conservation Easement Opportunities

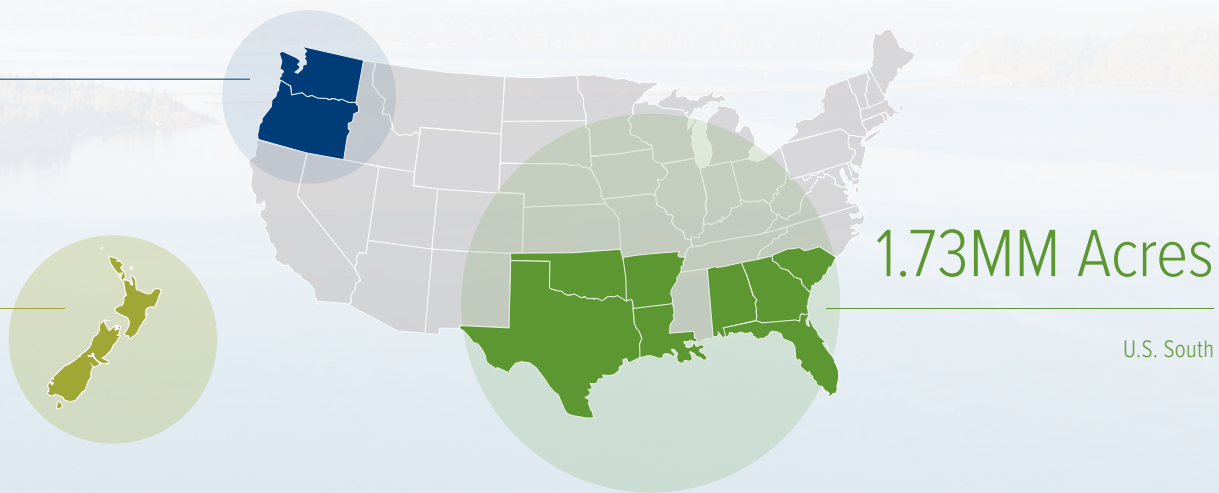
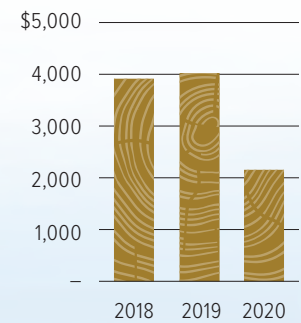
Acres Sold⁽⁴⁾
(Acres in thousands)



Adjusted EBITDA⁽⁴⁾
(Dollars in millions)



Price/Acre⁽⁵⁾
(Dollars per acre)



⁽³⁾ Site index reflects the average height of the dominant and codominant trees at a base age of 20.
⁽⁴⁾ Excludes Large Dispositions.
⁽⁵⁾ Excludes Large Dispositions, Improved Development and Conservation Easements.

Sustainability and stewardship are critical to our long-term success and at the heart of everything we do. We are committed to managing our lands on a sustainable basis—being mindful of impacts to biodiversity, water, wildlife and surrounding communities. We look forward to sharing more details on our ESG practices and strategies in the sustainability report we will be releasing later this year.

Committed to Current and Future Generations





**Rayonier™**

FORM 10-K

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2020 of Rayonier Inc., a North Carolina corporation, and Rayonier, L.P., a Delaware limited partnership. Unless stated otherwise or the context otherwise requires, references to “Rayonier” or “the Company” mean Rayonier Inc. and references to the “Operating Partnership” mean Rayonier, L.P. References to “we,” “us,” and “our” mean collectively Rayonier Inc., the Operating Partnership and entities/subsidiaries owned or controlled by Rayonier Inc. and/or the Operating Partnership.

Rayonier Inc. has elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, commencing with its taxable year ended December 31, 2004. The Company is structured as an umbrella partnership REIT (“UPREIT”) under which substantially all of its business is conducted through the Operating Partnership. Rayonier Inc. is the sole general partner of the Operating Partnership. On May 8, 2020, Rayonier, L.P. acquired Pope Resources, a Delaware Limited Partnership (“Pope Resources”) and issued approximately 4.45 million operating partnership units (“OP Units” or “Redeemable Operating Partnership Units”) of Rayonier, L.P. as partial merger consideration. These OP Units are generally considered to be economic equivalents to Rayonier common shares and receive distributions equal to the dividends paid on Rayonier common shares. See Note 2 - Merger with Pope Resources for additional information pertaining to the merger.

As of December 31, 2020, the Company owned a 96.9% interest in the Operating Partnership, with the remaining 3.1% interest owned by limited partners of the Operating Partnership. As the sole general partner of the Operating Partnership, Rayonier Inc. has exclusive control of the day-to-day management of the Operating Partnership.

Rayonier Inc. and the Operating Partnership are operated as one business. The management of the Operating Partnership consists of the same members as the management of Rayonier Inc. As general partner with control of the Operating Partnership, Rayonier Inc. consolidates Rayonier, L.P. for financial reporting purposes, and has no material assets or liabilities other than its investment in the Operating Partnership.

We believe combining the annual reports of Rayonier Inc. and Rayonier, L.P. into this single report results in the following benefits:

- Strengthens investors’ understanding of Rayonier Inc. and the Operating Partnership by enabling them to view the business as a single operating unit in the same manner as management views and operates the business;
- Creates efficiencies for investors by reducing duplicative disclosures and providing a single comprehensive document; and
- Generates time and cost savings associated with the preparation of the reports when compared to preparing separate reports for each entity.

There are a few important differences between Rayonier Inc. and the Operating Partnership in the context of how Rayonier Inc. operates as a consolidated company. The Company itself does not conduct business, other than through acting as the general partner of the Operating Partnership and issuing equity or equity-related instruments from time-to-time. The Operating Partnership holds, directly or indirectly, substantially all of the Company’s assets. Likewise, all debt is incurred by the Operating Partnership or entities/subsidiaries owned or controlled by the Operating Partnership. The Operating Partnership conducts substantially all of the Company’s business and is structured as a partnership with no publicly traded equity.

To help investors understand the significant differences between the Company and the Operating Partnership, this report includes:

- Separate Consolidated Financial Statements for Rayonier Inc. and Rayonier, L.P.;
- A combined set of Notes to the Consolidated Financial Statements with separate discussions of per share and per unit information, noncontrolling interests and shareholders’ equity and partners’ capital, as applicable;
- A combined Management’s Discussion and Analysis of Financial Condition and Results of Operations which includes specific information related to each reporting entity;

- A separate Part II, Item 9A. Controls and Procedures related to each reporting entity;
- A separate Part II, Item 5. Market for the Registrant's Common Equity; related Stockholder Matters and Issuer Purchases of Equity Securities section related to each reporting entity; and
- Separate Exhibit 31 and 32 certifications for each reporting entity within Part IV.

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PART I

Unless stated otherwise or the context otherwise requires, references to “Rayonier” or “the Company” mean Rayonier Inc. and references to the “Operating Partnership” mean Rayonier, L.P. References to “we,” “us,” and “our” mean collectively Rayonier Inc., the Operating Partnership and entities/subsidiaries owned or controlled by Rayonier Inc. and/or the Operating Partnership. References herein to “Notes to Financial Statements” or “Note” refer to the combined Notes to the Consolidated Financial Statements of Rayonier Inc. and Rayonier, L.P. included in Item 8 of this Report.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this document regarding anticipated financial outcomes, including our earnings guidance, if any, business and market conditions, outlook, expected dividend rate, our business strategies, including the recent acquisition of Pope Resources, expected harvest schedules, timberland acquisitions and dispositions, the anticipated benefits of our business strategies, and other similar statements relating to our 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 this Annual Report on 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 our 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 we undertake no duty to update our forward-looking statements except as required by law. You are advised, however, to review any subsequent disclosures we make on related subjects in subsequent reports filed with the SEC.

Item 1. BUSINESS

GENERAL

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 U.S. and New Zealand. We invest in timberlands and actively manage them to provide current income and attractive long-term returns to our shareholders. We conduct our business through an umbrella partnership real estate investment trust (“UPREIT”) structure in which our assets are owned by our Operating Partnership and its subsidiaries. Rayonier manages the Operating Partnership as its sole general partner. Our revenues, operating income and cash flows are primarily derived from the following core business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Timber Funds, Real Estate, and Trading. As of December 31, 2020, we owned, leased or managed approximately 2.7 million acres of timberlands located in the U.S. South (1.73 million acres), U.S. Pacific Northwest (507,000 acres) and New Zealand (417,000 gross acres, or 296,000 net plantable acres). We also act as the managing member in a private equity timber fund business with three funds comprising approximately 141,000 acres. On a “look-through” basis, our ownership in the timber fund business equates to approximately 17,000 acres. In addition, we engage in the trading of logs from New Zealand and Australia to Pacific Rim markets, primarily to support our New Zealand export operations. We have an added focus to maximize the value of our land portfolio by pursuing higher and better use (“HBU”) land sale opportunities.

We originated as the Rainier Pulp & Paper Company founded in Shelton, Washington in 1926. On June 27, 2014, Rayonier completed the tax-free spin-off of its Performance Fibers manufacturing business from its timberland and real estate operations, thereby becoming a “pure-play” timberland REIT. On May 8, 2020 Rayonier, L.P. acquired Pope Resources, a Delaware Limited Partnership (“Pope Resources”).

Under our REIT structure, we are generally not required to pay U.S. federal income taxes on our earnings from timber harvest operations and other REIT-qualifying activities contingent upon meeting applicable distribution, income, asset, shareholder and other tests. Through a series of Mergers, which are further outlined in Note 1 - Summary of Significant Accounting Policies, Rayonier transferred all of its assets to the Operating Partnership, and as a result owns a 96.9% interest in the Operating Partnership and corresponding portion of taxable income or loss. Certain operations are conducted through our taxable REIT subsidiaries (“TRS”) and subject to U.S. federal and state corporate income tax. As of December 31, 2020 and as of the date of the filing of this Annual Report on Form 10-K, we believe the Company is in compliance with all REIT tests. See Note 11 — Income Taxes for further discussion of REIT and non-REIT qualifying operations.

The Company’s shares are publicly traded on the NYSE under the symbol RYN. We are a North Carolina corporation with executive offices located at 1 Rayonier Way, Wildlight, Florida 32097. Our telephone number is (904) 357-9100.

OUR COMPETITIVE STRENGTHS

We believe that we distinguish ourselves from other timberland owners and other alternative asset investments through the following competitive strengths:

- *Leading Pure-Play Timberland REIT.* We are differentiated from other publicly-traded timberland REITs in that we are invested exclusively in timberlands and real estate and do not own any pulp, paper or wood products manufacturing assets. We are the largest publicly-traded “pure-play” timberland REIT, which provides our investors with a focused, large-scale timberland investment alternative without taking on the risks and volatility inherent in direct ownership of forest products manufacturing assets.
- *Well-Positioned for a Sustainable, Low-Carbon Economy.* Our forests mitigate climate change through carbon sequestration and further support clean air and water and wildlife habitats – all while being sustainably managed through continuous cycles of growth and harvest. Our trees not only remove carbon from the atmosphere through photosynthesis while growing, but even after harvesting, a significant portion of the carbon removed from our forests can remain stored for an extended period of time within the wood products produced from our timber. Life cycle assessment studies have demonstrated that wood-based building products generate fewer greenhouse gas emissions as compared to other building materials, such as concrete and steel. We intend to be an industry leader in the rigor by which we measure our carbon footprint, the transparency of our disclosure, and in capitalizing on our ability to offer low-carbon solutions.
- *Located in Premier Softwood Growing Regions with Access to Strong Markets.* Our geographically diverse timberland holdings are strategically located in core softwood producing regions, including the U.S. South, U.S. Pacific Northwest and New Zealand. Our most significant timberland holdings are located in the U.S. South, in close proximity to a variety of established pulp, paper and wood products manufacturing facilities and export facilities, which provide a steady source of competitive demand for both pulpwood and higher-value sawtimber products. Our Pacific Northwest and New Zealand timberlands benefit from strong domestic sawmilling markets and are located near ports to capitalize on export markets serving the Pacific Rim.
- *Attractive Pipeline of HBU Opportunities.* We have a dedicated HBU platform with an established track record of selling rural and development HBU properties across our portfolio at strong premiums to timberland values. We continuously evaluate the highest-and-best-use of our lands and seek to capitalize on identified HBU opportunities through strategies uniquely tailored to maximize value, including selectively pursuing land-use entitlements and infrastructure improvements through one of our taxable REIT subsidiaries. Much of our HBU activity is concentrated in the U.S. South, where we own approximately 200,000 acres of timberlands located in the vicinity of Interstate 95 primarily north of Daytona Beach, FL and south of Savannah, GA.
- *Sophisticated Log Marketing Capabilities Serving Various Pacific Rim Markets.* We conduct a log trading operation based in New Zealand, which serves timberland owners in New Zealand and Australia and provides access to key export markets in China, South Korea and India. This operation provides us with superior market intelligence and economies of scale, both of which add value to our timber export operations and contribute to our earnings and cash flows, with minimal investment.
- *Advantageous Structure and Capitalization.* Under our REIT structure, we are generally not required to pay federal income taxes on our earnings from timber harvest operations and other REIT-qualifying activities,

which allows us to optimize the value of our portfolio in a tax efficient manner. We also maintain a strong credit profile and have investment grade debt ratings. As of December 31, 2020, our net debt to enterprise value was 23%. We believe that our advantageous REIT structure and conservative capitalization provide us with a competitive cost of capital and significant financial flexibility to pursue growth initiatives.

OUR STRATEGY

Our business strategy consists of the following key elements:

- *Manage our Timberlands on a Sustainable Yield Basis for Long-term Results.* We generate recurring income and cash flow from the harvest and sale of timber and intend to actively manage our timberlands to maximize net present value over the long term by achieving an optimal balance among biological timber growth, generation of cash flow from harvesting activities, and responsible environmental stewardship. Our harvesting strategy is designed to produce a long-term, sustainable yield, although we may adjust harvest levels periodically in response to then-current market conditions.
- *Capitalize on Advantageous Net Carbon Position.* We estimate that our timberlands absorb more carbon than we emit in our operations. As such, we are positioning ourselves to take advantage of increasing demands for carbon solutions by companies, governments and investors. In 2020 we completed a rigorous analysis of our carbon footprint and developed a framework for collecting and reporting such data to our investors and other stakeholders. We expect that the unique environmental attributes of our forestry assets will play an increasingly important role in our efforts to create value over time.
- *Apply Advanced Silviculture to Increase the Productivity of our Timberlands.* We use our forestry expertise and disciplined financial approach to determine the appropriate silviculture programs and investments to maximize returns. This includes re-planting a significant portion of our harvested acres with improved seedlings we have developed through decades of research and cultivation. Over time, we expect these improved seedlings will result in higher volumes per acre and a higher value product mix.
- *Increase the Size and Quality of our Timberland Holdings through Acquisitions.* We intend to selectively pursue timberland acquisition opportunities that improve the average productivity of our timberland holdings and support cash flow generation from our annual harvesting activities. Our acquisition strategy employs a disciplined approach with rigorous adherence to strategic and financial metrics. Generally, we expect to focus our acquisition efforts on the most commercially desirable timber-producing regions of the U.S. South, the U.S. Pacific Northwest and New Zealand. We may also consider acquisition opportunities outside of our existing operating areas where we anticipate favorable long-term market dynamics and financial returns. In 2020, we acquired Pope Resources, which significantly expanded and enhanced our Pacific Northwest timberland and real estate portfolio with the addition of approximately 120,000 acres of fee timberland and 4,000 leased acres. We acquired an additional 13,000 acres of fee timberland in 2020, 69,000 acres in 2019 and 26,000 acres in 2018. Additionally, we acquired leases or long-term forestry rights covering approximately 2,000 acres in 2020, 2,000 acres in 2019, and 4,000 acres in 2018.
- *Optimize our Portfolio Value.* We continuously assess potential alternative uses of our timberlands, as some of our properties may become more valuable for development, residential, recreation, conservation, carbon sequestration or other purposes. We intend to capitalize on such higher-valued uses by opportunistically monetizing HBU properties and/or land-use rights in our portfolio. We generally expect that sales of HBU property will comprise approximately 1% to 2% of our Southern timberland holdings on an annual basis. While the majority of our HBU sales involve rural and recreational land, we also selectively pursue various land-use entitlements and improvements on certain properties for residential, commercial and industrial development in order to fully realize the enhanced long-term value potential of such properties. We further have an added strategic focus to evaluate and advance ecosystem monetization alternatives, including the long-term development of forest carbon markets.
- *Focus on Timberland Operations to Support Cash Flow Generation.* As described above, we rely primarily on annual harvesting activities and ongoing sales of HBU properties to generate cash flow from our timberland holdings. However, we also periodically generate income and cash flow from the sale of non-strategic and/or non-HBU timberlands, in particular as we seek to optimize our portfolio by disposing of less desirable properties or to fund capital allocation priorities, including share repurchases, debt repayment or acquisitions. Our strategy is to limit reliance on planned sales of non-HBU timberlands to augment cash flow generation and instead rely primarily on supporting cash flow from the operation, rather than sale, of

our timberlands. We believe this strategy will support the sustainability of our harvesting activities over the long term.

- *Promote Responsible Stewardship and Best-in-Class Disclosure.* We are committed to responsible stewardship, environmentally and economically sustainable forestry, and positive climate change solutions. As such, we are focused on continuing to develop and integrate robust environmental, social and governance (“ESG”) policies and best practices within our business. We further intend to be an industry leader in transparent disclosure, particularly relating to our timberland holdings, harvest schedules, inventory, age-class profiles, carbon footprint and other meaningful data regarding our long-term sustainability. We believe our continued commitment to transparency and the stewardship of our assets and capital will allow us to maintain our timberlands’ productivity, more effectively attract and deploy capital and enhance our reputation as a preferred timber industry supplier and employer.

SEGMENT INFORMATION

As a result of the Mergers, we have revised our reportable business segments, adding one additional segment, Timber Funds. The Timber Funds segment represents operations of the three private equity timber funds included in the Pope Resources transaction – Fund II, Fund III and Fund IV (collectively, the “Funds”). Rayonier owns 20% of Fund II, 5% of Fund III, and 15% of Fund IV and is also the managing member of the Funds. As discussed in Note 6 - Noncontrolling Interests, the Funds are consolidated into our financial statements. We now operate in six reportable business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Timber Funds, Real Estate and Trading. See Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 7 — Segment and Geographical Information for information on sales and operating income by reportable segment and geographic region.

TIMBER

Our timber businesses are disaggregated into Southern Timber, Pacific Northwest Timber, New Zealand Timber and Timber Funds segments. Sales in the Timber segments include all activities related to the harvesting of timber in addition to lease and license activities, other non-timber activities and carbon credit sales.

DISCUSSION OF TIMBER INVENTORY AND SUSTAINABLE YIELD

We define gross timber inventory as an estimate of all standing timber volume beyond the specified age at which we commence calculating our timber inventory for inclusion in our inventory tracking systems. The age at which we commence calculating our timber inventory is 10 years for our Southern timberlands, 20 years for our Pacific Northwest timberlands, and 20 years for our New Zealand timberlands. Our estimate of gross timber inventory is based on an inventory system that involves periodic statistical sampling and growth modeling. Periodic adjustments are made on the basis of growth estimates, harvest information, and environmental and operational restrictions. Gross timber inventory includes certain timber that we do not deem to be of a merchantable age as well as certain timber located in restricted, environmentally sensitive or economically inaccessible areas.

We define merchantable timber inventory as an estimate of timber volume beyond a specified age that approximates such timber’s earliest economically harvestable age. Our estimate includes certain timber located in restricted or environmentally sensitive areas based on an estimate of lawfully recoverable volumes from such areas. The estimate does not include volumes in restricted or environmentally sensitive areas that may not be lawfully harvested or volumes located in economically inaccessible areas. The merchantable age (*i.e.*, the age at which timber moves from pre-merchantable to merchantable) is 15 years for our Southern timberlands, with the exception of Oklahoma which is 17 years, 35 years for our Pacific Northwest timberlands, and 20 years for radiata pine and 30 years for Douglas-fir in our New Zealand timberlands. The merchantable age for our Timber Funds segment is 35 years, with the exception of Fund III’s California tree farm, which has been managed historically using an uneven-aged harvest regime wherein stands consist of trees of a variety of age classes. As such, in California we classify merchantable volume based on the tree’s diameter at breast height (DBH), or four and one-half feet above ground. Trees with a DBH greater than or equal to 16 inches are considered merchantable and less than 16 inches are considered pre-merchantable.

Our estimated merchantable timber inventory changes over time as timber is harvested, as pre-merchantable timber transitions to merchantable timber, as existing merchantable timber inventory grows, as we acquire and sell

timberland and as we periodically update our statistical sampling and growth and yield models. We estimate our merchantable timber inventory annually for purposes of calculating per unit depletion rates.

Timber inventory is generally measured and expressed in short green tons (SGT) in our Southern timberlands, in thousand board feet (MBF) or million board feet (MMBF) in our Pacific Northwest and Timber Funds timberlands, and in cubic meters (m³) in our New Zealand timberlands. For conversion purposes, one MBF and one m³ is equal to approximately 8.0 and 1.12 short green tons, respectively. For comparison purposes, we provide inventory estimates for our Pacific Northwest and New Zealand timberlands in MBF and cubic meters, respectively, as well as in short green tons.

The following table sets forth the estimated volumes of merchantable timber inventory by location in short green tons as of September 30, 2020 for the South, Pacific Northwest and Timber Funds and as of December 31, 2020 for New Zealand on a total and look-through basis:

(volumes in thousands of SGT)					
Location	Merchantable Inventory (a)	%	("Look-through") Merchantable Inventory (a) (b)	%	
South.....	64,300	67	64,300	70	
Pacific Northwest.....	11,053	11	11,053	12	
New Zealand.....	16,274	17	16,274	17	
Timber Funds.....	5,134	5	591	1	
	<u>96,761</u>	<u>100</u>	<u>92,218</u>	<u>100</u>	

(a) For all regions, depletion rate calculations for the upcoming year are based on estimated volumes of merchantable inventory at December 31, 2020.

(b) The "look-through" amounts include only our proportional ownership of the Timber Funds' merchantable inventory, based on our ownership interests in Fund II, Fund III, and Fund IV of 20%, 5% and 15%, respectively.

We define sustainable yield as the average harvest level that can be sustained into perpetuity based on our estimates of biological growth and the expected productivity resulting from our reforestation and silvicultural efforts. Our estimated sustainable yield may change over time based on changes in silvicultural techniques and resulting timber yields, changes in environmental laws and restrictions, changes in the statistical sampling and estimates of our merchantable timber inventory, acquisitions and dispositions of timberlands, the expiration or renewal of timberland leases, casualty losses, and other factors. Moreover, our harvest level in any given year may deviate from our estimated sustainable yield due to variations in the age class of our timberlands, the product mix of our harvest (*i.e.*, pulpwood versus sawtimber), our deliberate acceleration or deferral of harvest in response to market conditions, our thinning activity (in which we periodically remove some smaller trees from a stand to enhance long-term sawtimber potential of the remaining timber), or other factors. We estimate sustainable yield for each of our core Timber segments as of December 31, 2020.

We manage our U.S. timberlands in accordance with the requirements of the Sustainable Forestry Initiative[®] ("SFI") program. The timberland holdings of the New Zealand subsidiary are certified under the Forest Stewardship Council[®] ("FSC"). The majority of our New Zealand timberland holdings are also certified under the Programme for the Endorsement of Forest Certification ("PEFC"). All programs are comprehensive systems of environmental principles, objectives and performance measures that combine the perpetual growing and harvesting of trees with the protection of wildlife, plants, soil and water quality. Through application of our site-specific silvicultural expertise and financial discipline, we manage timber in a way that is designed to optimize site preparation, tree species selection, competition control, fertilization, timing of thinning and final harvest. We also have a genetic seedling improvement program to enhance the productivity and quality of our timberlands and overall forest health. In addition, non-timber income opportunities associated with our timberlands such as recreational licenses, as well as considerations for the future HBU of the land, are integral parts of our site-specific management philosophy. All of these activities are designed to maximize value while complying with SFI, or FSC and PEFC requirements.

SOUTHERN TIMBER

As of December 31, 2020, our Southern timberlands acreage consisted of approximately 1.73 million acres (including approximately 152,000 acres of leased lands) located in Alabama, Arkansas, Florida, Georgia, Louisiana, Oklahoma, South Carolina and Texas. Approximately two-thirds of this land supports intensively managed plantations of predominantly loblolly and slash pine. The other one-third of this land is too wet to support pine plantations, but supports productive natural stands primarily consisting of natural pine and a variety of hardwood species. Rotation ages typically range from 21 to 28 years for pine plantations and from 35 to 60 years for natural stands. Key consumers of our timber include pulp, paper, wood products and biomass facilities.

We estimate that the gross timber inventory and merchantable timber inventory of our Southern timberlands was 80 million tons and 64 million tons, respectively, as of September 30, 2020. We estimate that the sustainable yield of our Southern timberlands, including both pine and hardwoods, is approximately 5.9 to 6.3 million tons annually. We expect that the average annual harvest volume of our Southern timberlands over the next five years (2021 to 2025) will be generally in line with our sustainable yield. For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield and Item 1A — Risk Factors.

In 2020, we acquired approximately 13,000 acres of timberland in the Southern region. For additional information, see Note 4 — Timberland Acquisitions.

The following table provides a breakdown of our Southern timberlands acreage and timber inventory by product and age class as of September 30, 2020 (inventory volumes are estimated at December 31 to calculate a depletion rate for the upcoming year):

(volumes in thousands of SGT)						
Age Class	Acres (000's)	Pine Pulpwood	Pine Sawtimber	Hardwood Pulpwood	Hardwood Sawtimber	Total
Pine Plantation						
0 to 4 years (a).....	228	—	—	—	—	—
5 to 9 years.....	191	—	—	—	—	—
10 to 14 years.....	211	8,262	1,124	41	—	9,427
15 to 19 years.....	224	12,225	4,633	105	—	16,963
20 to 24 years.....	184	6,808	6,484	112	3	13,407
25 to 29 years.....	57	1,887	2,964	78	1	4,930
30 + years.....	37	1,067	2,511	105	1	3,684
Total Pine Plantation.....	1,132	30,249	17,716	441	5	48,411
Natural Pine (Plantable) (b).....	37	396	817	817	230	2,260
Natural Mixed Pine/Hardwood (c).....	519	4,471	7,289	13,667	4,013	29,440
Forested Acres and Gross Inventory....	1,688	35,116	25,822	14,925	4,248	80,111
Plus: Non-Forested Acres (d).....	61					
Gross Acres.....	<u>1,749</u>					
Less: Pre-Merchantable Age Class Inventory (e).....						(9,663)
Less: Volume in Environmentally Sensitive/Legally Restricted Areas.....						(6,148)
Merchantable Timber Inventory.....						<u>64,300</u>

(a) 0 to 4 years includes clearcut acres not yet replanted.

(b) Consists of natural stands that are convertible into pine plantations once harvested.

(c) Consists of all non-plantable natural stands, including those that are in environmentally sensitive or economically inaccessible areas.

(d) Includes roads, rights of way and all other non-forested areas.

(e) Includes inventory that is less than 15 years old or less than 17 years old in Oklahoma.

PACIFIC NORTHWEST TIMBER

As of December 31, 2020, our Pacific Northwest timberlands consisted of approximately 507,000 acres located in Oregon and Washington, of which approximately 397,000 acres were designated as productive acres, meaning land that is capable of growing merchantable timber and where the harvesting of timber is not constrained by physical, environmental or regulatory restrictions. These timberlands primarily comprise second and third rotation western hemlock and Douglas-fir, as well as a small amount of other softwood species, such as western red cedar. A small percentage also consists of natural hardwood stands of predominantly red alder. In the Pacific Northwest, rotation ages typically range from 35 to 50 years. Our product mix in the Pacific Northwest is heavily weighted to sawtimber, which is sold to domestic wood products facilities as well as exported primarily to Pacific Rim markets.

We estimate that the gross timber inventory and merchantable timber inventory of our Pacific Northwest timberlands was 3,609 MMBF and 1,383 MMBF, respectively, as of September 30, 2020. We estimate that the sustainable yield of our Pacific Northwest timberlands is approximately 230 to 240 MMBF (or 1.8 to 1.9 million tons) annually. We expect that the average annual harvest volume of our Pacific Northwest timberlands over the next five years (2021 to 2025) will be modestly below our sustainable yield. For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield and Item 1A — Risk Factors.

In 2020, we acquired approximately 124,000 acres in the Pacific Northwest Timber segment in the merger with Pope Resources. For additional information, see Note 2 — Merger with Pope Resources.

The following table provides a breakdown of our Pacific Northwest timberlands acreage and timber inventory by product and age class as of September 30, 2020 (inventory volumes are estimated at December 31 to calculate a depletion rate for the upcoming year):

(volumes in MBF, except as noted)				
Age Class	Acres (000's)	Softwood Pulpwood (e)	Softwood Sawtimber (e)	Total (e)
Commercial Forest				
0 to 4 years (a).....	48	—	—	—
5 to 9 years.....	50	—	—	—
10 to 14 years.....	52	—	—	—
15 to 19 years.....	47	—	—	—
20 to 24 years.....	36	44,556	113,798	158,354
25 to 29 years.....	31	53,197	275,883	329,080
30 to 34 years.....	60	110,929	743,783	854,712
35 to 39 years.....	42	75,140	706,080	781,220
40 to 44 years.....	14	25,207	257,534	282,741
45 to 49 years.....	5	10,035	83,637	93,672
50+ years.....	8	20,069	168,643	188,712
Total Commercial Forest.....	393	339,133	2,349,358	2,688,491
Non-Commercial Forest (b).....	4	5,049	32,548	37,597
Productive Forested Acres.....	397			
Restricted Forest (c).....	90	102,175	781,160	883,335
Total Forested Acres and Gross Inventory.....	487	446,357	3,163,066	3,609,423
Plus: Non-Forested Acres (d).....	20			
Gross Acres.....	507			
Less: Pre-Merchantable Age Class Inventory.....				(1,342,729)
Less: Restricted Forest Inventory.....				(883,335)
Total Merchantable Timber.....				1,383,359
Conversion factor for MBF to SGT.....				7.99
Total Merchantable Timber (thousands of SGT).....				11,053

(a) 0 to 4 years includes clearcut acres not yet replanted.

(b) Includes non-commercial forests with limited productivity.

(c) Includes significant portions of riparian management zones, legally restricted forests, and environmentally sensitive areas.

(d) Includes roads, rights of way, and all other non-forested areas.

(e) Includes a minor component of hardwood in red alder and other species.

NEW ZEALAND TIMBER

As of December 31, 2020, our New Zealand timberlands consisted of approximately 417,000 acres (including approximately 232,000 acres of leased lands), of which approximately 296,000 acres were designated as productive or plantation acres, meaning land that is capable of growing merchantable timber and where the harvesting of timber is not constrained by physical, environmental or regulatory restrictions. The leased acres are generally leased through long-term arrangements including Crown Forest Licenses (“CFLs”), forestry rights and other leases. Our New Zealand timberlands serve a domestic sawmilling market and also export logs to Pacific Rim markets.

Our New Zealand timber operations are conducted by Matariki Forestry Group, a joint venture with Stafford Capital Partners Limited. We maintain a controlling financial interest of 77% in the New Zealand subsidiary and, accordingly, consolidate the New Zealand subsidiary’s balance sheet and results of operations. The minority owner’s interest in the New Zealand subsidiary and its earnings are reported as noncontrolling interest in our financial statements. Rayonier’s wholly-owned subsidiary, Rayonier New Zealand Limited (“RNZ”), serves as the manager of the New Zealand subsidiary. For additional information, see Note 6 — Noncontrolling Interests.

We estimate that the gross timber inventory and merchantable timber inventory of our New Zealand timberlands were both 14.6 million cubic meters as of December 31, 2020. We estimate that the sustainable yield of our New Zealand timberlands is approximately 2.1 to 2.4 million cubic meters (or 2.4 to 2.7 million tons) annually. We expect that the average annual harvest volume of our New Zealand timberlands over the next five years (2021 to 2025) will be generally in line with our sustainable yield. For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield and Item 1A — Risk Factors.

In 2020, we acquired approximately 2,000 acres of leased timberland in New Zealand. For additional information, see Note 4 — Timberland Acquisitions.

The following table provides a breakdown of our New Zealand timberlands acreage and timber inventory by product and age class as of December 31, 2020 (inventory volumes at December 31 are used to calculate a depletion rate for the upcoming year):

(volumes in thousands of m ³ , except as noted)				
Age Class	Acres (000’s)	Pulpwood (d)	Sawtimber (d)	Total (d)
Radiata Pine				
0 to 4 years (a).....	63	—	—	—
5 to 9 years.....	40	—	—	—
10 to 14 years.....	43	—	—	—
15 to 19 years.....	53	—	—	—
20 to 24 years.....	49	1,830	7,244	9,074
25 to 29 years.....	13	508	2,244	2,752
30 + years.....	2	138	391	529
Total Radiata Pine.....	263	2,476	9,879	12,355
Other (b).....	33	1,036	1,174	2,210
Forested Acres and Merchantable Timber Inventory.....	296	<u>3,512</u>	<u>11,053</u>	<u>14,565</u>
Conversion factor for m ³ to SGT.....				1.12
Total Merchantable Timber (thousands of SGT).....				<u>16,274</u>
Plus: Non-Productive Acres (c).....	121			
Gross Acres.....	<u>417</u>			

(a) 0 to 4 years includes clearcut acres not yet replanted.

(b) Includes primarily Douglas-fir age 30 and over.

(c) Includes natural forest and other non-planted acres.

(d) Includes timber located in environmentally sensitive areas.

TIMBER FUNDS

On May 8, 2020, Rayonier Inc. and Rayonier, L.P. acquired Pope Resources. Pope Resources managed and co-invested in three private equity timber funds, comprising 141,000 acres. Upon completion of the merger, we became the manager of the timber funds, Fund II, Fund III, and Fund VI, and obtained interest in the Funds of 20%, 5%, and 15% respectively. In accordance with Generally Accepted Accounting Principles (“GAAP”), the Funds are consolidated into our financial statements. See Note 6 - Noncontrolling Interests for additional details. When referring to our proportionate ownership share of the Timber Funds segment, we will refer to the sums as “look-through” totals.

These timberlands primarily comprised of Douglas-fir and western hemlock, as well as a small amount of other softwood species, such as western red cedar. A small percentage also consists of other conifer and natural hardwoods stands such as red alder. Predominantly our product mix is weighted toward sawtimber, which rely on domestic markets, and to a lesser extent export markets.

We estimate that the gross timber inventory and merchantable timber inventory of the Timber Funds timberlands were 1,181 MMBF and 643 MMBF, respectively, as of September 30, 2020. We estimate that the “look-through” gross timber inventory and merchantable timber inventory of the Timber Funds timberlands were 136 MMBF and 74 MMBF as of September 30, 2020. For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield and Item 1A — Risk Factors.

The following table provides a breakdown of our Timber Funds timberlands acreage and timber inventory by product and age class as of September 30, 2020 (inventory volumes at December 31 are used to calculate a depletion rate for the upcoming year):

(volumes in MBF, except as noted)				
Age Class	Acres (000's)	Softwood Pulpwood (e)	Softwood Sawtimber (e)	Total
Commercial Forest				
0 to 4 years (a).....	15	—	—	—
5 to 9 years.....	13	—	—	—
10 to 14 years.....	10	—	—	—
15 to 19 years.....	12	—	—	—
20 to 24 years.....	10	10,220	52,505	62,725
25 to 29 years.....	7	4,842	75,950	80,792
30 to 34 years.....	9	6,866	124,104	130,970
35 to 39 years.....	6	3,115	98,992	102,107
40 to 44 years.....	4	1,388	57,148	58,536
45 to 49 years.....	4	1,323	74,713	76,036
50+ years.....	30	3,482	402,401	405,883
Total Commercial Forest.....	120	31,236	885,813	917,049
Productive Forested Acres.....	120			
Restricted Forest (b).....	14	5,190	258,486	263,676
Total Forested Acres and Gross Inventory.....	134	36,426	1,144,299	1,180,725
Plus: Non-Forested Acres (c).....	7			
Gross Acres.....	<u>141</u>			
Less: Pre-Merchantable Age Class Inventory (d).....				(274,487)
Less: Restricted Forest Inventory.....				(263,676)
Total Merchantable Timber.....				<u>642,562</u>
Conversion factor for MBF to SGT.....				7.99
Total Merchantable Timber (thousands of SGT).....				<u>5,134</u>

(a) 0 to 4 years includes clearcut acres not yet replanted.

(b) Includes significant portions of riparian management zones, legally restricted forests, and environmentally sensitive areas.

(c) Includes roads, rights of way, and all other non-forested areas.

(d) Includes inventory that is less than 35 years old or has a diameter breast height (DBH) of less than 16 inches in California.

(e) Includes a minor component of hardwood in red alder and other species.

The following table provides a breakdown of our “look-through” Timber Funds timberlands acreage and timber inventory by product and age class as of September 30, 2020:

(volumes in MBF, except as noted)				
Age Class	Acres (000's)	Softwood Pulpwood (e)	Softwood Sawtimber (e)	Total
Commercial Forest				
0 to 4 years (a).....	2	—	—	—
5 to 9 years.....	1	—	—	—
10 to 14 years.....	1	—	—	—
15 to 19 years.....	1	—	—	—
20 to 24 years.....	1	1,157	5,470	6,627
25 to 29 years.....	1	620	10,317	10,937
30 to 34 years.....	1	852	15,606	16,458
35 to 39 years.....	1	268	11,005	11,273
40 to 44 years.....	1	168	7,627	7,795
45 to 49 years.....	1	189	9,772	9,961
50+ years.....	3	468	44,525	44,993
Total Commercial Forest.....	14	3,722	104,322	108,044
Productive Forested Acres.....	14			
Restricted Forest (b).....	2	624	27,764	28,388
Total Forested Acres and Gross Inventory.....	16	4,346	132,086	136,432
Plus: Non-Forested Acres (c).....	1			
Gross Acres.....	17			
Less: Pre-Merchantable Age Class Inventory (d).....				(34,021)
Less: Restricted Forest Inventory.....				(28,388)
Total Merchantable Timber.....				74,023
Conversion factor for MBF to SGT.....				7.99
Total Merchantable Timber (thousands of SGT).....				591

- (a) 0 to 4 years includes clearcut acres not yet replanted.
(b) Includes significant portions of riparian management zones, legally restricted forests, and environmentally sensitive areas.
(c) Includes roads, rights of way, and all other non-forested areas.
(d) Includes inventory that is less than 35 years old or has a diameter breast height (DBH) of less than 16 inches in California.
(e) Includes a minor component of hardwood in red alder and other species.

REAL ESTATE

All of our U.S. and New Zealand land or leasehold sales, including HBU and non-HBU, are reported in our Real Estate segment. We report our Real Estate sales in six categories:

- Improved Development,
- Unimproved Development,
- Rural,
- Timberland & Non-Strategic,
- Large Dispositions, and
- Conservation Easement

The Improved Development category comprises properties sold for development for which we, through a taxable REIT subsidiary, have invested in site improvements such as infrastructure, roadways, utilities, amenities and/or other improvements designed to enhance marketability and create parcels, pads and/or lots for sale.

The Unimproved Development category comprises properties sold for development for which we have not invested in site improvements.

The Rural category comprises all real estate sales (excluding development sales) representing a demonstrable premium above timberland value.

The Timberland & Non-Strategic category includes all U.S. and New Zealand real estate sales representing little to no premium to timberland value. This category consists primarily of sales of property that management views as non-strategic to our long-term portfolio as well as sales of property for capital allocation purposes that do not fit the definition of a Large Disposition.

The Large Dispositions category includes sales of timberland that exceed \$20 million in size and do not have a demonstrable premium relative to timberland value. Proceeds from Large Dispositions are generally used to fund capital allocation priorities, such as share repurchases, debt repayment or acquisitions. Sales designated as Large Dispositions are excluded from cash flow from operations and the calculation of Adjusted EBITDA and Cash Available for Distribution (“CAD”). See Item 7 — Performance and Liquidity Indicators for the definition of Adjusted EBITDA and CAD.

We maintain a detailed land classification analysis for all of our timberland and HBU acres. The vast majority of our HBU properties are managed as timberland and generate cash flow from timber operations prior to their sale or, in the case of Improved Development properties, prior to improvement.

Conservation Easements are the sale of development rights which preclude future development on the underlying land but reserve our rights to continue to grow and harvest timber.

TRADING

Our Trading segment primarily reflects log trading activities in New Zealand and Australia conducted by our New Zealand subsidiary. Our Trading segment complements the New Zealand Timber segment by providing added market intelligence, increasing the scale of export operations and achieving cost savings that directly benefit the New Zealand Timber segment. This additional market intelligence also benefits our Southern and Pacific Northwest log export log marketing efforts.

In the third quarter 2020, Matariki Forests Trading Ltd, entered into an export services joint venture with a third-party forest manager. This joint venture is utilized by the New Zealand subsidiary to arrange sales, shipping and export documentation services for exported logs for which an agency fee is charged. The New Zealand subsidiary, in turn, provides support services on a cost recovery basis to the joint venture. Through the use of the joint venture, we are able to increase scale efficiencies, market presence, and cost savings in both the Timber and Trading segments.

For procured logs, the New Zealand subsidiary buys logs directly from other forest owners at New Zealand ports and exports them through an agency agreement with the export service joint venture. Income from this business is generated by achieving a sales margin over the purchase price of the procured logs. The New Zealand subsidiary, through the Trading segment, also purchases standing timber from time to time, whereby it manages the harvest and sale of the logs for approximately one to three years. In these instances, the cost of standing timber is capitalized as a current asset on the Consolidated Balance Sheets and recognized as non-depletion cost of sales when sold. Revenue generated from procured log sales reflects the full sales price of the logs and is recorded as timber sales within the Trading segment. In 2020, Trading volume from procured logs was approximately 1.0 million tons. Of this volume, approximately 433,000 tons were sourced from outside New Zealand, primarily Australia. Approximately 492,000 tons were purchased directly from third parties in New Zealand, while the remaining 34,000 tons were harvested from stumpage purchases and managed harvest arrangements. Approximately 44% of third-party purchases in New Zealand were purchased at spot prices, with the New Zealand subsidiary thereby assuming some price risk on subsequent resale. The remaining 56% were purchased on a fixed margin basis, with the New Zealand subsidiary earning either a fixed percentage of the net export revenue or a spread on the resale price irrespective of subsequent price fluctuations. The New Zealand subsidiary generally seeks to mitigate its risk of loss on procured logs by securing export orders prior to or concurrent with its spot purchases of logs.

The Trading segment also generates income from commissions and logistical services provided through our log trading activities. This income is recorded in other operating (expense) income, net as log trading marketing fees.

FOREIGN SALES AND OPERATIONS

Sales from non-U.S. operations occur in our Real Estate, New Zealand Timber and Trading segments and comprised approximately 34% of consolidated 2020 sales. See Note 7 — Segment and Geographical Information for additional information.

COMPETITION

TIMBER

Timber markets in our Southern and Pacific Northwest regions are relatively fragmented with price being the principal method of competition. In New Zealand, there are five other major private timberland owners accounting for approximately 37% of New Zealand planted forests.

The following table provides an overview of certain major competitors in each of our Timber segments:

Segment	Competitors
Southern Timber (a)	Weyerhaeuser Company
	CatchMark Timber Trust
	Hancock Timber Resource Group
	Resource Management Service
	Forest Investment Associates
	Campbell Global
Pacific Northwest Timber (a)	Weyerhaeuser Company
	Hancock Timber Resource Group
	Green Diamond Resource Company
	Campbell Global
	Port Blakely Tree Farms
	State of Washington Department of Natural Resources Bureau of Indian Affairs
Timber Funds (a)	Weyerhaeuser Company
	Hancock Timber Resource Group
	Green Diamond Resource Company
	Campbell Global
	Port Blakely Tree Farms
	State of Washington Department of Natural Resources Bureau of Indian Affairs
	Sierra Pacific Industries
	Fruit Growers Supply
	New Forests (c)
	Hearst Ranch (c)
	W.M. Beaty & Associates (c)
	U.S. Forest Service (c)
	Michigan-California Timber Company (c)
New Zealand (b)	Hancock Natural Resource Group
	Kaingaroa Timberlands
	Ernslaw One
	OneFortyOne Plantations
	New Forests

(a) In addition to the competitors listed, we also compete with numerous other large and small privately held timber companies.

(b) The New Zealand subsidiary competes with these and other smaller New Zealand timber companies for supply into New Zealand domestic and export markets, predominantly China, South Korea and India. Logs supplied into Asian markets also compete with export supply from other regions, including Europe, North America and Australia.

(c) These competitors are specific to Timber Fund III's tree farm in California.

REAL ESTATE

In our Real Estate business, we compete with other owners of entitled and unentitled properties. Each property has unique attributes, but overall quantity of supply and price for residential, commercial, industrial and rural properties in the geographic areas in which we operate are the most significant competitive drivers.

TRADING

Our log trading operations are primarily based out of New Zealand and performed by our New Zealand subsidiary. The New Zealand market remains very competitive with over 20 entities competing for export log supply at different ports across the country. We are one of the larger log trading companies in the region with access to multiple export ports and a range of different export markets.

CUSTOMERS

In 2020, no individual customer (or group of customers under common control) represented 10% or more of 2020 consolidated sales.

SEASONALITY

Across all our segments, results are normally not impacted significantly by seasonal changes. However, significant wet weather in areas of our Southern Timber operations can hinder access for harvesting, thereby temporarily reducing supply in the affected areas and generally strengthening prices. Conversely, extended dry weather in an area tends to suppress prices as timber is more accessible for harvesting.

GOVERNMENTAL REGULATION AND ENVIRONMENTAL MATTERS

We are subject to federal, state and local laws and regulations in the United States and New Zealand that could affect our business, including those promulgated under the Foreign Corrupt Practices Act, Occupational Safety and Health Act, Clean Water Act, Endangered Species Act, Washington Forest Practices Act, New Zealand Resource Management Act, New Zealand Health & Safety At Work Act and various other environmental and safety laws and regulations. Our operations also are subject to various international trade agreements, tariffs, taxes and regulations. While we believe that we are in compliance in all material respects with all applicable governmental regulations, current governmental regulations may change or become more stringent or unforeseen events may occur, any of which could have a material adverse effect on our financial position or results of operations.

We are aware of hazardous substances at a former saw mill site located in Port Gamble, Washington, which we acquired as part of our recent acquisition of Pope Resources. We have been identified as a “potentially liable party” at the Port Gamble site and are presently working on cleanup and remediation under the Washington Model Toxics Control Act, as well as the federal Comprehensive Environmental Response, Compensation and Liability Act programs. We have determined that a liability has been incurred and that the amount of the loss can reasonably be estimated. Accordingly, we have accrued amounts on our balance sheet for losses related to this site. Compliance with environmental laws and regulations and our remedial environmental obligations historically have not had a material impact on our operations, and we are not aware of any proposed regulations or remedial obligations that could trigger significant costs or capital expenditures in connection with such compliance.

We have elected to be taxed as a REIT for U.S. federal tax purposes pursuant to the Internal Revenue Code of 1986 and related U.S. Treasury regulations and administrative guidance (“REIT Requirements”). We monitor and test our compliance with all REIT Requirements and believe that we are in compliance in all material respects with all such current requirements. In the event we are not in compliance, or in the event, current REIT Requirements change in such a way as to preclude our continuing qualification as a REIT, such events could have a material adverse effect on our financial position or results of operations.

Compliance with government regulations, including environmental regulations, has not had, and based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on our capital expenditures, earnings or competitive position. However, laws and regulations may be changed, accelerated or adopted that impose significant operational restrictions and compliance requirements upon our company and which could negatively impact our operating results. See Item 1A - Risk Factors.

PORT GAMBLE ENVIRONMENTAL REMEDIATION

In the merger with Pope Resources, we acquired the town of Port Gamble, Washington. Portions of this property require environmental remediation under federal and state environmental laws, and remediation activities are currently ongoing. As such, through the preliminary purchase price allocation for the merger with Pope Resources, we recognized environmental liabilities for the estimated fair value of liabilities assumed. See Note 2 - Merger with Pope Resources for additional information on the preliminary allocation of purchase price. For additional information on our environmental liabilities see Note 10 - Commitments and Note 13 - Environmental and Natural Resource Damage Liabilities.

The sections below provide a history of the environmental matters in Port Gamble, Washington:

Discovery and Initial Actions

In Port Gamble, Washington, hazardous substances were previously discovered requiring environmental remediation under federal and state environmental laws. The real estate subject to environmental remediation requirements was the location of a sawmill operated by Pope & Talbot, Inc. ("P&T") from 1853 to 1995. P&T continued to lease various portions of the site for its operations until 2002. During the time P&T operated in Port Gamble, it also conducted shipping, log storage, and log transfer operations in the tidal and subtidal waters of Port Gamble Bay, some of which were under a lease from the Washington State Department of Natural Resources ("DNR") that lasted from 1974 to 2004. P&T's operations resulted in the release of hazardous substances that impacted the upland and submerged portions of the site. These substances include various hydrocarbons, cadmium, and toxins associated with wood waste and the production of wood products.

Following the mill closure, the Washington State Department of Ecology (the "DOE") began to examine the environmental conditions at Port Gamble. Under Washington law, both Pope Resources and P&T were considered by the DOE to be "potentially liable persons" ("PLPs"); Pope Resources because of its ownership of certain portions of the site, and P&T because of its historical ownership and operation of the site. P&T and Pope Resources entered into a settlement agreement in 2002 that allocated responsibility for environmental contamination at the townsite, millsite, a solid waste landfill, and adjacent water to Pope Resources, with P&T assuming responsibility for funding cleanup in the Port Gamble Bay and the other areas of the site that were impacted by its historical operations.

In 2005, both Pope Resources and P&T received Environmental Excellence Awards from DOE for their work in remediating the contamination that had existed at the Port Gamble townsite and landfill. DOE also issued letters to both parties in 2006 indicating that the agency expected to take no further action regarding conditions at those portions of the site. Pope Resources continued cleaning up the remaining contamination at the millsite. By late 2005, the millsite portion of the site had largely been cleaned and the remaining aspects of that project consisted of test well monitoring and modest additional remediation. The Port Gamble Bay area and related tidelands, for which P&T was responsible under the parties' settlement agreement, had not yet been remediated. In 2007, P&T filed for bankruptcy protection and was eventually liquidated, leaving Pope Resources as the only remaining PLP. Because environmental liabilities are joint and several as between PLPs, the result of P&T's bankruptcy was to leave the liability with Pope Resources as the only remaining solvent PLP.

In-water Cleanup

Beginning in 2010, DOE began to reconsider its expectations regarding the level of cleanup that would be required for Port Gamble Bay, largely because of input from interested citizens and groups, one of the most prominent being the Port Gamble S'Klallam Tribe. In response to input from these groups, DOE adopted remediation levels that were far more stringent than either DOE or Pope Resources had contemplated previously. In December 2013, Pope Resources and DOE entered into a consent decree that included a cleanup action plan ("CAP") requiring the removal of docks and pilings, excavation and backfilling of intertidal areas, subtidal dredging and monitoring, and other specific remediation steps. The construction phase of the cleanup of the Port Gamble Bay area and related tidelands began in September 2015 and the in-water portion of the cleanup was completed in January 2017.

Millsite Cleanup

With the in-water portion of the cleanup completed, there is expected to be relatively modest cleanup activity on the millsite and a monitoring period. In February 2018, Pope Resources and DOE entered into an agreed order with respect to the millsite under which Pope Resources performed a remedial investigation and feasibility study (“RI/FS”) which it submitted to DOE for review in January 2019. Following the finalization of the RI/FS, Pope Resources worked with DOE to develop a CAP. As with the in-water portion of the project, the CAP will define the scope of the remediation activity for the millsite. The consent decree, which includes the CAP, was entered in Kitsap County Superior Court on November 25, 2020.

Natural Resources Damages

In addition to the cleanup costs discussed previously, certain environmental laws allow state, federal, and tribal trustees (collectively, the “Trustees”) to bring suit against property owners to recover natural resource damages (“NRD”). Similar to cleanup responsibility, liability for NRD can attach to a property owner simply because an injury to natural resources resulted from releases of hazardous substances on the owner’s property, regardless of culpability for the release. Trustees have alleged that Pope Resources had NRD liability because of releases that occurred on its property. Prior to the merger with Rayonier, Pope Resources began negotiations with the Trustees for the purpose of identifying NRD restoration projects. Those negotiations are ongoing and may ultimately result in agreement as to requested mitigation activities.

For additional information see Item 1A — Risk Factors.

RESEARCH AND DEVELOPMENT

The research and development activities of our timber operations include genetic seedling improvement, growth and yield modeling, and applied silvicultural programs to identify management practices that will improve financial returns from our timberlands. We also contribute to research cooperatives that undertake forestry research and development.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

David L. Nunes, 59, Mr. Nunes joined the Company in June 2014 as Chief Operating Officer, and shortly thereafter assumed the role of President and CEO following the Company's spin-off of its Performance Fibers business. Prior to joining the Company, Mr. Nunes served as President and CEO of Pope Resources/Olympic Resource Management from 2002 to 2014. He joined Pope in 1997 as director of portfolio management. The following year, he was named Vice President of portfolio development, and then served two years as Senior Vice President of acquisitions and portfolio development before being named President and COO in 2000. Previously, Mr. Nunes spent nine years with the Weyerhaeuser Company, joining the organization in 1988 as a business analyst and advancing through a number of leadership roles to become director of corporate strategic planning. Mr. Nunes holds a Bachelors of Arts and Economics from Pomona College and an MBA from the Tepper School of Business at Carnegie Mellon University.

Mark D. McHugh, 45, Mr. McHugh was appointed Senior Vice President and Chief Financial Officer in December 2014. He was previously Managing Director in the Real Estate Investment Banking group at Raymond James, where he worked since 2008. Prior to joining Raymond James, Mr. McHugh was a Director in the Paper & Forest Products Group within the Investment Banking Division at Credit Suisse, where he worked from 2000 to 2008. Mr. McHugh received his B.S.B.A. in Finance from the University of Central Florida and his JD from Harvard Law School.

Douglas M. Long, 50, Mr. Long currently serves as Senior Vice President, Forest Resources. Previously, he served as Vice President, U.S. Operations from November 2014 to December 2015 and as Director, Atlantic Region, U.S. Forest Resources from March 2014 to November 2014. He joined the Company in 1995 as a GIS Forestry Analyst and has held multiple positions of increasing responsibility within the forestry division. Mr. Long holds bachelor's and master's degrees in Forest Resources and Conservation from the University of Florida.

Christopher T. Corr, 57, Mr. Corr joined the Company in July 2013 and currently serves as Senior Vice President, Real Estate Development and President, Raydient LLC. Prior to joining Rayonier, he served as Executive Vice President, Buildings and Places for AECOM from 2008 to 2013. Prior to that, Mr. Corr held various positions with The St. Joe Company between 1998 and 2008, most recently as Executive Vice President. From 1992 to 1998, Mr. Corr was a senior manager with The Walt Disney Company, where he was a key member of the team that developed the visionary town of Celebration near Orlando, Florida. From 1990-1992, Mr. Corr served as an elected member of the Florida House of Representatives. He holds a Bachelor of Arts degree from the University of Florida and has completed programs with the Harvard Real Estate Institute and the Wharton School of Business at University of Pennsylvania.

Mark R. Bridwell, 58, Mr. Bridwell was promoted to Vice President and General Counsel in June 2014 and assumed the role of Corporate Secretary in March 2015. He joined the Company in 2006 as Associate General Counsel for Performance Fibers. In 2009, he became Associate General Counsel for Timber and Real Estate and in 2012 was promoted to Assistant General Counsel for Land Resources. Prior to joining Rayonier, Mr. Bridwell served as counsel for six years at Siemens Corporation. Previously, he was an attorney for five years with the international law firms of Jones, Day, Reavis & Pogue and Seyfarth, Shaw, Fairweather & Geraldson. Mr. Bridwell has a B.S.B.A. in Finance from the University of Central Florida, and an MBA and JD from Emory University.

Shelby L. Pyatt, 50, Ms. Pyatt was named Vice President, Human Resources and Information Technology in July 2014. Ms. Pyatt joined Rayonier in 2003 as Manager, Compensation and became Director, Compensation and Employee Services in 2006. She was named Director, Compensation, Benefits and Employee Services in 2009 before being promoted to her current position. Prior to joining Rayonier, Ms. Pyatt held human resources positions with CSX Corporation and Barnett Bank. Ms. Pyatt holds a bachelor's degree in Business Management.

W. Rhett Rogers, 44, Mr. Rogers was appointed to Vice President, Portfolio Management in February 2017. Mr. Rogers oversees the Company's acquisition and disposition activities, including HBU and non-strategic land sales, as well as its land information systems function. He joined Rayonier in 2001 as a District Technical Forester, and has held numerous roles of increasing responsibility, most recently as Director, Land Asset Management before being promoted to his current position. Mr. Rogers holds a BS in Forestry from Louisiana Tech University, and both an MBA and MS in Forest Resources from Mississippi State University.

April J. Tice, 47, Ms. Tice was promoted to Vice President, Financial Services and Corporate Controller in March 2019. In this position, she acts as the Company's principal accounting officer. She joined Rayonier in 2010 and has worked in various roles within the finance and financial reporting departments since that time. She previously served as Director, Financial Services and Corporate Controller before being promoted to her current position. Prior to

joining Rayonier, Ms. Tice served in various accounting and/or audit roles at Deloitte & Touche, the State of Florida and two private companies located in Florida. Ms. Tice holds a Bachelor of Fine Arts from Florida State University and a Master of Accountancy with a tax concentration from the University of North Florida. Ms. Tice is a Certified Public Accountant in the State of Florida.

HUMAN CAPITAL

Rayonier is committed to creating an engaging and rewarding employee experience, as well as making safety a priority in everything we do.

Our Culture and Employee Retention

We view our culture as an asset and believe that fostering a healthy culture is critical to achieving our goals of being the preferred employer in the forestry industry and retaining key talent. We use various means to encourage communication and information sharing across the organization.

Every two years we conduct a formal company-wide employee survey to provide anonymous feedback to management. Survey results are benchmarked against our third-party provider's global database, shared with employees and also reviewed with our Board of Directors to help set non-financial goals for management.

Employee Development

We offer a comprehensive approach to training and development which includes micro- and on-demand learning, classroom programs, coaching and mentoring, cross-functional assignments and conferences. We also provide a tuition reimbursement program, which reimburses 80% of the costs of approved degree programs.

Workplace Safety

Safety is a way of life and a cornerstone of Rayonier's culture — our key guiding principle is that all of our employees and contractors should return home safely each day. To that end:

- We employ a systematic, four-pronged approach to developing and assimilating our safety principles: set goals, communicate effectively, identify preventive measures and provide proper tools and training.
- We conduct meetings throughout our organization addressing key safety issues.
- We offer safety courses each year in areas such as: defensive driving, proper chainsaw use, ATV safety, CPR certifications and first aid, emergency evacuation, slips, trips and falls, overhead hazards, fire prevention, internal reporting of safety incidents, general forestry requirements and various other safety topics.

We generally engage contractors to perform a number of critical functions, such as the planting of trees and the harvesting and hauling of logs. Our safety management programs are designed to use a collaborative approach to focus on both employee and contractor safety. For our employees, driving is generally deemed to be the most hazardous activity associated with our business given the geographic dispersion of our assets. However, for our contracted workforce, activities associated with tree felling, extraction of logs and log transportation are the most critical risk areas.

In New Zealand, we have a comprehensive safety management program that includes both employees and contractors pursuant to local laws and the Health & Safety at Work Act 2015. Similar industry practices and regulations do not exist in the United States for contractors. Nonetheless, in addition to our employee safety programs in the U.S., we initiated programs with our U.S. contractors to better educate them on safe work practices. In 2020, our contractors published 9 safety alerts and completed 1,398 training courses on safe trucking.

Throughout the COVID-19 pandemic, we have remained focused on protecting the health and safety of our employees and contractors, as well as their families and communities. Shortly after the outset of COVID-19, we implemented a work-from-home model for office employees and instituted enhanced safety and social distancing guidelines for field employees. This has enabled our Company and industry to continue to supply essential forest products while optimizing workplace safety.

Employee Wellness

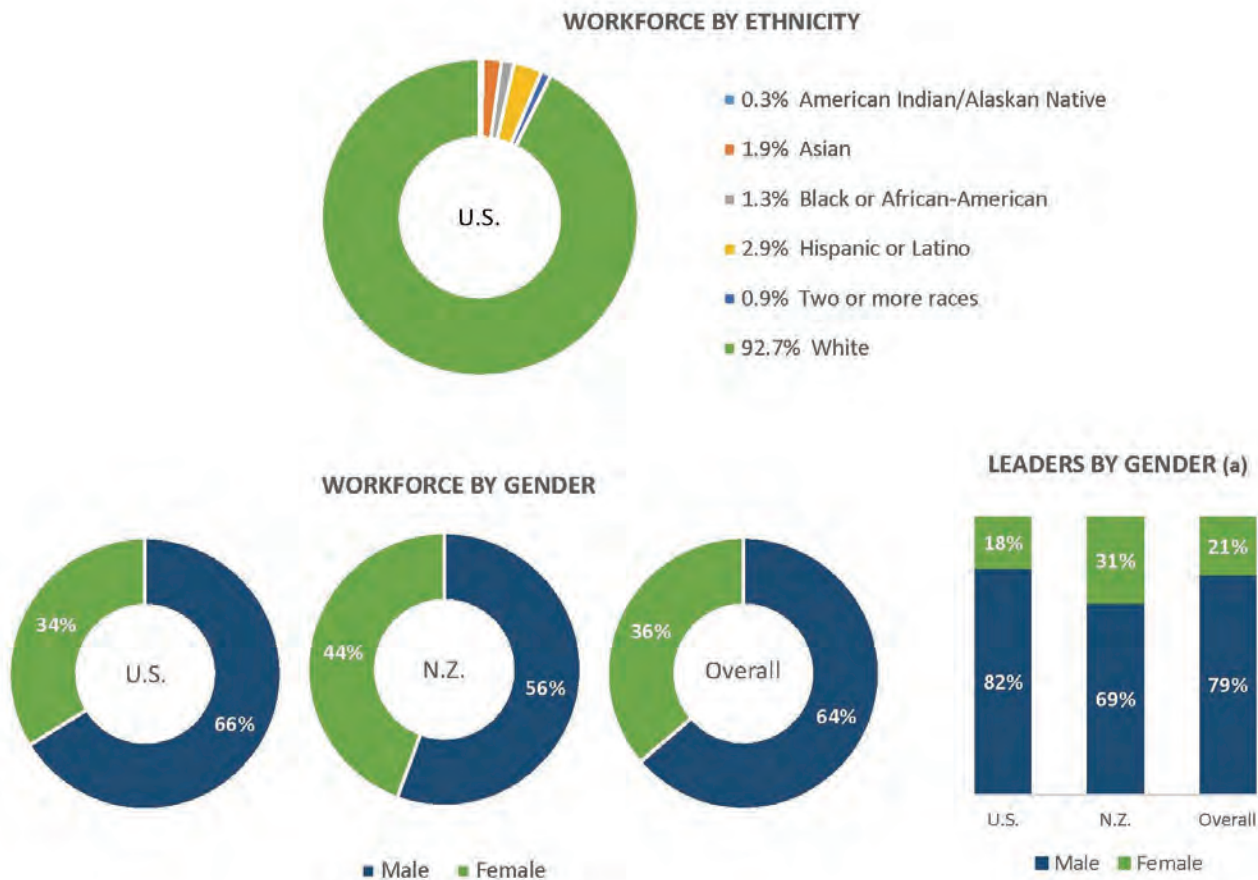
Our employee wellness program, Stay Strong, is designed to promote the overall health and well-being of our employees by providing education, resources, and a financial investment in our employees' wellness. Stay Strong employs a comprehensive approach centered on four key areas: Health and Well-Being, Financial Wellness, Work-

Life Balance and Emotional Health. This includes a comprehensive benefits package, flexible work arrangements and generous paid time off as well as specific workshops and programs tailored to locations.

Inclusion and Diversity

Rayonier is focused on promoting an inclusive and diverse workforce as we believe this plays an integral role in maintaining an engaging employee experience. As of December 31, 2020, we had 413 employees, 314 in the U.S. and 99 in New Zealand.

The following charts provide details on diversity at Rayonier as of December 31, 2020.



(a) Leaders are defined as employees who have responsibility for managing other employees.

We are seeking to improve our gender and racial diversity and have initiated actions to increase the diversity of qualified candidates. To this end, alongside other initiatives, we have assembled an internal team to further enhance and improve our efforts around promoting a diverse and inclusive culture where all employees are supported, empowered and valued. This team will guide policy objectives within our organization and identify initiatives to help increase diversity within the broader forestry industry.

AVAILABILITY OF REPORTS AND OTHER INFORMATION

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Sections 13(a) or 14 of the Securities Exchange Act of 1934 are made available to the public free of charge in the Investor Relations section of our website, www.rayonier.com, shortly after we electronically file such material with, or furnish them to, the Securities and Exchange Commission ("SEC"). Our corporate governance guidelines and charters of all committees of our board of directors are also available on our website. The information on our website is not incorporated by reference into this Annual Report on Form 10-K.

Item 1A. RISK FACTORS

Our operations are subject to a number of risks. When considering an investment in our securities, you should carefully read and consider these risks, together with all other information in this Annual Report on Form 10-K. If any of the events described in the following risk factors actually occur, our business, financial condition or operating results, as well as the market price of our securities, could be materially adversely affected.

ECONOMIC RISK FACTORS

We are exposed to the cyclical nature of the markets in which we operate and other factors beyond our control, which could adversely affect our results of operations.

Some of the industries in which our end-use customers participate, such as the construction and home building industries, the global pulp, packaging and paper industries and the real estate industry, are cyclical in nature, exposing us to risks beyond our control, including general macroeconomic conditions, both in the U.S. and globally, as well as local economic conditions.

In our Timber segments, the level of residential construction activity, including home repair and remodeling activity, is the primary driver of sawtimber demand. In addition, demand for logs can be affected by the demand for wood chips in the pulp and paper and engineered wood products markets, as well as the bio-energy production markets. The ongoing level of activity in these markets is subject to fluctuation due to future changes in economic conditions, interest rates, credit availability, population growth, weather conditions, the ongoing COVID-19 pandemic and other factors. Changes in global economic conditions, such as new timber supply sources and changes in currency exchange rates, foreign interest rates and foreign and domestic trade policies, can also negatively impact demand for our timber and logs. In addition, the industries in which our customers participate are highly competitive and may experience overcapacity or reductions in demand, all of which may affect demand for and pricing of our products.

In our Real Estate segment, our inability to sell our HBU properties at attractive prices could have a significant effect on our results of operations. Demand for real estate can be affected by the availability of capital, changes in interest rates, availability and terms of financing, changes in governmental agencies, changes in developer confidence, actions by conservation organizations, actions by anti-development organizations, our ability to obtain land use entitlements and other permits necessary for our development activities, local real estate market economic conditions, competition from other sellers of land and real estate developers, the relative illiquidity of real estate investments, employment rates, new housing starts, the ongoing COVID-19 pandemic, population growth, demographics and federal, state and local land use, zoning and environmental protection laws or regulations (including any changes in laws or regulations). In addition, changes in investor interest in purchasing timberlands could reduce our ability to execute sales of non-strategic timberlands.

These macroeconomic and cyclical factors impacting our operations are beyond our control and, if such conditions deteriorate, could have an adverse effect on our business.

Changes in energy and fuel costs could affect our results of operations and financial condition.

Energy costs are a significant operating expense for our logging and hauling contractors and for the contractors who support the customers of our standing timber. Energy costs can be volatile and are susceptible to rapid and substantial increases or decreases due to factors beyond our control, such as changing economic conditions, changing environmental regulations, political unrest, instability in energy-producing nations, and supply and demand considerations. Increases in the price of oil could adversely affect our business, financial condition and results of operations. In addition, an increase in fuel costs, and its impact on the cost and availability of transportation for our products, both domestically and internationally, and the cost and availability of third-party logging and hauling contractors, could have a material adverse effect on the operating costs of our contractors and our standing timber customers, as well as in defining economically accessible timber stands. Such factors could in turn have a material adverse effect on our business, financial condition and results of operations, particularly in our Timber segments and Trading segment.

The industries in which we operate are highly competitive.

The markets in which we operate are highly competitive, and we compete with companies that have substantially greater financial resources than we do in each of these businesses. The competitive pressures relating to our Timber and Timber Fund segments are primarily driven by quantity of product supply and quality of the timber

offered by competitors in the domestic and export markets, each of which may impact pricing. With respect to our Real Estate segment, we compete with other owners of entitled and unentitled properties. Each property has unique attributes, but overall quantity of supply and price for residential, commercial, industrial and rural properties in the geographic areas in which we operate are the most significant competitive drivers. The markets in which our Trading segment operates are very competitive with numerous entities competing for export log supply at different ports across New Zealand.

We are subject to risks associated with an increase in market interest rates.

One of the factors that may influence the price of our common shares is our annual dividend yield as compared to yields on other financial instruments. Thus, an increase in market interest rates could result in higher yields on other financial instruments and could adversely affect the relative attractiveness of an investment in the Company and, accordingly, the trading price of our common shares. An increase in market interest rates could cause increases in discount rates and, accordingly, a decline in property values and total returns for timberland assets. An increase in market interest rates would also negatively impact financing costs on our floating rate debt as well as any additional debt we may raise.

OPERATIONAL RISK FACTORS

Weather and other natural conditions may limit our timber harvest and sales.

Weather conditions, changes in timber growth cycles, limitations on access (for example, due to prolonged wet conditions) and other factors, including damage by fire, insect infestation, disease, prolonged drought and natural disasters such as wind storms and hurricanes, may limit harvesting of our timberlands. The volume and value of timber that can be harvested from our timberlands may be reduced by any such occurrence and other causes beyond our control. As is typical in the forestry industry, we do not maintain insurance for any loss to our timber, including losses due to fire and these other causes. These and other factors beyond our control could reduce our timber inventory and our sustainable yield, thereby adversely affecting our financial results and cash flows.

Entitlement and development of real estate entail a lengthy, uncertain and costly governmental approval process, which could adversely affect our ability to grow the businesses in our Real Estate segment.

Entitlement and development of real estate entail extensive approval processes involving multiple regulatory jurisdictions. It is common for a project to require multiple approvals, permits and consents from U.S. federal, state and local governing and regulatory bodies. For example, in Florida, real estate projects must generally comply with the provisions of the Community Planning Act and local land use, zoning and development regulations. In addition, development projects in Florida that exceed certain specified regulatory thresholds (and are not located in a jurisdiction classified as a dense urban land area or otherwise statutorily exempt) may require approval pursuant to the Comprehensive Plan process standards. In Washington, land use and environmental laws including the State Environmental Policy Act of 1971, Shoreline Management Act of 1971, Growth Management Act of 1990, and Land Use Petition Act of 1995, together with consumer protection laws like the Land Development Act of 1973 and Uniform Common Interest Ownership Act of 2018, and other state laws and corresponding local plans and regulations, have tended over time to increase the costs, risks, and potential liabilities of land development projects in that state and to give opponents of land development projects the increased ability to delay, prevent, and appeal governmental approvals of those projects in some cases and to trigger in other cases the imposition by government agencies of increased mitigation measures and other conditions of project approval. Compliance with these and other regulations and standards is more time intensive and costly and may require additional long range infrastructure review and approvals, which can add to project cost. In addition, development of properties containing delineated wetlands may be affected by revisions to the definition of wetlands subject to state and/or federal regulation and may require one or more permits from the U.S. federal government and/or state and local governmental agencies. Any of these issues can materially affect the cost, timing and economic viability of our real estate projects.

The real estate entitlement process is frequently a political one, which involves uncertainty and often extensive negotiation and concessions in order to secure and maintain the necessary approvals and permits. In the U.S., a significant amount of our development property is located in jurisdictions in which local governments face challenging issues relating to growth and development, including zoning and future land use, public services, water availability, transportation and other infrastructure, concurrency requirements, affordable housing, land conservation efforts, and funding for same, and the requirements of state law, especially in the case of Florida under the Community Planning Act process standards and in Washington under growth management. In addition, anti-

development groups are active, especially in Florida and Washington, in filing litigation to oppose particular entitlement activities and development projects, and in seeking legislation and other anti-development limitations on real estate development activities. We expect this type of anti-development activity to continue in the future.

Entitlement and development of real estate are also subject to lengthy, uncertain and costly implementation processes. Real estate development requires adequate soil and land conditions, water resources, access and utility infrastructure, labor force, and weather conditions. Requirements for these items may vary depending upon the contemplated development of the land for residential, commercial or industrial users, and may change from time to time, including from the period of entitlement to the delivery of a developed property. Large-scale developments may involve commitments from government agencies or third parties related to the delivery of infrastructure improvements (such as roads, bridges, sidewalks, water, sewer and other utilities), the certainty and timing of which are outside of our control. An adverse change in any of these items – including unexpected changes caused by the COVID-19 pandemic, which are continuing – could materially affect the cost, timing and economic viability of our real estate projects.

Changes in the laws, or interpretation or enforcement thereof, regarding the use and development of real estate, changes in the political composition of state and local governmental bodies, impacts from the pandemic, and the identification of new facts regarding our properties could lead to new or greater costs, delays and liabilities that could materially adversely affect our business, profitability or financial condition.

Coronavirus (COVID-19) Pandemic.

The novel coronavirus (COVID-19) outbreak could materially adversely affect our financial condition and results of operations.

Epidemics, pandemics or other such crises or public health concerns in regions of the world where we have operations or sell products, could result in the disruption of our business. Specifically, the ongoing COVID-19 outbreak has resulted in increased travel restrictions and extended shutdowns of certain businesses around the world, as well as a deterioration of general economic conditions. These or any governmental or other regulatory developments or health concerns in countries in which we operate or export to could result in operational restrictions or social and economic instability, or labor shortages. At this point in time, there is substantial uncertainty relating to the potential impact of COVID-19 on our business. Infections may continue to spread, which could limit our ability to timely harvest, sell and transport our timber, restrict our operations or cause supply chain disruptions for us and our customers. In addition, we also face risks and costs associated with implementation of business continuity plans and modified work conditions, including making required resources available to our workforce to enable them to continue essential work. Any of these developments could have a negative impact on our business, financial condition and operating results. In addition, the COVID-19 pandemic could continue to adversely affect the economies and markets of many countries, resulting in a further economic downturn that could impact the pricing or demand for timber, real estate, and especially housing, which could have an adverse effect on our business, operating results and financial condition, as well as market value of our securities. Further, our customers may be negatively impacted due to the general decline in business and operating conditions and constraints on their own liquidity and access to capital relating to COVID-19, which could increase our counterparty credit exposure. The continued spread of COVID-19 has also led to disruption and volatility in the global capital markets. This could lead to further volatility in interest and exchange rates, increase our cost of capital, and adversely impact our access to capital, credit ratings or overall liquidity.

We depend on third parties for logging and transportation services and increases in the costs or decreases in the availability of quality service providers could adversely affect our business.

Our Timber segments depend on logging and transportation services provided by third parties, both domestically and internationally, including by railroad, trucks, or ships. If any of our transportation providers were to fail to deliver timber supply or logs to our customers in a timely manner, or were to damage timber supply or logs during transport, we may be unable to sell it at full value, or at all. During the global financial crisis and subsequent downturn in U.S. housing starts, timber harvest volumes declined significantly. As a result, many logging contractors, particularly cable logging operators in the western U.S., permanently shut down their operations. As harvest levels have returned to higher levels with the recovery in U.S. housing starts, this shortage of logging contractors has resulted in sharp increases in logging costs and more limited availability of logging contractors. It is expected that the supply of qualified logging contractors will be impacted by the availability of debt financing for equipment purchases as well as the availability of adequately trained loggers. As housing starts continue to recover, harvest levels are expected to increase, placing more pressure on the existing supply of logging contractors. Any

significant failure or unavailability of third-party logging or transportation providers, or increases in transportation rates or fuel costs, may result in higher logging costs or the inability to capitalize on stronger log prices to the extent logging contractors cannot be secured at a competitive cost. Such events could harm our reputation, negatively affect our customer relationships and adversely affect our business.

We are subject to risks associated with doing business outside of the U.S.

Although the majority of our customers are in the U.S., a significant portion of our sales are to end markets outside of the U.S., including China, South Korea, Japan, India, and New Zealand. The export of our products into international markets results in risks inherent in conducting business pursuant to international laws, regulations and customs. We expect that international sales will continue to contribute to future growth. The risks associated with our business outside the U.S. include:

- changes in and reinterpretations of the laws, regulations and enforcement priorities of the countries in which our products are sold;
- responsibility to comply with anti-bribery laws such as the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions;
- trade protection laws, policies and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, imposition of new tariffs and duties and import and export licensing requirements;
- continuing negative impacts from the imposition and/or threatened imposition of substantial tariffs on forest products imports into China in connection with current trade tensions between China and the U.S.;
- business disruptions arising from public health crises and outbreaks of communicable diseases, especially in China, including the outbreak of the virus known as the coronavirus;
- difficulty in establishing, staffing and managing non-U.S. operations;
- product damage or losses incurred during shipping;
- potentially negative consequences from changes in or interpretations of tax laws;
- economic or political instability, inflation, recessions and interest rate and exchange rate fluctuations;
- uncertainties regarding non-U.S. judicial systems, rules and procedures; and

These risks could adversely affect our business, financial condition and results of operations.

Our estimates of timber inventories and growth rates may be inaccurate, which could impair our ability to realize expected revenues.

We rely upon estimates of merchantable timber inventories (which include judgments regarding inventories that may be lawfully and economically harvested), timber growth rates and end-product yields when acquiring and managing working forests. These estimates, which are inherently inexact and uncertain in nature, are central to forecasting our anticipated timber revenues and expected cash flows. Growth rates and end-product yield estimates are developed using statistical sampling, harvest results and growth and yield modeling, in conjunction with industry research cooperatives and by in-house forest biometricians, using measurements of trees in research plots spread across our timberland holdings. The growth equations predict the rate of height and diameter growth of trees so that foresters can estimate the volume of timber that may be present in a tree stand at a given age. Tree growth varies by species, soil type, geographic area, and climate. Errors in or inappropriate application of growth equations in forest management planning may lead to inaccurate estimates of future volumes. If the assumptions we rely upon change or these estimates are inaccurate, our ability to manage our timberlands in a sustainable or profitable manner may be diminished, which may cause our results of operations and our stock price to be adversely affected.

Our businesses are subject to extensive environmental laws and regulations that may restrict or adversely affect our ability to conduct our business.

Environmental laws and regulations are constantly changing and are generally becoming more restrictive. Laws, regulations and related judicial decisions and administrative interpretations affecting our business are subject to change, and new laws and regulations are frequently enacted. These changes may adversely affect our ability to harvest and sell timber, remediate contaminated properties and/or entitle real estate. These laws and regulations may relate to, among other things, the protection of timberlands and endangered species, recreation and aesthetics, protection and restoration of natural resources, surface water quality, timber harvesting practices, and remedial standards for contaminated property and groundwater. Over time, the complexity and stringency of these laws and

regulations have increased and the enforcement of these laws and regulations has intensified. For example, the U.S. Environmental Protection Agency (“EPA”) has pursued a number of initiatives that, if implemented, could impose additional operational and pollution control obligations on industrial facilities like those of Rayonier’s customers, especially in the area of air emissions and wastewater and stormwater control. In addition, as a result of certain judicial rulings and state and federal initiatives, including some that would require timberland operators to obtain permits to conduct certain ordinary course forestry activities, silvicultural practices on our timberlands could be impacted in the future. Environmental laws and regulations will likely continue to become more restrictive and over time could adversely affect our business, financial condition and results of operations.

If regulatory and environmental permits are delayed, restricted or rejected, a variety of our operations could be adversely affected. We are required to seek permission from government agencies in the states and countries in which we operate to perform certain activities related to our properties. Any of these agencies could delay review of, or reject, any of our filings. In our Southern Timber, Pacific Northwest Timber, New Zealand Timber and Timber Fund segments, any delay associated with a filing could result in a delay or restriction in replanting, thinning, insect control, fire control or harvesting, any of which could have an adverse effect on our operating results. For example, in Washington State, we are required to file a Forest Practice Application for each unit of timberland to be harvested. These applications may be denied, conditioned or restricted by the regulatory agency. Actions by the regulatory agencies could delay or restrict timber harvest activities pursuant to these permits. Delays or harvest restrictions on a significant number of applications could have an adverse effect on our operating results.

Environmental groups and interested individuals may seek to delay or prevent a variety of operations. We expect that environmental groups and interested individuals will intervene with increasing frequency in the regulatory processes in the states and countries where we own, lease or manage timberlands. For example, in Washington State, environmental groups and interested individuals may appeal individual forest practice applications or file petitions with the Forest Practices Board to challenge the regulations under which forest practices are approved. These and other challenges could materially delay or prevent operations on our properties. For example, interveners at times may bring legal action in Florida in opposition to entitlement and change of use of timberlands to commercial, industrial or residential use. Delays or restrictions due to the intervention of environmental groups or interested individuals could adversely affect our operating results. In addition to intervention in regulatory proceedings, interested groups and individuals may file or threaten to file lawsuits that seek to prevent us from obtaining permits, implementing capital improvements or pursuing operating plans. Any threatened or actual lawsuit could delay harvesting on our timberlands, affect how we operate or limit our ability to modify or invest in our real estate. Among the remedies that could be enforced in a lawsuit is a judgment preventing or restricting harvesting on a portion of our timberlands.

Third-party operators may create environmental liabilities. We lease and/or grant easements across some of our properties to third-party operators for the purpose of operating communications towers, generating renewable energy (wind and solar), operating pipelines for the transport of gases and liquids, and exploring, extracting, developing and producing oil, gas, rock and other minerals. These activities are subject to federal, state and local laws and regulations. These operations may also create risk of environmental liabilities for an unlawful discharge of oil, gas, chemicals or other materials into the air, soil or water. Generally, these third-party operators indemnify us against any such liability, and we require that they maintain liability insurance to the extent practical to do so. However, if for any reason our third-party operators are not able to honor their obligations to us, or if insurance is not in effect, then it is possible that we could be responsible for costs associated with environmental liabilities caused by such third-party operators.

The impact of existing regulatory restrictions on future harvesting activities may be significant. U.S. federal, state and local laws and regulations, as well as those of other countries, which are intended to protect threatened and endangered species, as well as waterways and wetlands, limit and may prevent timber harvesting, road building and other activities on our timberlands. Restrictions relating to threatened and endangered species apply to activities that would adversely impact a protected species or significantly degrade its habitat. The size of the restricted area varies depending on the protected species, the time of year and other factors, but can range from less than one acre to several thousand acres. A number of species that naturally live on or near our timberlands, including, among others, the northern spotted owl, marbled murrelet, several species of salmon and trout in the Pacific Northwest, and the red cockaded woodpecker, red hills salamander, Louisiana pine snake and eastern indigo snake in the Southeast, are protected under the Federal Endangered Species Act (the “ESA”) or similar U.S. federal and state laws. A significant number of other species, such as the southeastern gopher tortoise are currently under review for possible protection under the ESA. As we gain additional information regarding the presence of threatened or endangered species on our timberlands, or if other regulations, such as those that require buffers to

protect water bodies, become more restrictive, the amount of our timberlands subject to harvest restrictions could increase.

We formerly owned or operated or may own or acquire timberlands or properties that may require environmental remediation or otherwise be subject to environmental and other liabilities. We owned or operated manufacturing facilities and discontinued operations that we do not currently own, and we may currently own or may acquire timberlands and other properties in the future that are subject to environmental liabilities, such as remediation of soil, sediment and groundwater contamination and other existing or potential liabilities. In connection with the spin-off of our Performance Fibers business, and pursuant to the related Separation and Distribution Agreement between us and Rayonier Advanced Materials, Rayonier Advanced Materials has assumed any environmental liability of ours in connection with the manufacturing facilities and discontinued operations related to the Performance Fibers business and has agreed to indemnify and hold us harmless in connection with such environmental liabilities. However, in the event we seek indemnification from Rayonier Advanced Materials, we cannot provide any assurance that a court will enforce our indemnification right if challenged by Rayonier Advanced Materials or that Rayonier Advanced Materials will be able to fund any amounts for indemnification owed to us. In addition, the cost of investigation and remediation of contaminated timberlands and properties that we currently own or acquire in the future could increase operating costs and adversely affect financial results. We could also incur substantial costs, such as civil or criminal fines, sanctions and enforcement actions (including orders limiting our operations or requiring corrective measures, installation of pollution control equipment or other remedial actions), clean-up and closure costs, and third-party claims for property damage and personal injury as a result of violations of, or liabilities under, environmental laws and regulations related to such timberlands or properties.

REIT AND TAX-RELATED RISK FACTORS

Loss of our REIT status would adversely affect our cash flow and stock price.

We intend to continue to operate in accordance with REIT requirements pursuant to the Internal Revenue Code of 1986, as amended (the “Code”), and related U.S. Treasury regulations and administrative guidance. Qualification as a REIT involves the application of highly technical and complex provisions of the Code, which are subject to change, perhaps retroactively, and which are not within our control. We cannot assure that we will remain qualified as a REIT or that new legislation, U.S. Treasury regulations, administrative interpretations or court decisions will not significantly affect our ability to remain qualified as a REIT or the U.S. federal income tax consequences of such qualification.

We continually monitor and test our compliance with all REIT requirements. In particular, we regularly test our compliance with the REIT “asset tests,” which require generally that, at the close of each calendar quarter: (1) at least 75% of the market value of our total assets must consist of REIT-qualifying interests in real property (such as timberlands), including leaseholds and options to acquire real property and leaseholds, as well as cash and cash items and certain other specified assets, (2) no more than 25% of the market value of our total assets may consist of other assets that are not qualifying assets for purposes of the 75% test in clause (1) above, and (3) no more than 20% (25% for calendar years prior to 2018) of the market value of our total assets may consist of the securities of one or more “taxable REIT subsidiaries.” As of December 31, 2020, Rayonier is in compliance with these asset tests.

If in any taxable year we fail to qualify as a REIT and are not entitled to relief under the Code, we will not be allowed a deduction for dividends paid to shareholders in computing our taxable income and we will be subject to U.S. federal income tax on our REIT taxable income. In addition, we will be disqualified from qualification as a REIT for the four taxable years following the year during which the qualification was lost, unless we are entitled to relief under certain provisions of the Code. As a result, our net income and the cash available for distribution to our shareholders could be reduced for up to five years or longer, which could have a material adverse effect on our financial condition.

If we fail to remain qualified as a REIT, we may also need to borrow funds or liquidate some investments or assets to pay any resulting additional tax liability. Accordingly, cash available for distribution to our shareholders would be reduced.

Certain of our business activities are potentially subject to prohibited transactions tax.

As a REIT, we will be subject to a 100% tax on any net income from “prohibited transactions.” In general, prohibited transactions are sales or other dispositions of property to customers in the ordinary course of business.

Sales of logs, and dealer sales of timberlands or other real estate, constitute prohibited transactions unless the sale satisfies certain safe harbor provisions in the Code.

We intend to avoid the 100% prohibited transactions tax by complying with the prohibited transaction safe harbor provisions and conducting activities that would otherwise be prohibited transactions through one or more taxable REIT subsidiaries. We may not, however, always be able to identify timberland properties that become part of our “dealer” real estate sales business. Therefore, if we sell timberlands which we incorrectly identify as property not held for sale to customers in the ordinary course of business, we may be subject to the 100% prohibited transactions tax.

Failure of Operating Partnership to maintain status as a partnership for U.S. federal income tax purposes.

We believe our Operating Partnership qualifies as a partnership for U.S. federal income tax purposes. As a partnership, our Operating Partnership is not subject to U.S. federal income tax on its income. Instead, each of the partners is allocated its share of our Operating Partnership's income. We cannot assure you, however, that the IRS will not challenge the status of our Operating Partnership as a partnership for U.S. federal income tax purposes. If the IRS were to successfully challenge the status of our Operating Partnership as a partnership, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that our Operating Partnership could make, which could have further implications as to our ability to maintain our status as a REIT. This would substantially reduce our cash available to pay distributions and the return on a unitholder and/or shareholder's investment.

Our cash dividends and Operating Partnership distributions are not guaranteed and may fluctuate.

Generally, REITs are required to distribute 90% of their ordinary taxable income, but not their net capital gains income. Accordingly, we do not generally believe that we are required to distribute material amounts of cash since substantially all of our taxable income is generally treated as capital gains income. However, a REIT must pay corporate level tax on its undistributed taxable income and capital gains.

Our Board of Directors, in its sole discretion, determines the amount of quarterly dividends to be paid to our shareholders based on consideration of a number of factors. These factors include, but are not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, harvest levels, changes in the price and demand for our products and general market demand for timberlands, including those timberland properties that have higher and better uses. Consequently, our dividend levels may fluctuate. Because our Operating Partnership distributions are aligned with the dividend, such distributions may also fluctuate.

Lack of shareholder ownership and transfer restrictions in our articles of incorporation may affect our ability to qualify as a REIT.

In order to qualify as a REIT, an entity cannot have five or fewer individuals who own, directly or indirectly after applying attribution of ownership rules, 50% or more of the value of its outstanding shares during the last six months in each calendar year. Although it is not required by law or the REIT provisions of the Code, almost all REITs have adopted ownership and transfer restrictions in their articles of incorporation or organizational documents which seek to assure compliance with that rule. While we are not in violation of the ownership rules, we do not have, nor do we have any current plans to adopt, share ownership and transfer restrictions. As such, the possibility exists that five or fewer individuals could acquire 50% or more of the value of our outstanding shares, which could result in our disqualification as a REIT.

GENERAL RISK FACTORS

We are subject to risks associated with the discontinuation of LIBOR.

The U.K. Financial Conduct Authority announced in 2017 that it intends to phase out the London Interbank Offered Rate (“LIBOR”) by the end of 2021. While the original deadline may be extended, changes in the method of calculating LIBOR, or the replacement of LIBOR with an alternative rate or benchmark, may adversely affect interest rates and could result in higher borrowing costs. In addition, if changes are made to the method of calculating LIBOR or LIBOR ceases to exist, we may need to amend certain contracts, including our credit facility and swap arrangements, and we cannot predict what alternative rate or benchmark would be negotiated. This may also result in an increase in our interest rate expense.

The impacts of climate-related initiatives, at the international, U.S. federal and state levels, remain uncertain at this time.

There continue to be numerous international, U.S. federal and state-level initiatives and proposals to address domestic and global climate issues. Within the U.S., most of these proposals would regulate and/or tax the production of carbon dioxide and other “greenhouse gases” to facilitate the reduction of carbon compound emissions into the atmosphere, and provide tax and other incentives to produce and use “cleaner” energy.

In late 2009, the EPA issued an “endangerment finding” under the Clean Air Act with respect to certain greenhouse gases, leading to the regulation of carbon dioxide as a pollutant under the Clean Air Act and having significant ramifications for Rayonier and the industry in general. In this regard, the EPA has published various regulations, affecting the operation of existing and new industrial facilities that emit carbon dioxide. As a result of the EPA’s decision to regulate greenhouse gases under the Clean Air Act, states will now have to consider them in permitting new or modified facilities.

Overall, it is reasonably likely that legislative and regulatory activity in this area will in some way affect Rayonier and the U.S. customers of our Southern Timber, Pacific Northwest Timber and Timber Fund segments, but it is unclear at this time what the nature of the impact will be. We continue to monitor political and regulatory developments in this area, but their overall impact on Rayonier, from a cost, benefit and financial performance standpoint, remains uncertain at this time. In addition, the EPA has yet to finalize the treatment of biomass under greenhouse gas regulatory schemes, leaving Rayonier’s biomass customers in a position of uncertainty.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our timber operations are comprised of our core timberland holdings, which are disaggregated into three geographically distinct reporting segments: Southern Timber, Pacific Northwest Timber and New Zealand Timber in addition to our timber fund holdings, which represents our ownership in Timber Funds II, III and IV. The following table provides a breakdown of our timberland holdings as of September 30, 2020 and December 31, 2020:

Core Timberland Holdings						
(acres in 000s)	As of September 30, 2020			As of December 31, 2020		
	Owned	Leased	Total	Owned	Leased	Total
Southern						
Alabama	226	14	240	223	14	237
Arkansas	—	7	7	—	6	6
Florida	328	63	391	327	61	388
Georgia	608	72	680	602	71	673
Louisiana	140	—	140	140	—	140
Oklahoma	92	—	92	92	—	92
South Carolina	16	—	16	16	—	16
Texas	183	—	183	181	—	181
	<u>1,593</u>	<u>156</u>	<u>1,749</u>	<u>1,581</u>	<u>152</u>	<u>1,733</u>
Pacific Northwest						
Oregon	61	—	61	61	—	61
Washington	442	4	446	442	4	446
	<u>503</u>	<u>4</u>	<u>507</u>	<u>503</u>	<u>4</u>	<u>507</u>
New Zealand (a)	<u>185</u>	<u>231</u>	<u>416</u>	<u>185</u>	<u>232</u>	<u>417</u>
Total	<u>2,281</u>	<u>391</u>	<u>2,672</u>	<u>2,269</u>	<u>388</u>	<u>2,657</u>

(a) Represents legal acres owned and leased by the New Zealand subsidiary, in which Rayonier owns a 77% interest. As of December 31, 2020, legal acres in New Zealand were comprised of 296,000 plantable acres and 121,000 non-productive acres.

Timber Fund Holdings				
(acres in 000s)	As of September 30, 2020		As of December 31, 2020	
	Total	Look-through	Total	Look-through
Timber Funds				
Oregon.....	51	7	51	7
Washington.....	71	9	71	9
California.....	19	1	19	1
Total.....	<u>141</u>	<u>17</u>	<u>141</u>	<u>17</u>

Total Timberland Under Management				
(acres in 000s)	As of September 30, 2020		As of December 31, 2020	
	Total		Total	
Southern.....	1,749		1,733	
Pacific Northwest.....	507		507	
New Zealand.....	416		417	
Timber Funds.....	141		141	
Total.....	2,813		2,798	

The following tables detail changes in our portfolio of owned and leased timberlands by state from December 31, 2019 to December 31, 2020:

(acres in 000s)	Acres Owned				
	December 31, 2019	Acquisitions	Sales	Other (a)	December 31, 2020
Southern					
Alabama	226	—	(3)	—	223
Florida	331	—	(9)	5	327
Georgia	628	—	(26)	—	602
Louisiana	128	12	—	—	140
Mississippi	67	—	(67)	—	—
Oklahoma	92	—	—	—	92
South Carolina	18	—	(2)	—	16
Texas	184	—	(3)	—	181
	1,674	12	(110)	5	1,581
Pacific Northwest					
Oregon	61	—	—	—	61
Washington	318	120	—	4	442
	379	120	—	4	503
New Zealand (b)					
	185	—	—	—	185
Total	2,238	132	(110)	9	2,269

(a) Includes adjustments for land mapping reviews.

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

(acres in 000s)	December 31, 2019	New Leases	Acres Leased Sold/Expired Leases (a)	Other (b)	December 31, 2020
Southern					
Alabama	14	—	—	—	14
Arkansas	7	—	(1)	—	6
Florida	63	—	(2)	—	61
Georgia	77	—	(6)	—	71
	161	—	(9)	—	152
Pacific Northwest					
Washington	—	4	—	—	4
New Zealand (c)	229	3	—	—	232
Total	390	7	(9)	—	388

(a) Includes acres previously under lease that have been harvested and activity for the relinquishment of leased acres.

(b) Includes adjustments for land mapping reviews.

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

The following table details activity in our timber fund holdings by state from December 31, 2019 to December 31, 2020:

(acres in 000s)	December 31, 2019	Acquisitions	Sales	Other	December 31, 2020
Fund II					
Oregon.....	—	18	—	—	18
Washington.....	—	13	—	—	13
Total Fund II	—	31	—	—	31
Look-through share of Fund II	—	6	—	—	6
Fund III					
Oregon.....	—	13	—	—	13
Washington.....	—	25	—	—	25
California.....	—	19	—	—	19
Total Fund III	—	57	—	—	57
Look-through share of Fund III	—	3	—	—	3
Fund IV.....					
Oregon.....	—	20	—	—	20
Washington.....	—	33	—	—	33
Total Fund IV	—	53	—	—	53
Look-through share of Fund IV	—	8	—	—	8
Total Timber Funds.....	—	141	—	—	141
Look-through share of Funds.....	—	17	—	—	17

TIMBERLAND LEASES & DEEDS

See Note 5 - Leases for more information on U.S. and New Zealand timberland leases including lease terms and renewal provisions.

The following table details our acres under lease as of December 31, 2020 by type of lease and estimated lease expiration:

(acres in 000s)		Lease Expiration				
Location	Type of Lease	Total	2021-2030	2031-2040	2041-2050	Thereafter
Southern.....	Fixed Term	138	90	42	—	6
	Fixed Term with Renewal Option (a)	14	7	7	—	—
Pacific Northwest.	Fixed Term (b)	4	—	1	2	1
New Zealand.....	CFL - Perpetual (c)	77	—	—	—	77
	CFL - Fixed Term (c)	3	—	—	—	3
	CFL - Terminating (c)	9	1	—	8	—
	Forestry Right (c)	127	18	26	9	74
	Fixed Term Land Leases	16	—	—	2	14
Total Acres under Long-term Leases.....		388	116	76	21	175

(a) Includes approximately 6,000 acres of timber deeds.

(b) Primarily timber reservations acquired in the merger with Pope Resources.

(c) Estimated lease expiration / termination based on the earlier of: (1) the scheduled expiration / termination date, or (2) the estimated year of final harvest before such expiration / termination date.

The following table details our estimated leased acres, lease expirations and lease costs over the next five years:

(acres and dollars in 000s, except per acre amounts)					
Location	2021	2022	2023	2024	2025
Southern.....					
Leased Acres Expiring (a)	6	11	35	3	27
Year-end Leased Acres (a)	146	135	100	97	70
Estimated Annual Lease Cost (a)(b)	\$4,333	\$4,009	\$3,783	\$3,150	\$3,061
Average Lease Cost per Acre (a)	\$29.56	\$30.03	\$31.40	\$34.44	\$34.65
Pacific Northwest ...					
Leased Acres Expiring	—	—	—	—	—
Year-End Leased Acres (c)	4	4	4	4	4
New Zealand.....					
Leased Acres Expiring	—	11	—	—	1
Year-end Leased Acres	232	221	221	221	220
Estimated Annual Lease Cost (b)(e)	\$4,446	\$4,382	\$4,382	\$4,382	\$4,382
Average Lease Cost per Acre (d)(e)	\$23.63	\$23.56	\$23.56	\$23.56	\$23.56

(a) Includes timber deeds.

(b) Represents capitalized and expensed lease payments.

(c) Primarily timber reservations acquired in the merger with Pope Resources for which no lease payments are made.

(d) Excludes lump sum payments.

(e) Based on the year-end foreign exchange rate.

OTHER NON-TIMBERLAND LEASES

See Note 5 - Leases for information on other non-timberland leases.

Item 3. LEGAL PROCEEDINGS

The information set forth under Note 12 — Contingencies is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Rayonier Inc.

MARKET FOR THE REGISTRANT'S COMMON EQUITY

Rayonier Inc.'s common shares are publicly traded on the NYSE, the only exchange on which our shares are listed, under the trading symbol **RYN**. Shares of the Company have no par value.

DIVIDENDS

Common stock cash dividends during the years ended December 31, 2020, 2019 and 2018 aggregated to \$1.08, \$1.08 and \$1.06, respectively.

HOLDERS

Including institutional holders, there were approximately 5,170 shareholders of record of our common shares on February 12, 2021.

UNREGISTERED SALES OF EQUITY SECURITIES

From time to time, the Company may issue shares of common stock in exchange for units in the Operating Partnership. Such shares are issued based on an exchange ratio of one common share for each unit in the Operating Partnership. During the quarter ended December 31, 2020, the Company issued 16,253 common shares in exchange for an equal number of units in the Operating Partnership pursuant to the Operating Partnership agreement.

ISSUER REPURCHASES

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 Directors' 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 fourth quarter of 2020. Based on the period-end closing stock price of \$29.38 at December 31, 2020, there was \$87.7 million, or approximately 2,985,992 shares, remaining under this program.

The following table provides information regarding our purchases of Rayonier common shares during the quarter ended December 31, 2020:

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 (b)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (c)
October 1 to October 31.....	—	—	—	3,456,598
November 1 to November 30.....	29	\$27.70	—	3,114,251
December 1 to December 31.....	—	—	—	2,985,992
Total.....	<u>29</u>		<u>—</u>	

- (a) Includes the Company's common shares purchased from employees in non-open market transactions. The shares were sold by employees of the Company in exchange for cash that was used to pay withholding taxes associated with the vesting of share-based awards under the Company's Incentive Stock Plan. The price per share surrendered is based on the closing price of the Company's common shares on the respective vesting dates of the awards.
- (b) Purchases made in open-market transactions under the \$100 million share repurchase program announced on February 10, 2016.
- (c) Maximum number of shares authorized to be purchased at the end of October, November and December are based on month-end closing stock prices of \$25.38, \$28.17 and \$29.38, respectively.

Rayonier, L.P.

MARKET FOR UNITS OF THE OPERATING PARTNERSHIP

There is no public trading market for Operating Partnership units.

HOLDERS

Including institutional holders, there were approximately 16 holders of record of our Operating Partnership units (other than the Company) on February 12, 2021.

DISTRIBUTIONS

The distribution rate on the Operating Partnership's units is equal to the dividend rate on Rayonier Inc.'s common shares.

UNREGISTERED SALES OF EQUITY SECURITIES

There were no unregistered sales of equity securities made by the Operating Partnership during the quarter ended December 31, 2020.

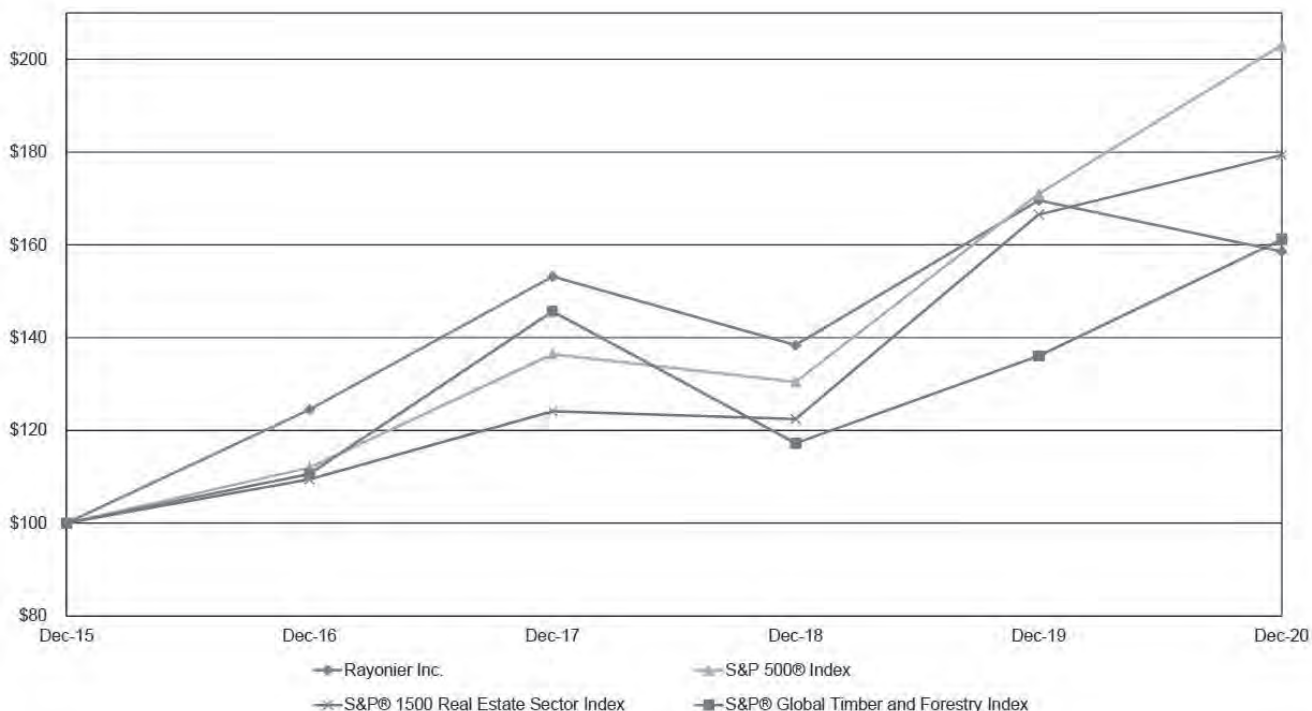
ISSUER PURCHASES OF EQUITY SECURITIES

Pursuant to the Operating Partnership's limited partnership agreement, limited partners have the right to redeem their Operating Partnership units for cash, or at our election, shares of Rayonier Common Stock on a one-for-one basis. During the quarter ended December 31, 2020, 16,253 Operating Partnership units held by limited partners were redeemed in exchange for shares of Rayonier Common Stock.

STOCK PERFORMANCE GRAPH

The following graph compares the performance of Rayonier's common shares (assuming reinvestment of dividends) with a broad-based market index (Standard & Poor's ("S&P") 500), and two industry-specific indices (the S&P Global Timber and Forestry Index and the S&P 1500 Real Estate Index).¹

The table and related information below shall not be deemed to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.



The data in the following table was used to create the above graph as of December 31:

	2015	2016	2017	2018	2019	2020
Rayonier Inc.....	\$100	\$124	\$153	\$138	\$170	\$159
S&P 500® Index.....	100	112	136	130	171	203
S&P® Global Timber and Forestry Index.....	100	111	146	117	136	161
S&P® 1500 Real Estate Sector Index ¹	100	109	124	122	167	179

¹ Based on constituents as of December 31, 2020 and excludes entities that were not publicly traded for the entire comparative period.

Item 6. SELECTED FINANCIAL DATA

Not applicable.

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

EXECUTIVE SUMMARY

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 U.S. 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, Timber Funds, Real Estate and Trading. We own or lease under long-term agreements approximately 2.2 million acres of timberland and real estate in Alabama, Arkansas, Florida, Georgia, Louisiana, Oklahoma, Oregon, South Carolina, Texas and Washington. Additionally, we act as a managing member in a private equity timber fund business with three funds comprising approximately 141,000 acres in Oregon, Washington and California. On a "look-through" basis, our ownership in the timber fund business equates to approximately 17,000 acres. We also have a 77% ownership interest in Matariki Forestry Group, a joint venture ("New Zealand subsidiary"), that owns or leases approximately 417,000 gross acres (296,000 net plantable acres) of timberlands in New Zealand.

Across our timberland management segments, we sell standing timber (primarily at auction to third parties) and delivered logs. Sales from our timber segments include all activities related to the harvesting of timber and other value-added activities such as the licensing of properties for hunting and the leasing of properties for mineral extraction and cell towers. We believe we are the second largest publicly-traded timberland REIT and the fourth largest private timberland owner in the United States. Our Real Estate business manages all property sales and seeks to maximize the value of our properties that are more valuable for development, recreational or residential uses than for growing timber, and opportunistically sells non-strategic timberlands. Our Trading segment, primarily consisting of activity by the New Zealand subsidiary, markets and sells timber owned or acquired from third parties in New Zealand and Australia.

CURRENT YEAR DEVELOPMENTS

During 2020, we acquired approximately 15,000 acres of timberlands for \$24.7 million, excluding the merger with Pope Resources. For additional information on acquisitions, see Note 4 — Timberland Acquisitions. For additional information related to the Pope Resources merger, see Note 2 - Merger with Pope Resources.

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 Timber and Timber Funds segments rely primarily on domestic customers but also export a significant volume of timber, particularly to China. The Southern Timber, Pacific Northwest Timber and Timber Fund 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, South 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 operating results of the segment in U.S. dollar terms.

As the current novel coronavirus ("COVID-19") pandemic continues to evolve, the expected duration and the extent of economic disruption it may ultimately cause remain uncertain. On March 19, 2020, the U.S. Department of Homeland Security issued a memorandum identifying the forest products industry as a "critical infrastructure industry," which led to continued operations in 2020. Our New Zealand operations remained fully-operational during the remainder of the year after a government-mandated shutdown halted production from March 25, 2020 to April 27, 2020. Local, state and federal governments continue to evaluate policies and restrictions in order to mitigate the spread of COVID-19. Additional government-mandated shutdowns or shelter-in-place orders in markets in which we operate could negatively impact our results. Further, prolonged periods of lower overall business activity as a result of COVID-19 could cause significant damage to the underlying economy, which would likely impact U.S. timber markets. We will continue to monitor COVID-19 and its impact on the markets in which we operate going forward.

In 2020, pricing in the U.S. South remained relatively flat versus the prior year, with a slight decrease in pulpwood prices offset by improved sawtimber prices. Both pulpwood and sawtimber pricing tend to be driven by local market supply and demand dynamics, which vary considerably based on the available inventory of logs, local market mill demand, and access to export markets. In the Pacific Northwest, average log prices for 2020 were higher when compared to the prior year, primarily driven by improved sawtimber pricing resulting from pandemic-induced housing construction and repair and remodeling activity. In New Zealand, average log prices for 2020 were lower than the prior year, driven primarily by the buildup of log inventories in China as a result of COVID-19 lockdowns in the early part of the year. However, export prices were notably higher in the fourth quarter of 2020 due to a restriction on competing log imports to China from Australia amid escalating political and trade tensions between the two countries.

We are also subject to the risk of price fluctuations in our major cost components. The primary components of our 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.

In Real Estate, overall demand and pricing for HBU properties remained exceptionally strong in 2020. This was driven in part by historically low mortgage rates coupled with higher demand for rural land since the outset of the pandemic. In addition, we saw increased interest in our improved development properties, specifically Wildlight, our development project north of Jacksonville, Florida, and Richmond Hill, our development project south of Savannah, Georgia.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of financial statements requires us to establish accounting policies and make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities in our Annual Report on Form 10-K. 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.

CAPITALIZED COSTS INCLUDED IN TIMBER BASIS

Timber is stated at the lower of cost or market value. Costs relating to acquiring, planting and growing timber, including real estate taxes, site preparation and direct support costs relating to facilities, vehicles and supplies, are capitalized. A portion of timberland lease payments are capitalized based on the proportion of acres with merchantable timber volume remaining to be harvested under the lease term and the residual portion of the lease payments are expensed as incurred. Payroll costs are capitalized for time spent on timber growing activities, while interest or any other intangible costs are not capitalized.

MERCHANTABLE INVENTORY AND DEPLETION COSTS AS DETERMINED BY TIMBER HARVEST MODELS

An annual depletion rate is established for each particular region by dividing the cost of merchantable inventory (including costs described above) by standing merchantable inventory volume. Pre-merchantable records are maintained for each planted year age class, including acres planted, stems per acre and costs of planting and tending.

Significant assumptions and estimates are used in the recording of timber inventory and depletion costs. Factors that can impact timber volume include weather changes, losses due to natural causes, differences in actual versus estimated growth rates and changes in the age when timber is considered merchantable. A 3% company-wide change in estimated standing merchantable inventory would have caused an estimated change of approximately \$4.7 million to 2020 depletion expense.

Merchantable standing timber inventory is estimated by our land information services group annually, using industry-standard computer software. The inventory calculation takes into account growth, in-growth (annual transfer of oldest pre-merchantable age class into merchantable inventory), timberland sales and the annual harvest specific to each business unit. The age at which timber is considered merchantable is reviewed periodically and updated for changing harvest practices, future harvest age profiles and biological growth factors.

Acquisitions of timberland can also affect the depletion rate. Upon the acquisition of timberland, we make a determination whether to combine the newly-acquired merchantable timber with an existing depletion pool or to create a new pool. The determination is based on the geographic location of the new timber, the customers/markets that will be served and species mix. During 2020, we acquired 15,000 acres of timberlands in Alabama, Georgia, Louisiana and New Zealand. These acquisitions did not have a material impact on 2020 depletion rates. Through our merger with Pope Resources, we acquired 124,000 acres of timberlands in Washington, which had an \$11.1 million impact on depletion expense in the Pacific Northwest Timber segment. Also as a result of the merger with Pope Resources, we are now the managing member in a private equity timber fund business comprising approximately 141,000 acres in Washington, Oregon and California. New depletion pools have been established for this volume, resulting in no impact on previously existing depletion rates.

REVENUE RECOGNITION

See Note 1 - Summary of Significant Accounting Policies.

DETERMINING THE ADEQUACY OF PENSION AND OTHER POSTRETIREMENT BENEFIT ASSETS AND LIABILITIES

We have one qualified non-contributory defined benefit pension plan covering a portion of our employees and an unfunded plan that provides benefits in excess of amounts allowable under current tax law in the qualified plan. The qualified and unfunded plans are closed to new participants.

In 2020, we recognized \$0.1 million of pension and postretirement benefit cost due to interest costs and amortization of losses, primarily offset by the expected return on plan assets. Numerous estimates and assumptions are required to determine the proper amount of pension and postretirement liabilities and annual expense to record in our financial statements. The key assumptions include discount rate, return on assets, health care cost trends, mortality rates and longevity of employees. Although there is authoritative guidance on how to select most of the assumptions, some degree of judgment is exercised in selecting these assumptions. Different assumptions, as well as actual versus expected results, would change the periodic benefit cost and funded status of the benefit plans recognized in the financial statements. Effective December 31, 2016, we froze benefits for all employees participating in the pension plans. See Note 18 — Employee Benefit Plans for additional information.

DEFERRED TAX ITEMS

The Timber and Real Estate operations conducted within our REIT are generally not subject to U.S. income taxation. We expect any variability in our effective tax rate and the amount of cash taxes to be paid to be driven primarily by our New Zealand Timber and Trading segments, as our other business operations are conducted within our U.S. REIT subsidiaries. However, the assessment of the ability to realize certain deferred tax assets, or estimate deferred tax liabilities, remains subjective. See Note 11 — Income Taxes for additional information about our unrecognized tax benefits.

BUSINESS COMBINATIONS

We account for business combinations using the acquisition method of accounting, under which all assets acquired and liabilities assumed, including amounts attributable to noncontrolling interests, are recorded at their respective fair values as of the acquisition date. The excess of the purchase price over fair values of identifiable assets and liabilities is recorded as goodwill. The preliminary allocation of purchase price in a business combination uses significant assumptions and estimates. Critical estimates include, but are not limited to, future expected cash flows, including revenues and expenses, and applicable discount rates. While we believe our estimates and assumptions to be reasonable, they are subject to change as we obtain additional information related to those estimates during the applicable measurement periods (up to one year from the acquisition date). Pursuant to ASC 805, our financial statements are not retrospectively adjusted for any changes to the recorded values that occur in subsequent periods. Rather, we recognize any change in recorded values during the reporting period in which the adjustments are determined. We also record, in the same period's financial statements, the effect on earnings of changes in depletion, depreciation, amortization, or other income effects, if any, as a result of any change to the recorded values, calculated as if the accounting had been completed at the acquisition date. See Note 2 — Merger with Pope Resources for additional information.

RESULTS OF OPERATIONS

Summary of our results of operations for the three years ended December 31:

Financial Information (in millions of dollars)	2020	2019	2018
Sales			
Southern Timber.....	\$191.8	\$194.1	\$170.0
Pacific Northwest Timber.....	120.8	85.4	109.8
New Zealand Timber.....	202.3	241.9	249.0
Timber Funds.....	29.6	—	—
Real Estate			
Improved Development.....	14.5	5.9	8.4
Unimproved Development.....	8.4	19.5	8.6
Rural (a).....	67.2	47.7	46.3
Timberlands & Non-Strategic - U.S. (a).....	19.3	1.3	47.4
Timberlands & Non-Strategic - N.Z.....	—	—	27.9
Conservation Easement.....	3.1	—	—
Deferred Revenue/Other (b).....	0.9	0.5	—
Large Dispositions.....	116.0	—	—
Total Real Estate.....	229.3	74.9	138.6
Trading.....	89.0	115.4	148.8
Intersegment Eliminations.....	(3.6)	(0.1)	(0.1)
Total Sales.....	\$859.2	\$711.6	\$816.1
Operating Income (Loss)			
Southern Timber.....	\$41.3	\$57.8	\$44.2
Pacific Northwest Timber.....	(10.0)	(12.4)	8.1
New Zealand Timber.....	30.0	48.0	62.8
Timber Funds.....	(13.2)	—	—
Real Estate (c).....	72.0	38.7	76.2
Trading.....	(0.5)	—	1.0
Corporate and other.....	(45.2)	(25.1)	(22.3)
Operating Income.....	74.4	107.0	170.1
Interest Expense.....	(38.8)	(31.7)	(32.1)
Interest and other miscellaneous income, net.....	1.2	5.3	4.6
Income Tax Expense.....	(7.0)	(12.9)	(25.3)
Net Income (c).....	29.8	67.7	117.3
Less: Net loss (income) attributable to noncontrolling interest in consolidated affiliates.....	7.8	(8.6)	(15.1)
Net Income Attributable to Rayonier, L.P. (c).....	\$37.6	\$59.1	\$102.2
Less: Net income attributable to noncontrolling interest in the Operating Partnership.....	(0.5)	—	—
Net Income Attributable to Rayonier Inc. (c).....	\$37.1	\$59.1	\$102.2
Adjusted EBITDA (d)			
Southern Timber.....	\$109.1	\$119.7	\$102.8
Pacific Northwest Timber.....	37.1	16.7	40.9
New Zealand Timber.....	55.0	75.8	90.8
Timber Funds.....	1.8	—	—
Real Estate.....	91.4	59.5	123.4
Trading.....	(0.5)	—	1.0
Corporate and other.....	(26.6)	(23.9)	(21.1)
Total Adjusted EBITDA (d).....	\$267.4	\$247.8	\$337.7

(a) The years ended December 31, 2019 and December 31, 2018 reflect the reclassification of certain real estate sales between the Rural and Timberland & Non-Strategic sales categories to better align with the way management internally evaluates real estate sales. See Note 3 - Revenue for additional information.

(b) Includes deferred revenue adjustments, revenue true-ups and marketing fees related to Improved Development sales in addition to residential and commercial lease revenue.

(c) The 2020 results include \$28.7 million related to Large Dispositions.

(d) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Item 7 - Performance and Liquidity Indicators.

Southern Timber Overview	2020	2019	2018
Sales Volume (in thousands of tons)			
Pine Pulpwood.....	3,804	3,640	3,444
Pine Sawtimber.....	2,243	2,191	2,034
Total Pine Volume.....	6,047	5,831	5,478
Hardwood.....	152	235	240
Total Volume.....	6,199	6,066	5,718
Percentage Delivered Sales.....	41%	33%	30%
Percentage Stumpage Sales.....	59%	67%	70%
Net Stumpage Prices (dollars per ton)			
Pine Pulpwood.....	\$15.83	\$16.42	\$16.20
Pine Sawtimber.....	25.72	24.86	25.59
Weighted Average Pine.....	\$19.50	\$19.59	\$19.69
Hardwood.....	11.52	16.93	12.27
Weighted Average Total.....	\$19.30	\$19.49	\$19.37
Summary Financial Data (in millions of dollars)			
Timber Sales.....	\$170.2	\$159.2	\$143.9
Less: Cut, Haul & Freight.....	(50.6)	(41.0)	(33.1)
Net Stumpage Sales.....	\$119.6	\$118.2	\$110.8
Non-Timber Sales.....	21.6	35.0	26.1
Total Sales.....	\$191.8	\$194.1	\$170.0
Operating Income.....	\$41.3	\$57.8	\$44.2
(+) Timber write-offs resulting from casualty events (a).....	6.0	—	—
(+) Depreciation, depletion and amortization.....	61.8	61.9	58.6
Adjusted EBITDA (b).....	\$109.1	\$119.7	\$102.8
Other Data			
Year-End Acres (in thousands).....	1,733	1,835	1,807

(a) Timber write-offs resulting from casualty events include the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events which cannot be salvaged.

(b) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Item 7 - Performance and Liquidity Indicators.

Pacific Northwest Timber Overview	2020	2019	2018
Sales Volume (in thousands of tons)			
Pulpwood.....	297	254	299
Sawtimber.....	1,306	956	1,007
Total Volume.....	1,603	1,211	1,305
Sales Volume (converted to MBF)			
Pulpwood.....	28,184	24,109	28,307
Sawtimber.....	169,715	126,717	132,795
Total Volume.....	197,899	150,826	161,102
Percentage Delivered Sales.....	90%	94%	86%
Percentage Sawtimber Sales.....	82%	79%	77%
Delivered Log Pricing (in dollars per ton)			
Pulpwood.....	\$35.51	\$41.09	\$47.82
Sawtimber.....	84.93	78.41	96.24
Weighted Average Log Price.....	\$75.44	\$70.34	\$84.29
Summary Financial Data (in millions of dollars)			
Timber Sales.....	\$116.6	\$82.7	\$106.5
Less: Cut and Haul.....	(54.6)	(45.9)	(44.9)
Net Stumpage Sales.....	\$62.0	\$36.8	\$61.5
Non-Timber Sales.....	4.2	2.7	3.4
Total Sales.....	\$120.8	\$85.4	\$109.8
Operating (Loss) Income.....	(\$10.0)	(\$12.4)	\$8.1
(+) Depreciation, depletion and amortization.....	47.1	29.2	32.8
Adjusted EBITDA (a).....	\$37.1	\$16.7	\$40.9
Other Data			
Year-End Acres (in thousands).....	507	379	378
Sawtimber (in dollars per MBF) (b).....	\$666	\$587	\$725
Estimated Percentage of Export Volume.....	10%	17%	23%

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Item 7 - Performance and Liquidity Indicators.

(b) Delivered Sawtimber excluding chip-n-saw.

New Zealand Timber Overview	2020	2019	2018
Sales Volume (in thousands of tons)			
Domestic Pulpwood (Delivered).....	470	490	507
Domestic Sawtimber (Delivered).....	665	803	864
Export Pulpwood (Delivered).....	133	148	94
Export Sawtimber (Delivered).....	1,221	1,290	1,210
Total Volume	2,488	2,731	2,675
Delivered Log Pricing (in dollars per ton)			
Domestic Pulpwood.....	\$33.79	\$37.93	\$37.00
Domestic Sawtimber.....	70.37	77.85	83.29
Export Sawtimber.....	98.47	105.65	117.03
Weighted Average Log Price.....	\$78.17	\$84.75	\$90.44
Summary Financial Data (in millions of dollars)			
Timber Sales.....	\$194.5	\$231.4	\$241.9
Less: Cut and Haul.....	(77.6)	(88.1)	(85.9)
Less: Port and Freight Costs.....	(42.9)	(51.0)	(49.5)
Net Stumpage Sales	\$74.0	\$92.3	\$106.5
Non-Timber Sales / Carbon Credits.....	7.8	10.5	7.1
Total Sales	\$202.3	\$241.9	\$249.0
Operating Income.....	\$30.0	\$48.0	\$62.8
(+) Depreciation, depletion and amortization.....	25.0	27.8	28.0
Adjusted EBITDA (a).....	\$55.0	\$75.8	\$90.8
Other Data			
New Zealand Dollar to U.S. Dollar Exchange Rate (b).....	0.6522	0.6615	0.6935
Net Plantable Year-End Acres (in thousands).....	296	295	289
Export Sawtimber (in dollars per JAS m ³).....	\$114.50	\$122.84	\$136.07
Domestic Sawtimber (in \$NZD per tonne).....	\$118.69	\$129.46	\$132.22

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Item 7 - Performance and Liquidity Indicators.

(b) Represents the period average rates for each year.

Timber Funds Overview	2020	2019	2018
Sales Volume (in thousands of tons)			
Pulpwood.....	27	—	—
Sawtimber.....	288	—	—
Total Volume.....	315	—	—
Summary Financial Data (in millions of dollars)			
Timber Sales.....	\$26.0	—	—
Less: Cut and Haul.....	(10.2)	—	—
Net Stumpage Sales.....	\$15.8	—	—
Non-Timber Sales	\$0.1	—	—
Timberland Management Fees.....	3.4	—	—
Total Sales.....	\$29.6	—	—
Operating Loss.....	(\$13.2)	—	—
Operating loss attributable to NCI in Timber Funds.....	11.6	—	—
(+) Timber write-offs resulting from casualty events attributable to Rayonier (a).....	1.8	—	—
(+) Depreciation, depletion and amortization (“Look-through”).....	1.6	—	—
Adjusted EBITDA (b).....	\$1.8	—	—
Other Data			
Year-End Acres (in thousands).....	141	—	—
“Look-through” Year-End Acres (in thousands).....	17	—	—

(a) Timber write-offs resulting from casualty events attributable to Rayonier include the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events which cannot be salvaged.

(b) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Item 7 - Performance and Liquidity Indicators.

Trading Overview	2020	2019	2018
Sales Volume (in thousands of tons)			
U.S. Pacific Northwest.....	1	1	—
NZ Trading - Domestic.....	28	67	90
NZ Trading - Export.....	931	1,039	1,221
Total Volume.....	960	1,107	1,311
Summary Financial Data (in millions of dollars)			
Trading Sales.....	\$87.6	\$114.6	\$148.1
Non-Timber Sales.....	1.4	0.8	0.7
Total Sales.....	\$89.0	\$115.4	\$148.8
Operating (Loss) Income.....	(\$0.5)	—	\$1.0
Adjusted EBITDA (a).....	(\$0.5)	—	\$1.0

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Item 7 - Performance and Liquidity Indicators.

Real Estate Overview	2020	2019	2018
Sales (in millions of dollars)			
Improved Development (a).....	\$14.5	\$5.9	\$8.4
Unimproved Development.....	8.4	19.5	8.6
Rural (b).....	67.2	47.7	46.3
Timberland & Non-Strategic - U.S. (b).....	19.3	1.3	47.4
Timberland & Non-Strategic - N.Z.....	—	—	27.9
Conservation Easement.....	3.1	—	—
Deferred Revenue/Other (d).....	0.9	0.5	—
Large Dispositions (c).....	116.0	—	—
Total Sales	\$229.3	\$74.9	\$138.6
Acres Sold			
Improved Development (a).....	330	44	44
Unimproved Development.....	570	1,196	751
Rural (b).....	22,437	15,089	11,427
Timberland & Non-Strategic - U.S. (b).....	20,701	821	16,396
Timberland & Non-Strategic - N.Z. (e).....	—	—	4,996
Large Dispositions (c).....	66,946	—	—
Total Acres Sold	110,984	17,151	33,614
Price per Acre (dollars per acre)			
Improved Development (a).....	\$43,957	\$132,412	\$189,154
Unimproved Development.....	14,780	16,290	11,486
Rural (b).....	2,993	3,158	4,050
Timberland & Non-Strategic - U.S. (b).....	930	1,629	2,889
Timberland & Non-Strategic - N.Z.	—	—	5,588
Large Dispositions (c).....	1,733	—	—
Weighted Average (Total) (f).....	\$2,483	\$4,335	\$4,121
Weighted Average (Adjusted) (g).....	\$2,170	\$4,002	\$3,878
Total Sales (Excluding Large Dispositions)	\$113.3	\$74.9	\$138.6
Operating Income	\$72.0	\$38.7	\$76.2
(+) Depreciation, depletion and amortization - U.S.....	17.7	8.2	19.1
(+) Depreciation, depletion and amortization - N.Z.....	—	—	4.5
(+) Non-cash cost of land and improved development - U.S.....	30.4	12.6	23.6
(-) Large Dispositions (c).....	(28.7)	—	—
Adjusted EBITDA (h)	\$91.4	\$59.5	\$123.4

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

(b) The years ended December 31, 2019 and December 31, 2018 reflect the reclassification of certain real estate sales between the Rural and Timberland & Non-Strategic sales categories to better align with the way management internally evaluates real estate sales. See Note 3 - Revenue for additional information.

(c) Large Dispositions are defined as transactions involving the sale of timberland that exceed \$20 million in size and do not have a demonstrable premium relative to timberland value. In 2020, we completed the disposition of approximately 67,000 acres located in Mississippi for a sales price and a gain of approximately \$116.0 million and \$28.7 million, respectively.

(d) Includes deferred revenue adjustments, revenue true-ups and marketing fees related to Improved Development sales in addition to residential and commercial lease revenue.

(e) New Zealand Timberland & Non-Strategic represents productive acres.

(f) Excludes Large Dispositions.

(g) Excludes Improved Development and Large Dispositions.

(h) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Item 7 - Performance and Liquidity Indicators.

Capital Expenditures By Segment	2020	2019	2018
Timber Capital Expenditures (in millions of dollars)			
Southern Timber			
Reforestation, silvicultural and other capital expenditures.....	\$20.7	\$18.8	\$20.0
Property taxes.....	6.8	7.1	6.6
Lease and timber deed payments.....	3.5	4.4	4.6
Allocated overhead.....	4.4	4.3	4.2
Subtotal Southern Timber.....	\$35.5	\$34.6	\$35.4
Pacific Northwest Timber			
Reforestation, silvicultural and other capital expenditures.....	6.5	7.4	6.2
Property taxes.....	0.8	0.7	0.8
Allocated overhead.....	4.1	3.1	2.4
Subtotal Pacific Northwest Timber.....	\$11.4	\$11.2	\$9.3
New Zealand Timber			
Reforestation, silvicultural and other capital expenditures.....	8.9	9.4	9.7
Property taxes.....	0.7	0.6	0.7
Lease and timber deed payments.....	4.3	4.7	4.1
Allocated overhead.....	2.7	2.6	2.8
Subtotal New Zealand Timber.....	\$16.6	\$17.4	\$17.3
Total Timber Segments Capital Expenditures	\$63.5	\$63.2	\$62.0
Timber Funds ("Look-through") (a).....	0.3	—	—
Real Estate.....	0.4	0.2	0.3
Corporate.....	—	0.6	—
Total Capital Expenditures.....	\$64.2	\$64.0	\$62.3
Timberland Acquisitions			
Southern Timber.....	\$24.2	\$98.9	\$45.9
Pacific Northwest Timber.....	—	7.3	—
New Zealand Timber.....	0.5	36.0	11.7
Total Timberland Acquisitions.....	\$24.7	\$142.3	\$57.6
Real Estate Development Investments (b).....	\$6.5	\$6.8	\$9.5

(a) The year ended December 31, 2020 excludes \$2.3 million of capital expenditures attributable to noncontrolling interests in Timber Funds.

(b) The years ended December 31, 2020 and December 31, 2019 include \$1.0 million and \$3.7 million, respectively, of reimbursements from community development bonds.

RESULTS OF OPERATIONS, 2020 VERSUS 2019

(millions of dollars)

The following tables summarize sales, operating income and Adjusted EBITDA variances for 2020 versus 2019:

Sales	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
2019	\$194.1	\$85.4	\$241.9	—	\$74.9	\$115.4	(\$0.1)	\$711.6
Volume.....	2.6	12.0	(20.5)	—	113.0	(15.3)	—	91.8
Price.....	(1.2)	13.2	(10.3)	—	(78.9)	(11.7)	—	(88.9)
Non-timber sales.....	(13.3)	1.5	(2.5)	—	—	0.6	—	(13.7)
Foreign exchange (a)...	—	—	(1.0)	—	—	—	—	(1.0)
Other.....	9.6 (b)	8.7 (b)	(5.3) (c)	29.6 (d)	120.3 (e)	—	(3.5) (f)	159.4
2020	<u>\$191.8</u>	<u>\$120.8</u>	<u>\$202.3</u>	<u>\$29.6</u>	<u>\$229.3</u>	<u>\$89.0</u>	<u>(\$3.6)</u>	<u>\$859.2</u>

(a) Net of currency hedging impact.

(b) Includes variance due to stumpage versus delivered sales.

(c) Includes variance due to domestic versus export sales.

(d) Timber Funds was a new segment in Q2 2020.

(e) Includes \$116.0 million related to Large Dispositions in addition to Conservation Easement sales, residential and commercial lease revenue, and deferred revenue adjustments.

(f) Includes \$3.4 million of Intersegment eliminations related to timberland management fees paid by the timber funds and reported as sales within the Timber Funds segment.

Operating Income	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
2019	\$57.8	(\$12.4)	\$48.0	—	\$38.7	—	(\$25.1)	\$107.0
Volume.....	1.3	—	(6.0)	—	81.1	—	—	76.4
Price (a).....	(1.2)	13.2	(10.3)	—	(78.9)	—	—	(77.2)
Cost.....	1.4	(3.7)	(0.2)	—	(4.1)	(0.2)	(2.6)	(9.4)
Non-timber income.....	(13.4)	1.5	(2.0)	—	—	(0.3)	—	(14.2)
Foreign exchange (b).....	—	—	0.3	—	—	—	—	0.3
Depreciation, depletion & amortization.....	1.4	(8.6)	0.2	—	2.9	—	(0.3)	(4.4)
Non-cash cost of land and improved development.....	—	—	—	—	1.4	—	—	1.4
Other (c).....	(6.0)	—	—	(13.2)	30.9	—	(17.2)	(5.5)
2020	<u>\$41.3</u>	<u>(\$10.0)</u>	<u>\$30.0</u>	<u>(\$13.2)</u>	<u>\$72.0</u>	<u>(\$0.5)</u>	<u>(\$45.2)</u>	<u>\$74.4</u>

(a) For Timber segments, price reflects net stumpage (i.e. net of cut and haul and shipping costs). For Real Estate, price is presented net of cash closing costs.

(b) Net of currency hedging impact.

(c) Southern Timber includes \$6.0 million in timber write-offs resulting from casualty events. Timber Funds was a new segment in Q2 2020 and includes \$9.2 million in timber write-offs resulting from casualty events (of which \$1.8 million was attributable to Rayonier). Real Estate includes \$28.7 million from Large Dispositions in addition to Conservation Easement sales, residential and commercial lease income and marketing fees related to Improved Development sales, partially offset by deferred adjustments and equity losses from joint venture entities. Corporate and Other includes \$17.2 million in costs related to the merger with Pope Resources.

Adjusted EBITDA (a)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
2019.....	\$119.7	\$16.7	\$75.8	—	\$59.5	—	(\$23.9)	\$247.8
Volume.....	2.6	9.4	(8.2)	—	112.9	—	—	116.7
Price (b).....	(1.2)	13.2	(10.3)	—	(78.9)	—	—	(77.2)
Cost.....	1.4	(3.7)	(0.2)	—	(4.1)	(0.2)	(2.6)	(9.4)
Non-timber income.....	(13.4)	1.5	(2.0)	—	—	(0.3)	—	(14.2)
Foreign exchange (c).....	—	—	(0.1)	—	—	—	—	(0.1)
Other (d).....	—	—	—	1.8	2.0	—	—	3.8
2020.....	<u>\$109.1</u>	<u>\$37.1</u>	<u>\$55.0</u>	<u>\$1.8</u>	<u>\$91.4</u>	<u>(\$0.5)</u>	<u>(\$26.6)</u>	<u>\$267.4</u>

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Item 7 - Performance and Liquidity Indicators.

(b) For Timber segments, price reflects net stumpage (i.e. net of cut and haul and shipping costs). For Real Estate, price is presented net of cash closing costs.

(c) Net of currency hedging impact.

(d) Timber Funds was a new segment in Q2. Real Estate includes Conservation Easement sales, residential and commercial lease income and marketing fees related to Improved Development sales, partially offset by deferred adjustments and equity losses from joint venture entities.

SOUTHERN TIMBER

Full-year sales of \$191.8 million decreased \$2.3 million, or 1%, versus the prior year, including a decrease in non-timber sales of \$13.3 million versus the prior year. Harvest volumes increased 2% to 6.20 million tons versus 6.07 million tons in the prior year. Average pine sawtimber stumpage prices increased 3% to \$25.72 per ton versus \$24.86 per ton in the prior year, while average pine pulpwood stumpage prices decreased 4% to \$15.83 per ton versus \$16.42 in the prior year. The decrease in average pine pulpwood prices was primarily due to an increase in available log supply resulting from drier ground conditions in the first half of 2020 versus the prior year, while the increase in average pine sawtimber prices was primarily due to strong lumber markets and continued price tension between domestic and export markets.

Operating income of \$41.3 million decreased \$16.5 million versus the prior year due to lower non-timber income (\$13.4 million), the write-off of timber basis as a result of Hurricane Laura (\$6.0 million) and lower prices (\$1.2 million), partially offset by lower costs (\$1.4 million), lower depletion rates (\$1.4 million) and higher volumes (\$1.3 million). Full-year Adjusted EBITDA of \$109.1 million was \$10.6 million below the prior year.

PACIFIC NORTHWEST TIMBER

Full-year sales of \$120.8 million increased \$35.3 million, or 41%, versus the prior year. Harvest volumes increased 32% to 1.60 million tons versus 1.21 million tons in the prior year, primarily due to improved sawtimber demand and approximately 221,000 tons of incremental volume from the acquired Pope Resources timberlands. Average delivered sawtimber prices increased 8% to \$84.93 per ton versus \$78.41 per ton in the prior year, primarily due to gradually improving domestic lumber markets throughout 2020 coupled with a higher percentage of Douglas fir sawtimber. Average delivered pulpwood prices decreased 14% to \$35.51 per ton versus \$41.09 per ton in the prior year, driven primarily by excess supply resulting from a weaker pulp export market and higher lumber mill residuals.

Operating loss of \$10.0 million improved \$2.4 million versus the prior year, primarily due to higher prices (\$13.2 million) and higher non-timber income (\$1.5 million), partially offset by higher depletion rates (\$8.6 million) and higher costs (\$3.7 million). Full-year Adjusted EBITDA of \$37.1 million was \$20.4 million above the prior year.

NEW ZEALAND TIMBER

Full-year sales of \$202.3 million decreased \$39.5 million, or 16%, versus the prior year. Harvest volumes decreased 9% to 2.49 million tons versus 2.73 million tons in the prior year primarily driven by the 33 day COVID-19 shutdown in 2020. Average delivered prices for export sawtimber decreased 7% to \$98.47 per ton versus \$105.65 per ton in the prior year, while average delivered prices for domestic sawtimber decreased 10% to \$70.37 per ton versus \$77.85 per ton in the prior year. The decrease in export sawtimber prices was primarily driven by lower demand resulting from the COVID-19 lockdown in China and increased competition from lower-cost log and lumber imports into China. The decrease in domestic sawtimber prices (in U.S. dollar terms) was driven in part by the NZ\$/US\$ exchange rate (US\$0.65 per NZ\$1.00 versus US\$0.66 per NZ\$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices decreased 8% from the prior year, generally lagging the negative trend of the export market.

Operating income of \$30.0 million decreased \$18.1 million versus the prior year due to lower prices (\$10.3 million), lower volumes (\$6.0 million), lower non-timber income (\$2.0 million), and higher forest management costs (\$0.2 million), which were partially offset by favorable foreign exchange impacts (\$0.3 million), and lower depletion rates (\$0.2 million). Full-year Adjusted EBITDA of \$55.0 million was \$20.8 million below the prior year.

TIMBER FUNDS

Following the May 8, 2020 merger with Pope Resources, the Timber Funds segment generated sales of \$29.6 million on harvest volumes of 315,000 tons and an operating loss of \$13.2 million. The operating loss reported for 2020 includes timber write-offs of \$9.2 million resulting from fires in Oregon. For the period from May 8, 2020 to December 31, 2020, Adjusted EBITDA was \$1.8 million.

REAL ESTATE

Real Estate Sales Category Reclassification

Effective April 1, 2020, we changed the composition of our Rural and Timberland & Non-Strategic Real Estate sales categories to better align with the way management internally evaluates real estate sales. The Rural category now includes all real estate sales (excluding development sales) representing a demonstrable premium above timberland value. The Timberland & Non-Strategic category now includes all real estate sales representing little to no premium to timberland value. This category consists primarily of sales of property that management views as non-strategic to our long-term portfolio as well as sales of property for capital allocation purposes that do not fit the definition of a Large Disposition. All prior period amounts have been reclassified to reflect the new composition of these two sales categories. The Improved Development, Unimproved Development and Large Disposition categories remain unchanged, and this reclassification had no impact on overall segment results.

Full-year sales of \$229.3 million increased \$154.5 million versus the prior year, while operating income of \$72.0 million increased \$33.3 million versus the prior year. Sales and operating income for 2020 includes \$116.0 million and \$28.7 million, respectively, from a Large Disposition. Sales and operating income increased primarily due to higher volumes (110,984 acres sold versus 17,151 acres sold in the prior year), partially offset by lower weighted average prices (\$2,031 per acre versus \$4,335 per acre in the prior year). Full-year Adjusted EBITDA of \$91.4 million was \$31.9 million above the prior year.

TRADING

Full-year sales of \$89.0 million decreased \$26.5 million versus the prior year due to lower volumes and prices. Sales volumes decreased 13% to 960,000 tons versus 1,107,000 tons in the prior year. Average prices decreased 12% to \$91.26 per ton versus \$103.49 per ton in the prior year. Operating income and Adjusted EBITDA decreased \$0.5 million versus the prior year.

CORPORATE AND OTHER EXPENSE/ELIMINATIONS

Full-year corporate and other operating expense of \$45.2 million increased \$20.1 million versus the prior year due to costs related to the Pope Resources merger (\$17.2 million) and higher employee benefit costs (\$3.0 million).

INTEREST EXPENSE

Full-year interest expense of \$38.8 million increased \$7.1 million versus the prior year due to higher outstanding debt following the Pope Resources merger.

INTEREST AND OTHER MISCELLANEOUS INCOME, NET

Other non-operating income of \$1.2 million decreased \$4.1 million versus the prior year primarily due to the prior year gain on Pope securities held prior to the merger and a decrease in interest income.

INCOME TAX EXPENSE

Full-year income tax expense of \$7.0 million decreased \$5.9 million versus the prior year period primarily due to lower taxable income. The New Zealand subsidiary is the primary driver of income tax expense.

RESULTS OF OPERATIONS, 2019 VERSUS 2018

Refer to Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 for the results of operations discussion for the fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018.

OUTLOOK FOR 2021

In 2021, we expect to achieve full-year harvest volumes in our Southern Timber segment of 6.2 to 6.4 million tons. We expect a modest improvement in weighted average pricing relative to full-year 2020 driven by strong sawtimber demand and a higher mix of sawtimber, partially offset by an increased proportion of planned harvest volume from relatively lower-priced markets.

In our Pacific Northwest Timber segment, we expect to achieve harvest volumes of 1.7 to 1.8 million tons, bolstered by a full-year contribution from the Pope Resources acquisition. We also anticipate higher average sawtimber prices as compared to full-year 2020 given strong domestic demand trends and favorable lumber pricing.

In our New Zealand Timber segment, we expect to achieve harvest volumes of 2.6 to 2.8 million tons, up modestly year-over-year following the operational disruptions imposed by the COVID-19 pandemic in 2020. We further expect that strong demand from China coupled with strong local markets will lead to improved export and domestic pricing.

In the Real Estate segment, we remain focused on opportunistically unlocking the long-term value of our HBU development and rural property portfolio. Following exceptionally strong Real Estate results in 2020, we currently anticipate more normalized transaction activity in 2021. We further anticipate that real estate activity will be heavily weighted to the second half of the year, with relatively limited activity in the first quarter in particular.

Our 2021 outlook is subject to a number of variables and uncertainties, including those discussed at Item 1A — Risk Factors.

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 on Rayonier Inc. common shares and distributions on Rayonier, L.P. units. 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 Large Dispositions.

AT-THE-MARKET (“ATM”) EQUITY OFFERING PROGRAM

On September 10, 2020, we entered into a distribution agreement with a group of sales agents through which we may sell common shares, from time to time, having an aggregate sales price of up to \$300 million. During the year ended December 31, 2020, the Company sold 1.1 million shares under the ATM Program at an average price of \$30.26 per share, generating aggregate gross proceeds of \$33.4 million, excluding \$0.3 million of commissions. As of December 31, 2020, \$266.6 million remains available for issuance under the program.

The following table outlines the common stock issuance pursuant to our ATM program (dollars in millions):

	Year Ended December 31,	
	2020	2019
Shares of common stock issued under the ATM program	1,103,012	—
Gross proceeds	\$33.4	—

SUMMARY OF LIQUIDITY AND FINANCING COMMITMENTS

(in millions of dollars)	As of December 31,		
	2020	2019	2018
Cash and cash equivalents (excluding Timber Funds).....	\$80.5	\$68.7	\$148.4
Total debt (excluding Timber Funds) (a).....	1,294.9	1,057.0	975.0
Noncontrolling interest in the Operating Partnership.....	130.1	—	—
Shareholders’ equity.....	1,862.6	1,537.6	1,654.6
Net Income Attributable to Rayonier Inc.....	37.1	59.1	102.2
Adjusted EBITDA (b).....	267.4	247.8	337.7
Total capitalization (total debt plus permanent and temporary equity).....	3,287.6	2,594.6	2,629.6
Debt to capital ratio.....	39%	41%	37%
Debt to Adjusted EBITDA (b).....	4.8	4.3	2.9
Net debt to Adjusted EBITDA (b)(c).....	4.5	4.0	2.4
Net debt to enterprise value (c)(d).....	23%	19%	19%

- (a) Total debt as of December 31, 2020, 2019 and 2018 reflects the principal on long-term debt, net of fair market value adjustments and gross of deferred financing costs of \$2.5 million, \$1.9 million and \$2.4 million, respectively.
- (b) For a reconciliation of Adjusted EBITDA to net income see Management’s Discussion and Analysis of Financial Condition and Results of Operations—Performance and Liquidity Indicators.
- (c) Net debt is calculated as total debt less cash and cash equivalents.
- (d) Enterprise value based on market capitalization (including Rayonier, L.P. “OP” units) plus net debt based on Rayonier’s share price of \$29.38, \$32.76, and \$27.69 as of December 31, 2020, 2019 and 2018, respectively.

SUMMARY OF GUARANTOR FINANCIAL INFORMATION

In March 2012, Rayonier Inc. issued \$325 million of 3.75% Senior Notes due 2022 (the “2022 Notes”). On May 7, 2020, Rayonier Inc. contributed its 100% ownership interest in Rayonier Operating Company LLC (the “Contribution”) to Rayonier, L.P. As a result of the Contribution, Rayonier, L.P. expressly assumed all the obligations of Rayonier Inc. with respect to the outstanding 2022 Notes and Rayonier Inc. agreed to irrevocably, fully and unconditionally guarantee jointly and severally, the obligations of Rayonier, L.P. under the Indenture, including the 2022 Notes. Rayonier, L.P. is the current issuer of the 2022 Notes.

The subsidiary guarantor, Rayonier TRS Holdings Inc., and parent guarantor, Rayonier Inc., have guaranteed the notes fully and unconditionally on a joint and several basis. As general partner of Rayonier, L.P., Rayonier Inc. consolidates Rayonier, L.P. and has no material assets or liabilities other than its interest in Rayonier, L.P. These notes are unsecured and unsubordinated and will rank equally with all other unsecured and unsubordinated indebtedness from time to time outstanding.

Rayonier, L.P. is a limited partnership, in which Rayonier Inc. is the general partner. The operating subsidiaries of Rayonier, L.P. conduct all of our operations. Rayonier, L.P.'s most significant assets are its interest in operating subsidiaries, which have been eliminated in the table below to eliminate intercompany transactions between the issuer and guarantors and to exclude investments in non-guarantors. As a result, our ability to make required payments on the notes depends on the performance of our operating subsidiaries and their ability to distribute funds to us. There are no material restrictions on dividends from the operating subsidiaries.

The summarized balance sheet information for the consolidated obligor group of debt issued by Rayonier, L.P. for the twelve months ended December 31, 2020 and year ended December 31, 2019 are provided in the table below:

(in millions)	December 31, 2020	December 31, 2019
Current assets.....	\$69.7	\$51.7
Non-current assets.....	48.3	48.8
Current liabilities.....	21.0	100.2
Non-current liabilities.....	1,942.4	1,632.7
Due to non-guarantors.....	596.7	587.0

The summarized results of operations information for the consolidated obligor group of debt issued by Rayonier, L.P. for the twelve months ended December 31, 2020 and year ended December 31, 2019 are provided in the table below:

(in millions)	December 31, 2020	December 31, 2019
Cost and expenses.....	(\$43.4)	(\$22.0)
Operating loss.....	(43.4)	(22.0)
Net loss.....	(81.3)	(54.2)
Revenue from non-guarantors.....	859.2	711.6

LIQUIDITY FACILITIES

See Note 8 — Debt for information on liquidity facilities and other outstanding debt, as well as for information on covenants that must be met in connection with our Senior Notes, Term Credit Agreement, Incremental Term Loan Agreement, 2020 Incremental Term Loan Agreement and Revolving Credit Facility, as well as our NWFCS Credit Facility and the Timber Funds' Mortgages Payable.

CASH FLOWS

The following table summarizes our cash flows from operating, investing and financing activities for each of the three years ended December 31 (in millions of dollars):

	2020	2019	2018
Total cash provided by (used for):			
Operating activities.....	\$204.2	\$214.3	\$310.1
Investing activities.....	(213.6)	(219.4)	(132.9)
Financing activities.....	27.0	(79.6)	(193.7)
Effect of exchange rate changes on cash.....	(0.1)	(1.8)	0.6
Change in cash, cash equivalents and restricted cash.....	\$17.5	(\$86.5)	(\$15.9)

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities decreased \$10.1 million versus the prior year primarily due to \$17.2 million of merger-related costs, changes in working capital and other assets and liabilities (\$6.7 million) and other items (\$5.8 million), partially offset by higher Adjusted EBITDA (\$19.6 million).

CASH USED FOR INVESTING ACTIVITIES

Cash used for investing activities decreased \$5.8 million versus the prior year primarily due to proceeds from a Large Disposition (\$115.7 million), a decrease in timberland acquisitions (\$117.6 million), lower real estate development investments (\$0.3 million) and other investing activities (\$5.8 million), partially offset by the net cash consideration transferred in our merger with Pope Resources (\$231.1 million) and higher capital expenditures (\$2.5 million).

CASH PROVIDED BY FINANCING ACTIVITIES

Cash provided by financing activities increased \$106.6 million versus the prior year primarily due to an increase in net borrowings (\$86.0 million), proceeds from the issuance of common shares under the ATM equity offering program (\$32.6 million) and decreases in share repurchases (\$7.9 million), partially offset by higher dividends paid on common stock (\$5.3 million), distributions to consolidated affiliates (\$3.5 million), distributions to noncontrolling interests in the Operating Partnership (\$3.6 million), noncontrolling interests in consolidated affiliates redemption of shares (\$5.1 million) and increases in debt issuance costs (\$2.4 million).

RESTRICTED CASH

See Note 23 — Restricted Cash for further information regarding funds in escrow and deposited with a third-party intermediary and cash held in escrow for real estate development obligations.

CREDIT RATINGS

Both our ability to obtain financing and the related costs of borrowing are affected by our credit ratings, which are periodically reviewed by the rating agencies. As of December 31, 2020, our credit ratings from S&P and Moody's were "BBB-" and "Baa3," respectively, with both agencies listing our outlook as "Stable."

STRATEGY

We continuously evaluate our capital structure. Our strategy is to maintain a weighted-average cost of capital competitive with other timberland REITs and TIMOs, while maintaining an investment grade debt rating as well as retaining the flexibility to actively pursue capital allocation opportunities as they become available. Overall, we believe we have adequate liquidity and sources of capital to run our businesses efficiently and effectively and to maximize the value of our timberland and real estate assets under management.

EXPECTED 2021 EXPENDITURES

Capital expenditures in 2021 are forecasted to be between \$70 million and \$75 million, excluding capital expenditures related to noncontrolling interests in the Timber Funds and any strategic timberland acquisitions we may make. Capital expenditures are expected to be primarily comprised 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 2021 are expected to be between \$13 million and \$17 million, net of anticipated reimbursements from community development bonds. Expected real estate development investments are primarily related to Wildlight, our mixed-use community development project located north of Jacksonville, Florida; Richmond Hill, our mixed-use development project located south of Savannah, Georgia; development properties in the town of Port Gamble, Washington; and development projects in Gig Harbor, Kingston and Bremerton, Washington.

Our 2021 dividend payments on Rayonier Inc. common shares and distributions to Rayonier, L.P. unitholders are expected to be approximately \$148.7 million and \$4.8 million, respectively, assuming no change in the quarterly dividend rate of \$0.27 per share or material changes in the number of common shares or partnership units 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 made \$2.9 million of required pension contributions in 2020. We have no pension contribution requirements in 2021 but may make discretionary contributions in the future.

Cash income tax payments in 2021 are expected to be between \$13 million and \$15 million, primarily due to the New Zealand subsidiary.

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 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 considers these measures to be important to estimate the enterprise and shareholder values and of our core segments, and for allocating capital resources. In addition, analysts, investors and creditors use these measures when analyzing our operating performance, financial condition and cash generating ability. Management uses Adjusted EBITDA as a performance measure and CAD as a liquidity measure. Adjusted EBITDA and CAD as defined may not be comparable to similarly titled measures reported by other companies. These measures should not be considered in isolation from, and are not intended to represent an alternative to, our results reported in accordance with GAAP.

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, non-operating income and expense, operating loss attributable to noncontrolling interest in Timber Funds, costs related to the merger with Pope Resources, timber write-offs resulting from casualty events, and Large Dispositions. Below is a reconciliation of Net Income to Adjusted EBITDA for the three years ended December 31 (in millions of dollars):

	2020	2019	2018
Net Income to Adjusted EBITDA Reconciliation			
Net Income.....	\$29.8	\$67.7	\$117.3
Operating loss attributable to NCI in Timber Funds.....	11.6	—	—
Interest, net attributable to NCI in Timber Funds.....	0.5	—	—
Income Tax expense attributable to NCI in Timber Funds.....	0.2	—	—
Net income (Excluding NCI in Timber Funds).....	42.1	67.7	117.3
Interest, net and miscellaneous income attributable to Rayonier.....	38.0	29.1	29.7
Income tax expense attributable to Rayonier.....	6.8	12.9	25.2
Depreciation, depletion and amortization attributable to Rayonier.....	154.7	128.2	144.1
Non-cash cost of land and improved development.....	30.4	12.6	23.6
Timber write-offs resulting from casualty events attributable to Rayonier (a).....	7.9	—	—
Non-operating income.....	(0.9)	(2.7)	(2.2)
Costs related to the merger with Pope Resources (b).....	17.2	—	—
Large Dispositions (c).....	(28.7)	—	—
Adjusted EBITDA.....	<u>\$267.4</u>	<u>\$247.8</u>	<u>\$337.7</u>

- (a) Timber write-offs resulting from casualty events include the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events which cannot be salvaged.
- (b) Costs related to the merger with Pope Resources include legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources.
- (c) Large Dispositions are defined as transactions involving the sale of timberland that exceed \$20 million in size and do not have a demonstrable premium relative to timberland value.

The following tables provide a reconciliation of Operating Income (Loss) by segment to Adjusted EBITDA by segment for the three years ended December 31 (in millions of dollars):

	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
2020								
Operating income (loss).....	\$41.3	(\$10.0)	\$30.0	(\$13.2)	\$72.0	(\$0.5)	(\$45.2)	\$74.4
Add: Operating loss attributable to NCI in Timber Funds (a).....	—	—	—	11.6	—	—	—	11.6
Add: Timber write-offs resulting from casualty events attributable to Rayonier (b).....	6.0	—	—	1.8	—	—	—	7.9
Add: Costs related to the merger with Pope Resources (c).....	—	—	—	—	—	—	17.2	17.2
Add: Depreciation, depletion and amortization	61.8	47.1	25.0	1.6	17.7	—	1.4	154.7
Add: Non-cash cost of land and improved development.....	—	—	—	—	30.4	—	—	30.4
Less: Large Dispositions (d).....	—	—	—	—	(28.7)	—	—	(28.7)
Adjusted EBITDA.....	<u>\$109.1</u>	<u>\$37.1</u>	<u>\$55.0</u>	<u>\$1.8</u>	<u>\$91.4</u>	<u>(\$0.5)</u>	<u>(\$26.6)</u>	<u>\$267.4</u>
2019								
Operating income (loss).....	\$57.8	(\$12.4)	\$48.0	—	\$38.7	—	(\$25.1)	\$107.0
Add: Depreciation, depletion and amortization	61.9	29.2	27.8	—	8.2	—	1.2	128.2
Add: Non-cash cost of land and improved development.....	—	—	—	—	12.6	—	—	12.6
Adjusted EBITDA.....	<u>\$119.7</u>	<u>\$16.7</u>	<u>\$75.8</u>	<u>—</u>	<u>\$59.5</u>	<u>—</u>	<u>(\$23.9)</u>	<u>\$247.8</u>
2018								
Operating income (loss).....	\$44.2	\$8.1	\$62.8	—	\$76.2	\$1.0	(\$22.3)	\$170.1
Add: Depreciation, depletion and amortization	58.6	32.8	28.0	—	23.6	—	1.2	144.1
Add: Non-cash cost of land and improved development.....	—	—	—	—	23.6	—	—	23.6
Adjusted EBITDA.....	<u>\$102.8</u>	<u>\$40.9</u>	<u>\$90.8</u>	<u>—</u>	<u>\$123.4</u>	<u>\$1.0</u>	<u>(\$21.1)</u>	<u>\$337.7</u>

(a) Timber Funds includes \$7.3 million related to timber write-offs resulting from casualty events.

(b) Timber write-offs resulting from casualty events includes the write-off of merchantable and pre-merchantable timber volume destroyed by casualty events which cannot be salvaged.

(c) Costs related to the merger with Pope Resources include legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources.

(d) Large Dispositions are defined as transactions involving the sale of timberland that exceed \$20 million in size and do not have a demonstrable premium relative to timberland value.

Cash Available for Distribution (CAD) is defined as cash provided by operating activities adjusted for capital spending (excluding timberland acquisitions and real estate development investments), CAD attributable to noncontrolling interest in Timber Funds and working capital and other balance sheet changes. CAD is a non-GAAP measure of cash generated during a period that is available for common stock dividends, distributions to noncontrolling interest in the Operating Partnership, distributions to the New Zealand minority shareholder, repurchase of the Company's common shares, debt reduction, timberland acquisitions and real estate development investments. In compliance with SEC requirements for non-GAAP measures, we reduce CAD by mandatory debt repayments, which results in the measure entitled "Adjusted CAD." CAD and Adjusted CAD generated in any period is not necessarily indicative of the CAD that may be generated in future periods.

Below is a reconciliation of Cash Provided by Operating Activities to Adjusted CAD for the three years ended December 31 (in millions):

	2020	2019	2018
Cash provided by operating activities	\$204.2	\$214.3	\$310.1
Capital expenditures from continuing operations (a)	(66.5)	(64.0)	(62.3)
Costs related to the merger with Pope Resources (b)	17.2	—	—
CAD attributable to NCI in Timber Funds	(2.8)	—	—
Working capital and other balance sheet changes	10.3	(0.9)	(7.7)
CAD	<u>\$162.4</u>	<u>\$149.4</u>	<u>\$240.1</u>
Mandatory debt repayments (c)	—	(82.0)	—
Adjusted CAD	<u>\$162.4</u>	<u>\$67.4</u>	<u>\$240.1</u>
Cash used for investing activities	<u>(\$213.6)</u>	<u>(\$219.4)</u>	<u>(\$132.9)</u>
Cash provided by (used for) financing activities	<u>\$27.0</u>	<u>(\$79.6)</u>	<u>(\$193.7)</u>

(a) Capital expenditures exclude timberland acquisitions and real estate development investments.

(b) Costs related to the merger with Pope Resources include legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources.

(c) Excludes debt repayments on the New Zealand subsidiary noncontrolling interest shareholder loan.

The following table provides supplemental cash flow data for the three years ended December 31 (in millions):

	2020	2019	2018
Purchase of timberlands	(\$24.7)	(\$142.3)	(\$57.6)
Real Estate Development Investments	(6.5)	(6.8)	(9.5)
Distributions to noncontrolling interests in consolidated affiliates (a)	(12.6)	(9.2)	(14.4)

(a) Includes debt repayments on the New Zealand subsidiary noncontrolling interest shareholder loan.

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 outstanding claims under our previous workers' compensation self-insurance programs. 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 14 — Guarantees for further discussion.

CONTRACTUAL FINANCIAL OBLIGATIONS

In addition to using cash flow from operations, proceeds from our ATM program and proceeds from Large Dispositions, we finance our operations and acquisitions 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 Sheets, 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 December 31, 2020 and anticipated cash spending by period:

Contractual Financial Obligations (in millions)	Total	Payments Due by Period			
		2021	2022-2023	2024-2025	Thereafter
Long-term debt, excluding Timber Funds (a).....	\$1,294.9	—	\$325.0	\$284.9	\$685.0
Long-term debt, Timber Funds (b).....	57.4	—	43.0	14.4	—
Interest payments on long-term debt, excluding Timber Funds (c).....	144.3	32.6	46.9	36.5	28.3
Interest payments on long-term debt, Timber Funds....	5.9	2.0	3.4	0.5	—
Operating leases — timberland (d).....	185.8	8.3	15.3	14.1	148.1
Operating leases — PP&E, offices (d).....	7.4	1.6	2.2	1.9	1.7
Commitments — derivatives (e).....	103.3	13.8	34.8	25.5	29.2
Commitments - environmental remediation (f).....	11.6	1.0	3.7	4.2	2.7
Commitments — other (g).....	16.7	11.3	1.0	0.5	3.9
Total contractual cash obligations.....	\$1,827.3	\$70.6	\$475.3	\$382.5	\$898.9

- (a) The book value of long-term debt, excluding Timber Funds, net of deferred financing costs and fair market value adjustments, is currently recorded at \$1,300.3 million on our Consolidated Balance Sheet, but upon maturity the liability will be \$1,294.9 million. See Note 8 - Debt for additional information.
- (b) The book value of long-term debt for the Timber Funds, net of fair market value adjustments, is currently recorded at \$60.2 million on our Consolidated Balance Sheet, but upon maturity the liability will be \$57.4 million. See Note 8 - Debt for additional information.
- (c) Projected interest payments for variable-rate debt were calculated based on outstanding principal amounts and interest rates as of December 31, 2020.
- (d) Excludes anticipated renewal options.
- (e) Commitments — derivatives represent payments expected to be made on derivative financial instruments (interest rate swaps and forward-starting interest rate swaps). See Note 16 — Derivative Financial Instruments and Hedging Activities for additional information.
- (f) Commitments — environmental remediation represents our estimate of potential liability associated with environmental contamination and Natural Resource Damages in Port Gamble, Washington. See Note 13 - Environmental and Natural Resource Damage Liabilities for additional information.
- (g) Commitments — other includes payments expected to be made on our Wildlight, Richmond Hill and West Puget Sound development projects, payments made on timberland deeds and other purchase obligations.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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.

Interest Rate Risk

We are exposed to interest rate risk through our variable rate debt, primarily due to changes in LIBOR. However, we use interest rate swaps to manage our exposure to interest rate movements on our term credit agreements by swapping existing and anticipated future borrowings from floating rates to fixed rates. As of December 31, 2020, we had \$900 million of U.S. long-term variable rate debt outstanding on our term credit agreements.

The notional amount of outstanding interest rate swap contracts with respect to our term credit agreements at December 31, 2020 was also \$900 million. The maturity date of the Term Credit Agreement was extended from August 2024 to April 2028, with the associated interest rate swaps maturing in August 2024. We have entered into forward starting interest rate swaps to cover \$150 million of the Term Credit Agreement through the extended maturity date. The Incremental Term Loan Agreement and associated interest rate swaps mature in May 2026, and the 2020 Incremental Term Loan Agreement matures in April 2025 with the associated interest rate swaps maturing in June 2030. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in no corresponding increase/decrease in interest payments and expense over a 12-month period.

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk. The estimated fair value of our long-term fixed rate debt excluding the Timber Funds at December 31, 2020 was \$414 million compared to the \$395 million principal amount. The estimated fair value of our Timber Funds' long-term fixed rate debt at December 31, 2020 was \$60.5 million compared to the \$57.4 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 December 31, 2020 would result in a corresponding decrease/increase in the fair value of our long-term fixed rate debt of approximately \$11 million.

We estimate the periodic effective interest rate on our U.S. long-term fixed and variable rate debt, excluding Timber Funds, to be approximately 3.1% after consideration of interest rate swaps and estimated patronage refunds and excluding unused commitment fees on the revolving credit facility. We estimate the periodic effective interest rate on our Timber Funds' long-term fixed rate debt to be approximately 2.9% after consideration of estimated patronage refunds.

The following table summarizes our outstanding debt, interest rate swaps and average interest rates, by year of expected maturity and their fair values at December 31, 2020:

(Dollars in thousands)	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value
Variable rate debt:								
Principal amounts	—	—	—	—	\$250,000	\$650,000	\$900,000	\$900,000
Average interest rate (a)(b)	—	—	—	—	2.00%	1.89%	1.92%	
Fixed rate debt, excluding Timber Funds:								
Principal amounts	—	\$325,000	—	—	\$34,903	\$35,000	\$394,903	\$413,631
Average interest rate (b)	—	3.75%	—	—	3.84%	4.98%	3.87%	
Fixed rate debt, Timber Funds:								
Principal amounts	—	\$25,000	\$17,980	\$14,400	—	—	\$57,380	\$60,474
Average interest rate (b)	—	1.95%	5.10%	4.45%	—	—	3.56%	
Interest rate swaps:								
Notional amount	—	—	—	\$350,000	—	\$550,000	\$900,000	(\$51,580)
Average pay rate (b)	—	—	—	2.28%	—	1.31%	1.69%	
Average receive rate (b)	—	—	—	0.15%	—	0.15%	0.15%	
Forward-starting interest rate swaps								
Notional amount	—	—	—	—	—	\$475,000	\$475,000	(\$12,529)
Average pay rate (b)	—	—	—	—	—	1.22%	1.22%	
Average receive rate (b)	—	—	—	—	—	0.15%	0.15%	

(a) Excludes estimated patronage refunds.

(b) Interest rates as of December 31, 2020.

Foreign Currency Exchange Rate Risk

The functional currency of our New Zealand-based operations and New Zealand subsidiary is the New Zealand dollar. Through these operations and our ownership in the New Zealand subsidiary, we are exposed to foreign currency risk on cash held in foreign currencies, shareholder distributions which are paid in U.S. dollars and on foreign export sales and ocean freight payments that are predominantly denominated in U.S. dollars. To mitigate these risks, the New Zealand subsidiary routinely enters into foreign currency exchange contracts and foreign currency option contracts to hedge a portion of the New Zealand subsidiary's foreign exchange exposure.

Sales and Expense Exposure

At December 31, 2020, the New Zealand subsidiary had foreign currency exchange contracts with a notional amount of \$49 million and foreign currency option contracts with a notional amount of \$28 million outstanding related to foreign export sales and ocean freight payments. The amount hedged represents a portion of forecasted U.S. dollar denominated export timber and log trading sales proceeds over the next 24 months and next 3 months, respectively.

The following table summarizes our outstanding foreign currency exchange rate risk contracts at December 31, 2020:

(Dollars in thousands)	0-1 months	1-2 months	2-3 months	3-6 months	6-12 months	12-18 months	18-24 months	Total	Fair Value
<i>Foreign exchange contracts to sell U.S. dollar for New Zealand dollar</i>									
Notional amount.....	\$14,500	\$4,000	\$2,000	\$8,000	\$15,500	\$5,000	—	\$49,000	\$6,018
Average contract rate.....	1.3841	1.3839	1.3839	1.3837	1.3838	1.3841	—	1.3839	
<i>Foreign currency option contracts to sell U.S. dollar for New Zealand dollar</i>									
Notional amount.....	\$2,000	\$4,000	\$6,000	\$8,000	\$8,000	—	—	\$28,000	\$1,515
Average strike price.....	1.5848	1.5846	1.5729	1.5633	1.6063	—	—	1.5822	

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Rayonier Inc.

To Our Shareholders:

The management of Rayonier Inc. and its subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our system of internal controls over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of the inherent limitations of internal control over financial reporting, misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Rayonier Inc.'s management, under the supervision of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, we used the framework included in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an audit report on the Company's internal control over financial reporting as of December 31, 2020. The report on the Company's internal control over financial reporting as of December 31, 2020, is on page 63.

RAYONIER INC.

By: /s/ DAVID L. NUNES

David L. Nunes
President and Chief Executive Officer
(Principal Executive Officer)

February 22, 2021

By: /s/ MARK MCHUGH

Mark McHugh
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

February 22, 2021

By: /s/ APRIL TICE

April Tice
Vice President, Financial Services and Corporate Controller
(Principal Accounting Officer)

February 22, 2021

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Rayonier, L.P.

To Our Unitholders:

The management of Rayonier, L.P. and its subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our system of internal controls over financial reporting is designed to provide reasonable assurance to the Operating Partnership's management and the Rayonier Inc. Board of Directors regarding the preparation and fair presentation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of the inherent limitations of internal control over financial reporting, misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Rayonier, L.P.'s management, under the supervision of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, we used the framework included in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

RAYONIER, L.P.

By: RAYONIER, INC., its sole general partner

By: /s/ DAVID L. NUNES

David L. Nunes
President and Chief Executive Officer
(Principal Executive Officer)
February 22, 2021

By: /s/ MARK MCHUGH

Mark McHugh
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
February 22, 2021

By: /s/ APRIL TICE

April Tice
Vice President, Financial Services and Corporate Controller
(Principal Accounting Officer)
February 22, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Rayonier Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Rayonier Inc. and subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Rayonier Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and schedule and our report dated February 22, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Jacksonville, Florida
February 22, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Rayonier Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rayonier Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 22, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Depletion of Timber

Description of the Matter

For the year ended December 31, 2020, the Company recognized \$195 million in depletion expense and the Timber and Timberlands balance, net of depletion and amortization, was \$3,262 million at December 31, 2020. As described in Note 1 to the financial statements, the Company establishes an annual depletion rate for each particular region. Depletion rates are determined by region by dividing merchantable inventory cost by standing merchantable inventory volume, which is estimated annually. The Company charges accumulated costs attributed to merchantable timber to depletion expense (cost of sales) at the time the timber is harvested or when the underlying timberland is sold.

Auditing management's annual depletion rate was complex and subjective due to the estimation uncertainty in determining the standing merchantable inventory volume utilized in the calculation of the depletion rate for each region. In particular, estimating the standing merchantable inventory volume involves statistical sampling and growth modeling using inputs such as growth estimates, harvest information and environmental and operational restrictions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for establishing the annual depletion rate for each geographic region. For example, we tested controls over management's review of the standing merchantable inventory volume that was determined for each geographic region.

To test the annual depletion rates (including standing merchantable inventory volume), our audit procedures included, among others, evaluating the methodology used and testing the completeness and accuracy of the underlying data used by the Company. We inspected satellite images to test timber existence and assessed the timberland for features that would impact the Company's ability to harvest its timber. In addition, we evaluated current year changes to harvestability, analyzed the change in depletion as a percentage of sales, utilized published industry growth rates to assess the increase in timber volume growth and compared actual volume harvested to the volume estimated by the Company.

Business Combination: Valuation of Core Timber and Timberlands

Description of the Matter

On May 8, 2020, the Company completed its acquisition of Pope Resources for net consideration of \$538 million, as disclosed in Note 2 to the consolidated financial statements. The transaction was accounted for as a business combination.

Auditing the Company's accounting for its acquisition of Pope Resources was complex due to the significant estimation required by management to determine the fair value of the Core Timber and Timberlands. The significant estimation was primarily due to the sensitivity of the respective fair values to the significant underlying assumptions, including the discount rate and harvest volumes that are used to estimate forecasted revenue. These significant assumptions are forward looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the valuation of the acquired Core Timber and Timberlands. For example, we tested controls over management's review of the valuation models and the significant assumptions used in the valuation models.

To test the fair value of the Core Timber and Timberlands we performed audit procedures that included, among others, evaluating the Company's selection of the valuation methodologies, evaluating the methods and significant assumptions used by the Company, and evaluating the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. We involved our valuation specialists to assist with our evaluation of the methodologies used by the Company and significant assumptions included in valuation. We compared the significant assumptions to market and economic trends, to the historical results of the acquired business and compared the overall fair value of the Core Timber and Timberlands to other third-party property appraisals that were performed close to the date of the acquisition.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

Jacksonville, Florida
February 22, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Rayonier Inc., the general partner of Rayonier, L.P.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rayonier, L.P. and subsidiaries (the Operating Partnership) as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, capital and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Operating Partnership at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on the Operating Partnership's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Operating Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Operating Partnership's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Depletion of Timber

Description of the Matter

For the year ended December 31, 2020, the Operating Partnership recognized \$195 million in depletion expense and the Timber and Timberlands balance, net of depletion and amortization, was \$3,262 million at December 31, 2020. As described in Note 1 to the financial statements, the Operating Partnership establishes an annual depletion rate for each particular region. Depletion rates are determined by region by dividing merchantable inventory cost by standing merchantable inventory volume, which is estimated annually. The Operating Partnership charges accumulated costs attributed to merchantable timber to depletion expense (cost of sales) at the time the timber is harvested or when the underlying timberland is sold.

Auditing management's annual depletion rate was complex and subjective due to the estimation uncertainty in determining the standing merchantable inventory volume utilized in the calculation of the depletion rate for each region. In particular, estimating the standing merchantable inventory volume involves statistical sampling and growth modeling using inputs such as growth estimates, harvest information and environmental and operational restrictions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Operating Partnership's process for establishing the annual depletion rate for each geographic region. For example, we tested controls over management's review of the standing merchantable inventory volume that was determined for each geographic region.

To test the annual depletion rates (including standing merchantable inventory volume), our audit procedures included, among others, evaluating the methodology used and testing the completeness and accuracy of the underlying data used by the Operating Partnership. We inspected satellite images to test timber existence and assessed the timberland for features that would impact the Operating Partnership's ability to harvest its timber. In addition, we evaluated current year changes to harvestability, analyzed the change in depletion as a percentage of sales, utilized published industry growth rates to assess the increase in timber volume growth and compared actual volume harvested to the volume estimated by the Operating Partnership.

Business Combination: Valuation of Core Timber and Timberlands

Description of the Matter

On May 8, 2020, the Operating Partnership completed its acquisition of Pope Resources for net consideration of \$538 million, as disclosed in Note 2 to the consolidated financial statements. The transaction was accounted for as a business combination.

Auditing the Operating Partnership's accounting for its acquisition of Pope Resources was complex due to the significant estimation required by management to determine the fair value of the Core Timber and Timberlands. The significant estimation was primarily due to the sensitivity of the respective fair values to the significant underlying assumptions, including the discount rate and harvest volumes that are used to estimate forecasted revenue. These significant assumptions are forward looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Operating Partnership's controls over the valuation of the acquired Core Timber and Timberlands. For example, we tested controls over management's review of the valuation models and the significant assumptions used in the valuation models.

To test the fair value of the Core Timber and Timberlands we performed audit procedures that included, among others, evaluating the Operating Partnership's selection of the valuation methodologies, evaluating the methods and significant assumptions used by the Operating Partnership, and evaluating the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. We involved our valuation specialists to assist with our evaluation of the methodologies used by the Operating Partnership and significant assumptions included in valuation. We compared the significant assumptions to market and economic trends, to the historical results of the acquired business and compared the overall fair value of the Core Timber and Timberlands to other third-party property appraisals that were performed close to the date of the acquisition.

/s/ Ernst & Young LLP

We have served as the Operating Partnership's auditor since 2019.

Jacksonville, Florida
February 22, 2021

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31,
(Thousands of dollars, except per share data)

	2020	2019	2018
SALES (NOTE 3)	\$859,154	\$711,556	\$816,138
Costs and Expenses			
Cost of sales.....	(712,436)	(558,350)	(605,259)
Selling and general expenses.....	(50,645)	(41,646)	(41,951)
Other operating (expense) income, net (Note 20)	(21,685)	(4,533)	1,140
	<u>(784,766)</u>	<u>(604,529)</u>	<u>(646,070)</u>
OPERATING INCOME	74,388	107,027	170,068
Interest expense.....	(38,768)	(31,716)	(32,066)
Interest and other miscellaneous income, net.....	1,173	5,307	4,564
INCOME BEFORE INCOME TAXES	36,793	80,618	142,566
Income tax expense (Note 11).....	(7,009)	(12,940)	(25,236)
NET INCOME	29,784	67,678	117,330
Less: Net income attributable to noncontrolling interest in the Operating Partnership.....	(528)	—	—
Less: Net loss (income) attributable to noncontrolling interest in consolidated affiliates.....	7,828	(8,573)	(15,114)
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	37,084	59,105	102,216
OTHER COMPREHENSIVE (LOSS) INCOME			
Foreign currency translation adjustment, net of income tax effect of \$0, \$0 and \$0.....	28,272	963	(22,759)
Cash flow hedges, net of income tax effect of \$1,845, \$664 and \$1,270....	(61,055)	(30,482)	5,029
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax effect of \$0, \$0 and \$711.....	(925)	(1,350)	(1,630)
Total other comprehensive loss.....	<u>(33,708)</u>	<u>(30,869)</u>	<u>(19,360)</u>
COMPREHENSIVE (LOSS) INCOME	(3,924)	36,809	97,970
Less: Comprehensive income attributable to noncontrolling interests in the Operating Partnership.....	(3,068)	—	—
Less: Comprehensive loss (income) attributable to noncontrolling interest in consolidated affiliates.....	1,393	(9,146)	(8,931)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO RAYONIER INC....	<u>(\$5,599)</u>	<u>\$27,663</u>	<u>\$89,039</u>
EARNINGS PER COMMON SHARE (NOTE 15)			
Basic earnings per share attributable to Rayonier Inc.	\$0.28	\$0.46	\$0.79
Diluted earnings per share attributable to Rayonier Inc.	\$0.27	\$0.46	\$0.79

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31,
(Thousands of dollars, except share data)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, excluding Timber Funds.....	\$80,454	\$68,735
Cash and cash equivalents, Timber Funds.....	4,053	—
Total cash and cash equivalents.....	84,507	68,735
Accounts receivable, less allowance for doubtful accounts of \$25 and \$24.....	49,082	27,127
Inventory (Note 22).....	10,594	14,518
Prepaid logging roads.....	12,073	12,128
Prepaid expenses.....	4,095	2,600
Assets held for sale (Note 25).....	3,449	—
Other current assets.....	6,765	867
Total current assets.....	170,565	125,975
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION.....	3,262,126	2,482,047
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 9)	108,518	81,791
PROPERTY, PLANT AND EQUIPMENT		
Land.....	6,548	4,131
Buildings.....	31,024	23,095
Machinery and equipment.....	4,615	4,339
Construction in progress.....	452	348
Total property, plant and equipment, gross.....	42,639	31,913
Less—accumulated depreciation.....	(12,238)	(9,662)
Total property, plant and equipment, net.....	30,401	22,251
RESTRICTED CASH (NOTE 23).....	2,975	1,233
RIGHT-OF-USE ASSETS (NOTE 5).....	108,992	99,942
OTHER ASSETS (NOTE 24).....	45,156	47,757
TOTAL ASSETS.....	\$3,728,733	\$2,860,996
LIABILITIES, NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable.....	\$24,790	\$18,160
Current maturities of long-term debt, excluding Timber Funds (Note 8).....	—	82,000
Accrued taxes.....	7,347	3,032
Accrued payroll and benefits.....	12,327	8,869
Accrued interest.....	6,325	5,205
Deferred revenue.....	11,112	11,440
Other current liabilities.....	29,234	22,480
Total current liabilities.....	91,135	151,186
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS, EXCLUDING TIMBER FUNDS (NOTE 8).....	1,300,336	973,129
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS, TIMBER FUNDS (NOTE 8).....	60,179	—
PENSION AND OTHER POSTRETIREMENT BENEFITS (NOTE 18).....	23,344	25,311
LONG-TERM LEASE LIABILITY (NOTE 5).....	100,251	90,481
OTHER NON-CURRENT LIABILITIES.....	160,722	83,247
COMMITMENTS AND CONTINGENCIES (NOTES 10 and 12)		
NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP (NOTE 6)	130,121	—
SHAREHOLDERS' EQUITY		
Common Shares, 480,000,000 shares authorized, 137,678,822 and 129,331,069 shares issued and outstanding.....	1,101,675	888,177
Retained earnings.....	446,267	583,006
Accumulated other comprehensive loss (Note 26).....	(73,885)	(31,202)
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY.....	1,474,057	1,439,981
Noncontrolling interests in consolidated affiliates (Note 6).....	388,588	97,661
TOTAL SHAREHOLDERS' EQUITY.....	1,862,645	1,537,642
TOTAL LIABILITIES, NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP AND SHAREHOLDERS' EQUITY.....	\$3,728,733	\$2,860,996

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Thousands of dollars, except share data)

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Consolidated Affiliates	Shareholders' Equity
	Shares	Amount				
Balance, December 31, 2017	128,970,776	\$872,228	\$707,378	\$13,417	\$99,917	\$1,692,940
Cumulative-effect adjustment due to adoption of ASU No. 2018-02.....	—	—	711	(711)	—	—
Net income.....	—	—	102,216	—	15,114	117,330
Dividends (\$1.06 per share).....	—	—	(137,934)	—	—	(137,934)
Issuance of shares under incentive stock plans.....	599,422	8,591	—	—	—	8,591
Stock-based compensation.....	—	6,428	—	—	—	6,428
Repurchase of common shares.....	(81,523)	(2,984)	—	—	—	(2,984)
Actuarial change and amortization of pension and postretirement plan liabilities.....	—	—	—	(919)	—	(919)
Foreign currency translation adjustment.....	—	—	—	(17,329)	(5,430)	(22,759)
Cash flow hedges.....	—	—	—	5,781	(752)	5,029
Distributions to noncontrolling interests in consolidated affiliates.....	—	—	—	—	(11,172)	(11,172)
Balance, December 31, 2018	129,488,675	\$884,263	\$672,371	\$239	\$97,677	\$1,654,550
Net income.....	—	—	59,105	—	8,573	67,678
Dividends (\$1.08 per share).....	—	—	(140,040)	—	—	(140,040)
Issuance of shares under incentive stock plans.....	298,003	1,260	—	—	—	1,260
Stock-based compensation.....	—	6,904	—	—	—	6,904
Repurchase of common shares.....	(455,609)	(4,250)	(8,430)	—	—	(12,680)
Actuarial change and amortization of pension and postretirement plan liabilities.....	—	—	—	(1,350)	—	(1,350)
Foreign currency translation adjustment.....	—	—	—	784	179	963
Cash flow hedges.....	—	—	—	(30,875)	393	(30,482)
Distributions to noncontrolling interests in consolidated affiliates.....	—	—	—	—	(9,161)	(9,161)
Balance, December 31, 2019	129,331,069	\$888,177	\$583,006	(\$31,202)	\$97,661	\$1,537,642
Issuances of shares associated with the merger with Pope Resources.....	7,181,071	172,418	—	—	—	172,418
Net income (loss).....	—	—	37,612	—	(7,828)	29,784
Net income attributable to noncontrolling interest in the Operating Partnership.....	—	—	(528)	—	—	(528)
Dividends (\$1.08 per share) (a).....	—	—	(146,278)	—	—	(146,278)
Issuance of shares under the "at-the-market" equity offering, net of commissions and offering costs of \$799.....	1,103,012	32,574	—	—	—	32,574
Issuance of shares under incentive stock plans.....	266,036	1,589	—	—	—	1,589
Stock-based compensation.....	—	8,026	—	—	—	8,026
Repurchase of common shares.....	(219,619)	(1,605)	(3,152)	—	—	(4,757)
Acquisition of noncontrolling interests in consolidated affiliates.....	—	—	—	—	333,366	333,366
Adjustment of noncontrolling interest in the Operating Partnership.....	—	—	(24,393)	—	—	(24,393)
Conversion of units into common shares.....	17,253	496	—	—	—	496
Actuarial change and amortization of pension and postretirement plan liabilities.....	—	—	—	(925)	—	(925)
Foreign currency translation adjustment.....	—	—	—	22,928	5,344	28,272
Cash flow hedges.....	—	—	—	(62,146)	1,091	(61,055)
Allocation of other comprehensive income to noncontrolling interests in the Operating Partnership.....	—	—	—	(2,540)	—	(2,540)
Distributions to noncontrolling interests in consolidated affiliates.....	—	—	—	—	(12,643)	(12,643)
Noncontrolling interests in consolidated affiliates redemption of shares.....	—	—	—	—	(28,403)	(28,403)
Balance, December 31, 2020	137,678,822	\$1,101,675	\$446,267	(\$73,885)	\$388,588	\$1,862,645

(a) For information regarding distributions to noncontrolling interests in the Operating Partnership, see the Rayonier Inc. Consolidated Statements of Cash Flows and Note 6 — Noncontrolling Interests.

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31,
(Thousands of dollars)

	2020	2019	2018
OPERATING ACTIVITIES			
Net income.....	\$29,784	\$67,678	\$117,330
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation, depletion and amortization.....	164,996	128,235	144,121
Non-cash cost of land and improved development.....	30,368	12,565	23,553
Stock-based incentive compensation expense.....	8,026	6,904	6,428
Deferred income taxes.....	7,541	11,314	22,832
Amortization of losses from pension and postretirement plans.....	869	449	675
Timber write-offs due to casualty events.....	15,203	—	—
Gain on sale of large disposition of timberlands.....	(28,655)	—	—
Other.....	(11,100)	(4,999)	(2,613)
Changes in operating assets and liabilities, net of effects of merger with Pope Resources:			
Receivables.....	(15,378)	(849)	765
Inventories.....	(1,448)	1,224	1,773
Accounts payable.....	5,668	(1,554)	(4,626)
All other operating activities.....	(1,700)	(6,714)	(142)
CASH PROVIDED BY OPERATING ACTIVITIES.....	204,174	214,253	310,096
INVESTING ACTIVITIES			
Capital expenditures.....	(66,500)	(63,996)	(62,325)
Real estate development investments.....	(6,462)	(6,803)	(9,501)
Purchase of timberlands.....	(24,695)	(142,287)	(57,608)
Net proceeds from large disposition of timberlands.....	115,666	—	—
Cash consideration for merger with Pope Resources, net of cash acquired.....	(231,068)	—	—
Other.....	(584)	(6,304)	(3,421)
CASH USED FOR INVESTING ACTIVITIES.....	(213,643)	(219,390)	(132,855)
FINANCING ACTIVITIES			
Issuance of debt.....	320,000	82,000	1,014
Repayment of debt.....	(152,000)	—	(54,416)
Dividends paid on common stock.....	(146,348)	(141,071)	(136,772)
Distributions to noncontrolling interests in the Operating Partnership.....	(3,596)	—	—
Proceeds from the issuance of common shares under incentive stock plan.....	1,368	1,260	8,591
Proceeds from the issuance of common shares under the “at-the-market” (ATM) equity offering program, net of commissions and offering costs.....	32,574	—	—
Repurchase of common shares to pay withholding taxes on vested incentive stock awards.....	(1,605)	(4,250)	(2,984)
Repurchase of common shares under repurchase program.....	(3,152)	(8,430)	—
Debt issuance costs.....	(2,483)	(132)	—
Proceeds from shareholder distribution hedge.....	—	135	2,025
Noncontrolling interests in consolidated affiliates redemption of shares.....	(5,113)	—	—
Distributions to noncontrolling interests in consolidated affiliates.....	(12,643)	(9,161)	(11,172)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES.....	27,002	(79,649)	(193,714)
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	(19)	(1,700)	571
CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Change in cash, cash equivalents and restricted cash.....	17,514	(86,486)	(15,902)
Balance, beginning of year.....	69,968	156,454	172,356
Balance, end of year.....	<u>\$87,482</u>	<u>\$69,968</u>	<u>\$156,454</u>

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31,
(Thousands of dollars)

	2020	2019	2018
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year:			
Interest (a).....	\$40,895	\$32,782	\$33,120
Income taxes.....	816	1,691	2,150
Non-cash investing activity:			
Capital assets purchased on account.....	\$3,205	\$3,568	\$2,001
Non-cash financing activity:			
Equity consideration for merger with Pope Resources.....	\$172,640	—	—
Redeemable Operating Partnership Unit consideration for merger with Pope Resources....	106,752	—	—
Noncontrolling interests in consolidated affiliates redemption of shares (b).....	23,290	—	—

(a) Interest paid is presented net of patronage payments received of \$4.7 million, \$4.0 million and \$4.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. For additional information on patronage payments, see Note 8 - Debt.

(b) Represents a capital distribution made by the New Zealand subsidiary in order to redeem certain equity interests, resulting in the recording of a noncontrolling interest share redemption of \$5.1 million and a loan payable by the New Zealand subsidiary in the amount of \$23.3 million. See Note 6 - Noncontrolling Interests and Note 8 - Debt for further information.

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31,
(Dollars in thousands, except per unit amounts)

	2020	2019	2018
SALES (NOTE 3)	\$859,154	\$711,556	\$816,138
Costs and Expenses			
Cost of sales.....	(712,436)	(558,350)	(605,259)
Selling and general expenses.....	(50,645)	(41,646)	(41,951)
Other operating (expense) income, net (Note 20)	(21,685)	(4,533)	1,140
	<u>(784,766)</u>	<u>(604,529)</u>	<u>(646,070)</u>
OPERATING INCOME	74,388	107,027	170,068
Interest expense.....	(38,768)	(31,716)	(32,066)
Interest and other miscellaneous income, net.....	1,173	5,307	4,564
INCOME BEFORE INCOME TAXES	36,793	80,618	142,566
Income tax expense (Note 11).....	(7,009)	(12,940)	(25,236)
NET INCOME	29,784	67,678	117,330
Less: Net loss (income) attributable to noncontrolling interest in consolidated affiliates.....	7,828	(8,573)	(15,114)
NET INCOME ATTRIBUTABLE TO RAYONIER, L.P. UNITHOLDERS	37,612	59,105	102,216
OTHER COMPREHENSIVE (LOSS) INCOME			
Foreign currency translation adjustment, net of income tax effect of \$0, \$0 and \$0.....	28,272	963	(22,759)
Cash flow hedges, net of income tax effect of \$1,845, \$664 and \$1,270....	(61,055)	(30,482)	5,029
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax effect of \$0, \$0 and \$711.....	(925)	(1,350)	(1,630)
Total other comprehensive loss.....	<u>(33,708)</u>	<u>(30,869)</u>	<u>(19,360)</u>
COMPREHENSIVE (LOSS) INCOME	(3,924)	36,809	97,970
Less: Comprehensive loss (income) attributable to noncontrolling interest in consolidated affiliates.....	1,393	(9,146)	(8,931)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO RAYONIER, L.P. UNITHOLDERS	<u>(\$2,531)</u>	<u>\$27,663</u>	<u>\$89,039</u>
EARNINGS PER UNIT (NOTE 15)			
Basic earnings per unit attributable to Rayonier, L.P.	\$0.28	\$0.46	\$0.79
Diluted earnings per unit attributable to Rayonier, L.P.	\$0.27	\$0.46	\$0.79

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31,
(Dollars in thousands)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, excluding Timber Funds.....	\$80,454	\$68,735
Cash and cash equivalents, Timber Funds.....	4,053	—
Total cash and cash equivalents.....	84,507	68,735
Accounts receivable, less allowance for doubtful accounts of \$25 and \$24	49,082	27,127
Inventory (Note 22).....	10,594	14,518
Prepaid logging roads.....	12,073	12,128
Prepaid expenses.....	4,095	2,600
Assets held for sale (Note 25).....	3,449	—
Other current assets.....	6,765	867
Total current assets.....	170,565	125,975
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION.....	3,262,126	2,482,047
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 9).....	108,518	81,791
PROPERTY, PLANT AND EQUIPMENT		
Land.....	6,548	4,131
Buildings.....	31,024	23,095
Machinery and equipment.....	4,615	4,339
Construction in progress.....	452	348
Total property, plant and equipment, gross.....	42,639	31,913
Less — accumulated depreciation.....	(12,238)	(9,662)
Total property, plant and equipment, net.....	30,401	22,251
RESTRICTED CASH (NOTE 23).....	2,975	1,233
RIGHT-OF-USE ASSETS (NOTE 5).....	108,992	99,942
OTHER ASSETS (NOTE 24).....	45,156	47,757
TOTAL ASSETS.....	\$3,728,733	\$2,860,996
LIABILITIES, REDEEMABLE OPERATING PARTNERSHIP UNITS AND CAPITAL		
CURRENT LIABILITIES		
Accounts payable.....	\$24,790	\$18,160
Current maturities of long-term debt, excluding Timber Funds (Note 8).....	—	82,000
Accrued taxes.....	7,347	3,032
Accrued payroll and benefits.....	12,327	8,869
Accrued interest.....	6,325	5,205
Deferred revenue.....	11,112	11,440
Other current liabilities.....	29,234	22,480
Total current liabilities.....	91,135	151,186
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS, EXCLUDING TIMBER FUNDS (NOTE 8).....	1,300,336	973,129
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS, TIMBER FUNDS (NOTE 8).....	60,179	—
PENSION AND OTHER POSTRETIREMENT BENEFITS (NOTE 18).....	23,344	25,311
LONG-TERM LEASE LIABILITY (NOTE 5).....	100,251	90,481
OTHER NON-CURRENT LIABILITIES.....	160,722	83,247
COMMITMENTS AND CONTINGENCIES (NOTES 10 and 12).....		
REDEEMABLE OPERATING PARTNERSHIP UNITS (NOTE 6) 4,428,900 and 0 Units outstanding, respectively.....	130,121	—
CAPITAL		
General partners' capital.....	15,454	14,712
Limited partners' capital.....	1,529,948	1,456,471
Accumulated other comprehensive loss (Note 26).....	(71,345)	(31,202)
TOTAL CONTROLLING INTEREST CAPITAL.....	1,474,057	1,439,981
Noncontrolling interests in consolidated affiliates (Note 6).....	388,588	97,661
TOTAL CAPITAL.....	1,862,645	1,537,642
TOTAL LIABILITIES, REDEEMABLE OPERATING PARTNERSHIP UNITS AND CAPITAL.....	\$3,728,733	\$2,860,996

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL
(Dollars in thousands, except share data)

	Units		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Consolidated Affiliates	Total Capital
	General Partners' Capital	Limited Partners' Capital			
Balance, December 31, 2017	\$15,796	\$1,563,810	\$13,417	\$99,917	\$1,692,940
Cumulative-effect adjustment due to adoption of ASU No. 2018-02.....	7	704	(711)	—	—
Net income.....	1,022	101,194	—	15,114	117,330
Distributions on units (\$1.06 per unit).....	(1,379)	(136,555)	—	—	(137,934)
Issuance of units under incentive stock plans.....	86	8,505	—	—	8,591
Stock-based compensation.....	64	6,364	—	—	6,428
Repurchase of units.....	(30)	(2,954)	—	—	(2,984)
Actuarial change and amortization of pension and postretirement plan liabilities.....	—	—	(919)	—	(919)
Foreign currency translation adjustment.....	—	—	(17,329)	(5,430)	(22,759)
Cash flow hedges.....	—	—	5,781	(752)	5,029
Distributions to noncontrolling interests in consolidated affiliates.....	—	—	—	(11,172)	(11,172)
Balance, December 31, 2018	<u>\$15,566</u>	<u>\$1,541,068</u>	<u>\$239</u>	<u>\$97,677</u>	<u>\$1,654,550</u>
Net income.....	591	58,514	—	8,573	67,678
Distributions on units (\$1.08 per unit).....	(1,400)	(138,640)	—	—	(140,040)
Issuance of units under incentive stock plans.....	13	1,247	—	—	1,260
Stock-based compensation.....	69	6,835	—	—	6,904
Repurchase of units.....	(127)	(12,553)	—	—	(12,680)
Actuarial change and amortization of pension and postretirement plan liabilities.....	—	—	(1,350)	—	(1,350)
Foreign currency translation adjustment.....	—	—	784	179	963
Cash flow hedges.....	—	—	(30,875)	393	(30,482)
Distributions to noncontrolling interests in consolidated affiliates.....	—	—	—	(9,161)	(9,161)
Balance, December 31, 2019	<u>\$14,712</u>	<u>\$1,456,471</u>	<u>(\$31,202)</u>	<u>\$97,661</u>	<u>\$1,537,642</u>
Issuance of units associated with the merger with Pope Resources.....	1,724	170,694	—	—	172,418
Net income (loss).....	376	37,236	—	(7,828)	29,784
Distributions on units (\$1.08 per unit).....	(1,500)	(148,375)	—	—	(149,875)
Issuance of units under the “at-the-market” equity offering, net of commissions and offering costs of \$799.....	326	32,248	—	—	32,574
Issuance of units under incentive stock plans.....	16	1,573	—	—	1,589
Stock-based compensation.....	81	7,945	—	—	8,026
Repurchase of units.....	(47)	(4,710)	—	—	(4,757)
Adjustment of Redeemable Operating Partnership Units.....	(239)	(23,625)	—	—	(23,864)
Acquisition of noncontrolling interests in consolidated affiliates.....	—	—	—	333,366	333,366
Conversion of units to common shares.....	5	491	—	—	496
Actuarial change and amortization of pension and postretirement plan liabilities.....	—	—	(925)	—	(925)
Foreign currency translation adjustment.....	—	—	22,928	5,344	28,272
Cash flow hedges.....	—	—	(62,146)	1,091	(61,055)
Distributions to noncontrolling interests in consolidated affiliates.....	—	—	—	(12,643)	(12,643)
Noncontrolling interests in consolidated affiliates redemption of unit equivalents.....	—	—	—	(28,403)	(28,403)
Balance, December 31, 2020	<u>\$15,454</u>	<u>\$1,529,948</u>	<u>(\$71,345)</u>	<u>\$388,588</u>	<u>\$1,862,645</u>

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
As of December 31,
(Dollars in thousands)

	2020	2019	2018
OPERATING ACTIVITIES			
Net income.....	\$29,784	\$67,678	\$117,330
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation, depletion and amortization.....	164,996	128,235	144,121
Non-cash cost of land and improved development.....	30,368	12,565	23,553
Stock-based incentive compensation expense.....	8,026	6,904	6,428
Deferred income taxes.....	7,541	11,314	22,832
Amortization of losses from pension and postretirement plans.....	869	449	675
Timber write-offs due to casualty events.....	15,203	—	—
Gain on sale of large disposition of timberlands.....	(28,655)	—	—
Other.....	(11,100)	(4,999)	(2,613)
Changes in operating assets and liabilities, net of effects of merger with Pope Resources:			
Receivables.....	(15,378)	(849)	765
Inventories.....	(1,448)	1,224	1,773
Accounts payable.....	5,668	(1,554)	(4,626)
All other operating activities.....	(1,700)	(6,714)	(142)
CASH PROVIDED BY OPERATING ACTIVITIES.....	204,174	214,253	310,096
INVESTING ACTIVITIES			
Capital expenditures.....	(66,500)	(63,996)	(62,325)
Real estate development investments.....	(6,462)	(6,803)	(9,501)
Purchase of timberlands.....	(24,695)	(142,287)	(57,608)
Net proceeds from large disposition of timberlands.....	115,666	—	—
Cash consideration for merger with Pope Resources, net of cash acquired.....	(231,068)	—	—
Other.....	(584)	(6,304)	(3,421)
CASH USED FOR INVESTING ACTIVITIES.....	(213,643)	(219,390)	(132,855)
FINANCING ACTIVITIES			
Issuance of debt.....	320,000	82,000	1,014
Repayment of debt.....	(152,000)	—	(54,416)
Distributions on units.....	(149,944)	(141,071)	(136,772)
Proceeds from the issuance of units under incentive stock plan.....	1,368	1,260	8,591
Repurchase of units to pay withholding taxes on vested incentive stock awards.....	(1,605)	(4,250)	(2,984)
Debt issuance costs.....	(2,483)	(132)	—
Proceeds from the issuance of units under the “at-the-market” (ATM) equity offering program, net of commissions and offering costs.....	32,574	—	—
Repurchase of units made under repurchase program.....	(3,152)	(8,430)	—
Proceeds from shareholder distribution hedge.....	—	135	2,025
Noncontrolling interests in consolidated affiliates redemption of shares.....	(5,113)	—	—
Distributions to noncontrolling interests in consolidated affiliates.....	(12,643)	(9,161)	(11,172)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES.....	27,002	(79,649)	(193,714)
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	(19)	(1,700)	571
CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Change in cash, cash equivalents and restricted cash.....	17,514	(86,486)	(15,902)
Balance, beginning of year.....	69,968	156,454	172,356
Balance, end of period.....	\$87,482	\$69,968	\$156,454

See Notes to Consolidated Financial Statements.

	2020	2019	2018
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the period:			
Interest (a).....	\$40,895	\$32,782	\$33,120
Income taxes.....	816	1,691	2,150
Non-cash investing activity:			
Capital assets purchased on account.....	\$3,205	\$3,568	\$2,001
Non-cash financing activity:			
Unit consideration for merger with Pope Resources.....	\$172,640	—	—
Redeemable Operating Partnership Unit consideration for merger with Pope Resources.	106,752	—	—
Noncontrolling interests in consolidated affiliates redemption of shares (b).....	23,290	—	—

(a) Interest paid is presented net of patronage payments received of \$4.7 million, \$4.0 million and \$4.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. For additional information on patronage payments, see Note 8 — Debt.

(b) Represents a capital distribution made by the New Zealand subsidiary in order to redeem certain equity interests, resulting in the recording of a noncontrolling interest share redemption of \$5.1 million and a loan payable by the New Zealand subsidiary in the amount of \$23.3 million. See Note 6 - Noncontrolling Interests and Note 8 - Debt for further information.

See Notes to Consolidated Financial Statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Rayonier Inc.'s Consolidated Financial Statements include the Operating Partnership, wholly-owned subsidiaries and entities in which the Company has a controlling interest. Rayonier, L.P.'s Consolidated Financial Statements include wholly-owned subsidiaries and entities in which the Operating Partnership has a controlling interest. For additional information regarding our consolidated entities with a noncontrolling interest component, see Note 6 - Noncontrolling Interests for additional information. All intercompany balances and transactions are eliminated.

On May 7, 2020, Rayonier Inc. contributed its 100% ownership interest in Rayonier Operating Company LLC (the “Contribution”) to Rayonier, L.P. As a result of the Contribution, which constituted the transfer of all or substantially all of Rayonier’s assets under the terms of the Indenture, dated March 5, 2012 (as supplemented and amended from time to time, the “Indenture”), between Rayonier, as issuer, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee, Rayonier, L.P. expressly assumed all the obligations of Rayonier under the Indenture, including obligations with respect to the outstanding \$325 million in aggregate principal amount of 3.750% Senior Notes due 2022 (the “2022 Notes”) issued thereunder.

On May 7, 2020, Rayonier, Rayonier, L.P., the subsidiary guarantors party thereto and the Trustee entered into the Third Supplemental Indenture, pursuant to which (1) Rayonier, L.P. succeeded to and became substituted for the Company under the Indenture and 2022 Notes and expressly assumed all the obligations of the Company under the Indenture, including obligations with respect to the 2022 Notes, and (2) Rayonier agreed to irrevocably, fully and unconditionally guarantee, jointly and severally, the obligations of Rayonier, L.P. under Indenture, including the 2022 Notes.

On May 8, 2020, Rayonier, L.P. acquired Pope Resources and became the general partner of Pope Resources. The acquisition occurred pursuant to a series of mergers (the “Mergers”) provided for in Agreement and Plan of Merger, dated as of January 14, 2020, as amended by Amendment No. 1, dated as of April 1, 2020 (as amended, the “Merger Agreement”), by and among Rayonier Inc., Rayonier, L.P., Rayonier Operating Company LLC, Rayonier Operating Company Holdings, LLC, Pacific GP Merger Sub I, LLC, Pacific GP Merger Sub II, LLC, Pacific LP Merger Sub III, LLC, Pope Resources, Pope EGP, Inc. and Pope MGP, Inc. As of December 31, 2020, the Company owned a 96.9% interest in the Operating Partnership, with the remaining 3.1% interest owned by limited partners of the Operating Partnership. As the sole general partner of the Operating Partnership, Rayonier Inc. has exclusive control of the day-to-day management of the Operating Partnership.

The Contribution was accounted for as a change in reporting entity between entities under common control in accordance with ASC 250-10-45-21. A change in reporting entity requires retrospective application for all periods as if the Contribution had been in effect since inception of common control. As a result, the consolidated financial statements and notes thereto for Rayonier, L.P. in this combined report have been prepared as if the change in reporting entity occurred on January 1, 2018.

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

The effect of the change in reporting entity on Rayonier, L.P.'s operating income, net income attributable to Rayonier, L.P. and per unit amounts for the twelve months ended December 31, 2020, 2019, and 2018 are presented below (in thousands, except per unit amounts):

	Year Ended December 31,		
	2020	2019	2018
Operating income.....	—	—	—
Net income attributable to Rayonier, L.P. (a).....	(\$14,384)	(\$14,384)	(\$14,384)
Basic earnings per unit attributable to Rayonier, L.P.....	(\$0.11)	(\$0.11)	(\$0.11)
Diluted earnings per unit attributable to Rayonier, L.P.....	(\$0.11)	(\$0.11)	(\$0.11)

(a) The effect of the change in net income attributable to Rayonier, L.P. is due to the interest expense and guarantee fees associated with the 2022 Notes.

MERGER WITH POPE RESOURCES

On May 8, 2020, we completed the acquisition of Pope Resources. Therefore, Pope Resources' balance sheet and results of operations are included in our consolidated financial statements from and after the date of acquisition. See Note 2 - Merger with Pope Resources, Note 8 - Debt, and Note 21 - Charges for Integration and Restructuring for further information pertaining to the merger.

As a result of the Mergers, we have revised our reportable business segments, adding one additional segment, Timber Funds. Please see Note 7 - Segment and Geographical information for more information about our revised business segments.

RECLASSIFICATIONS

Effective April 1, 2020, we changed the composition of our Rural and Timberland & Non-Strategic Real Estate sales categories to better align with the way management internally evaluates real estate sales. The Rural category now includes all real estate sales (excluding development sales) representing a demonstrable premium above timberland value. The Timberland & Non-Strategic category now includes all real estate sales representing little to no premium to timberland value. This category consists primarily of sales of property that management views as non-strategic to our long-term portfolio as well as sales of property for capital allocation purposes that do not fit the definition of a Large Disposition. All prior period amounts have been reclassified to reflect the new composition of these two sales categories. The Improved Development, Unimproved Development and Large Disposition categories remain unchanged, and this reclassification had no impact on overall segment results. See Note 3 - Revenue.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. There are risks inherent in estimating and therefore actual results could differ from those estimates.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and other highly liquid investments with original maturities of three months or less.

ACCOUNTS RECEIVABLE

Accounts receivable are primarily amounts due to us for the sale of timber and are presented net of an allowance for doubtful accounts.

INVENTORY

HBU real estate properties that are expected to be sold within one year are included in inventory at the lower of cost or net realizable value. HBU properties that are expected to be sold after one year are included in a separate balance sheet line entitled "Higher and Better Use Timberlands and Real Estate Development Investments." See below for additional information.

Inventory also includes logs available to be sold by the Trading segment. Log inventory is recorded at the lower of cost or net realizable value and expensed to cost of sales when sold to third-party buyers. See Note 22 — Inventory for additional information.

PREPAID LOGGING ROADS

Costs for roads built in the Pacific Northwest and New Zealand to access particular tracts to be harvested in the upcoming 24 months to 60 months are recorded as prepaid logging roads. We charge such costs to expense as timber is harvested using an amortization rate determined annually as the total cost of prepaid roads divided by the estimated tons of timber to be accessed by those roads. The prepaid balance is classified as short-term or long-term based on the upcoming harvest schedule. See Note 24 — Other Assets for additional information.

PATRONAGE DIVIDENDS

As a requirement of the Farm Credit Act, borrowers in the Farm Credit System are required to purchase equity in Farm Credit lenders. The equity balance primarily represents shares of Class A common stock in CoBank valued at \$100 par value. CoBank equity purchases continue annually until a balance equal to 8% of our 10-year historical average loan balance at CoBank is obtained. Initially, a minimal equity purchase was made in cash upon receiving the loan proceeds. Subsequently, equity purchases are made annually through patronage dividends, of which approximately 75% is cash and 25% is equity. The stock has no cash value until retired. As our loans are paid in full, the stock is generally retired over a 10-year loan base period beginning in the year following loan payoff.

Estimated cash and equity dividends are recognized as an offset to interest expense in the period earned. These estimates are calculated by applying the weighted average debt balance with each participating lender to a historical dividend rate. Changes in assumptions, as well as changes in actual experience, could cause the estimates to change. See Note 8 — Debt and Note 24 — Other Assets for additional information.

DEFERRED FINANCING COSTS

Deferred financing costs related to revolving debt are capitalized and amortized to interest expense over the term of the revolving debt using a method that approximates the effective interest method. See Note 24 — Other Assets for additional information on deferred financing costs related to revolving debt. See Note 8 — Debt for additional information on deferred financing costs related to term debt.

CAPITALIZED SOFTWARE COSTS

Software costs are capitalized and amortized over a period not exceeding five years using the straight-line method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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TIMBER AND TIMBERLANDS

Timber is stated at the lower of cost or net realizable value. Costs relating to acquiring, planting and growing timber including real estate taxes, site preparation and direct support costs relating to facilities, vehicles and supplies, are capitalized. A portion of timberland lease payments are capitalized based on the proportion of acres with merchantable timber volume remaining to be harvested under the lease term and the residual portion of the lease payments are expensed as incurred. Payroll costs are capitalized for time spent on timber growing activities, while interest or any other intangible costs are not capitalized. An annual depletion rate is established for each particular region by dividing merchantable inventory cost by standing merchantable inventory volume, which is estimated annually. We charge accumulated costs attributed to merchantable timber to depletion expense (cost of sales) at the time the timber is harvested or when the underlying timberland is sold.

Upon the acquisition of timberland, we make a determination on whether to combine the newly acquired merchantable timber with an existing depletion pool or to create a new, separate pool. This determination is based on the geographic location of the new timber, the customers/markets that will be served and the species mix. If the acquisition is similar, the cost of the acquired timber is combined into an existing depletion pool and a new depletion rate is calculated for the pool. This determination and depletion rate adjustment normally occurs in the quarter following the acquisition.

HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS

HBU timberland is recorded at the lower of cost or net realizable value. These properties are managed as timberlands until sold or developed, with sales and depletion expense related to the harvesting of timber accounted for within the respective timber segment. At the time of sale, the cost basis of any unharvested timber is recorded as depletion expense, a component of cost of sales, within the Real Estate segment.

HBU timberland and real estate development investments expected to be sold within twelve months are recorded as inventory. See Note 9 — Higher and Better Use Timberlands and Real Estate Development Investments for additional information.

REAL ESTATE DEVELOPMENT INVESTMENTS

Real estate development investments include capitalized costs for targeted infrastructure improvements, such as roadways and utilities. The capitalization period relating to real estate development investments is the period in which activities necessary to ready a property for its intended use are in progress. The period begins when such activities commence, typically when we begin the site work for land already owned, and ends when the improvement is substantially complete and ready for its intended use. Determination of when construction of a project is substantially complete and ready for its intended use is subjective and requires business judgement. As such, we determine when the capitalization period begins and ends through communication with project and other managers responsible for the tracking and oversight of individual projects.

We capitalize costs directly associated with development and construction of identified real estate projects, such as infrastructure, roadways, utilities, amenities and/or other improvements designed to enhance marketability and create parcels, pads and/or lots for sale. We capitalize interest based on the amount of underlying expenditures on real estate projects under development.

IMPAIRMENT OF HBU TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS

We review our higher and better use timberlands and real estate development investments for potential impairment indicators whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment indicators for each development project are assessed separately and include, but are not limited to, significant decreases in sales pace or average selling prices, significant increases in expected land development and construction costs, and projected losses on expected future sales. Development projects have extended life cycles that may last 20 to 40 years, or longer, and have few long-term contractual cash flows. Development periods often occur through several economic cycles. Subjective factors such as the expected timing of property development and sales, optimal development density and sales strategy impact the timing and amount of expected future cash flows and fair value.

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An impairment loss is recognized if the carrying amount of an asset is not recoverable and exceeds its fair value. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future economic conditions, such as construction costs and sales values that could differ materially from actual results in future periods. If impairment indicators exist and it is expected that undiscounted cash flows generated by the asset are less than its carrying amount less costs to sell, an impairment provision is recorded to write-down the carrying amount of the asset to its fair value.

PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

Property, plant and equipment additions are recorded at cost, including applicable freight, interest, construction and installation costs. We generally depreciate our assets, including office and transportation equipment, using the straight-line depreciation method over 3 to 25 years. Buildings and land improvements are depreciated using the straight-line method over 15 to 35 years and 5 to 30 years, respectively.

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

LEASES

At inception, we determine if an arrangement is a lease and whether that lease meets the classification criteria of a finance or operating lease. Operating leases are included in right-of-use ("ROU") assets, other current liabilities, and long-term lease liability in the Consolidated Balance Sheets. The income generated from our commercial and residential leases in Port Gamble are accounted for in accordance with Topic 842. We recognize the total minimum lease payments provided for under the leases on a straight-line basis over the lease term.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. To estimate the incremental borrowing rate, we derive the rate by applying a spread over U.S. Treasury rates with similar durations to our lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

RIGHT-OF-USE ASSETS IMPAIRMENT

Operating lease right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group to which the operating lease is assigned may not be recoverable. Recoverability of the asset group is evaluated based on forecasted undiscounted cash flows. If the carrying amount of the asset group is not recoverable, the fair value of the asset group is compared to its carrying amount and an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value. A discounted cash flow approach using market participant assumptions of the expected cash flows and discount rate are used to estimate the fair value of the asset group.

INVESTMENTS

Investments are carried at fair value based on quoted prices in their active market with both the realized and unrealized gains and losses as well as interest and dividends reported in "Interest and other miscellaneous income, net." Investments at December 31, 2019 consisted of marketable equity securities and none were held at December 31, 2020.

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FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy that prioritizes the inputs used to measure fair value was established 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, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

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. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

ENVIRONMENTAL REMEDIATION LIABILITIES

Environmental remediation liabilities have been evaluated using a combination of methods. The liability is estimated based on amounts included in construction contracts and estimates for construction contingencies, project management, and other professional fees. See Note 13 - Environmental and Natural Resource Damages Liabilities for more information.

GOODWILL

Goodwill represents the excess of the acquisition cost of the New Zealand Timber segment over the fair value of the net assets acquired. Goodwill is not amortized, but is periodically reviewed for impairment. An impairment test for this reporting unit's goodwill is performed annually and whenever events or circumstances indicate that the value of goodwill may be impaired. We compare the fair value of the New Zealand Timber segment, using an independent valuation for the New Zealand forest assets, to its carrying value including goodwill. The independent valuation of the New Zealand forest assets is based on discounted cash flow models where the fair value is calculated using cash flows from sustainable forest management plans. The fair value of the forest assets is measured as the present value of cash flows from one growth cycle based on the productive forest land, taking into consideration environmental, operational, and market restrictions. These cash flow valuations involve a number of estimates that require broad assumptions and significant judgment regarding future performance. The annual impairment test was performed as of October 1, 2020; the estimated fair value of the New Zealand Timber segment exceeded its carrying value and no impairment was recorded. Except for changes in the New Zealand foreign exchange rate, there have been no adjustments to the carrying value of goodwill since the initial recognition. See Note 24 — Other Assets for additional information.

FOREIGN CURRENCY TRANSLATION AND REMEASUREMENT

The functional currency of our New Zealand-based operations is the New Zealand dollar. All assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the respective balance sheet dates. Translation gains and losses are recorded as a separate component of Accumulated Other Comprehensive Income ("AOCI"), within Shareholders' Equity.

U.S. denominated transactions of the New Zealand subsidiary are remeasured into New Zealand dollars at the exchange rate in effect on the date of the transaction and recognized in earnings, net of related cash flow hedges. All income statement items of the New Zealand subsidiary are translated into U.S. dollars for reporting purposes using monthly average exchange rates with translation gains and losses being recorded as a separate component of AOCI, within Shareholders' Equity.

REDEEMABLE OPERATING PARTNERSHIP UNITS

Limited partners holding Redeemable Operating Partnership Units have the right to put any and all of the units to the Operating Partnership in exchange for Rayonier registered common shares, on a one-for-one basis, or cash, at Rayonier's option. Consequently, these Redeemable Operating Partnership Units are classified outside of permanent partners' capital in the Operating Partnership's accompanying balance sheets and the related

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noncontrolling interest is classified outside of permanent equity in the accompanying balance sheets of Rayonier. The recorded value of the Redeemable Operating Partnership Units is based on the higher of 1) initial carrying amount, increased or decreased for its share of net income or loss, other comprehensive income or loss, and dividend or 2) redemption value as measured by the closing price of Rayonier common stock on the balance sheet date multiplied by the total number of Redeemable Operating Partnership Units outstanding.

RELATED PARTY

We follow ASC 850, *Related Party Disclosure*, for the identification of related parties and disclosure of related party transactions. A party is considered to be related to us if the party, directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with us. Related parties also include principal owners, management and directors, as well as members of their immediate families or any other parties with which we may deal if one party to a transaction controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated. See Note 28 – Related Party.

BUSINESS COMBINATION

We account for business combinations using the acquisition method of accounting, under which all assets acquired and liabilities assumed, including amounts attributable to noncontrolling interest, are recorded at their respective fair values as of the acquisition date. The excess of the purchase price over the fair value of identifiable assets and liabilities is recorded as goodwill. The preliminary allocation of purchase price in a business combination uses significant assumptions and estimates. Critical estimates include, but are not limited to, future expected cash flows, including revenues and expenses, and applicable discount rates. While we believe our estimates and assumptions to be reasonable, they are subject to change as we obtain additional information related to those estimates during the applicable measurement periods (up to one year from the acquisition date).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, we are required to record preliminary values in the financial statements for the items for which the accounting is incomplete. Adjustments to the preliminary recorded values, which are identified during the measurement period, are recognized in the reporting period in which the adjustments are determined. This includes any effect on earnings of changes in depletion, depreciation or amortization, or other income effects as a result of the change to the recorded values, calculated as if the accounting had been completed at the acquisition date. During the measurement period, we are also required to recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends the sooner of one year from the acquisition date or when we receive the information we were seeking about facts and circumstances that existed as of the acquisition date or learn that more information is not obtainable. See Note 2 – Merger with Pope Resources

REVENUE RECOGNITION

We recognize revenues when control of promised goods or services (“performance obligations”) is transferred to customers, in an amount that reflects the consideration expected in exchange for those goods or services (“transaction price”). We generally satisfy performance obligations within a year of entering into a contract and therefore have applied the disclosure exemption found under ASC 606-10-50-14. Unsatisfied performance obligations as of December 31, 2020 are primarily due to advances on stumpage contracts and unearned hunt license revenue. These performance obligations are expected to be satisfied within the next twelve months. We generally collect payment within a year of satisfying performance obligations and therefore have elected not to adjust revenues for a financing component.

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TIMBER SALES

Revenue from the sale of timber is recognized when control passes to the buyer. We utilize two primary methods or sales channels for the sale of timber – a stumpage/standing timber model and a delivered log model. The sales method we employ depends upon local market conditions and which method management believes will provide the best overall margins.

Under the stumpage model, standing timber is sold primarily under pay-as-cut contracts, with a specified duration (typically one year or less) and fixed prices, whereby revenue is recognized as timber is severed and the sales volume is determined. We also sell stumpage under lump-sum contracts for specified parcels where we receive cash for the full agreed value of the timber prior to harvest and control passes to the buyer upon signing the contract. We retain interest in the land, slash products and the use of the land for recreational and other purposes. Any uncut timber remaining at the end of the contract period reverts to us. Revenue is recognized for lump-sum timber sales when payment is received, the contract is signed and control passes to the buyer. A third type of stumpage sale we utilize is an agreed-volume sale, whereby revenue is recognized using the output method, as periodic physical observations are made of the percentage of acreage harvested.

Under the delivered log model, we hire third-party loggers and haulers to harvest timber and deliver it to a buyer. Sales of domestic logs generally do not require an initial payment and are made to third-party customers on open credit terms. Sales of export logs generally require a letter of credit from an approved bank. Revenue is recognized when the logs are delivered and control has passed to the buyer. For domestic log sales, control is considered passed to the buyer as the logs are delivered to the customer's facility. For export log sales (primarily in New Zealand), control is considered passed to the buyer upon delivery onto the export vessel.

The following table summarizes revenue recognition and general payment terms for timber sales:

Contract Type	Performance Obligation	Timing of Revenue Recognition	General Payment Terms
Stumpage Pay-as-Cut	Right to harvest a unit (i.e. ton, MBF, JAS m3) of standing timber	As timber is severed (point-in-time)	Initial payment between 5% and 20% of estimated contract value; collection generally within 10 days of severance
Stumpage Lump Sum	Right to harvest an agreed upon acreage of standing timber	Contract execution (point-in-time)	Full payment due upon contract execution
Stumpage Agreed Volume	Right to harvest an agreed upon volume of standing timber	As timber is severed (over-time)	Payments made throughout contract term at the earlier of a specified harvest percentage or time elapsed
Delivered Wood (Domestic)	Delivery of a unit (i.e. ton, MBF, JAS m3) of timber to customer's facility	Upon delivery to customer's facility (point-in-time)	No initial payment and on open credit terms; collection generally within 30 days of invoice
Delivered Wood (Export)	Delivery of a unit (i.e. ton, MBF, JAS m3) onto export vessel	Upon delivery onto export vessel (point-in-time)	Letter of credit from an approved bank; collection generally within 30 days of delivery

NON-TIMBER SALES

Non-timber sales are primarily comprised of hunting and recreational licenses, carbon credits and other auxiliary income. Hunting and recreational license sales and any related costs are recognized ratably over the term of the agreement and included in "Sales" and "Cost of sales," respectively. Payment is generally due upon contract execution. The New Zealand Emissions Trading Scheme ("NZ ETS") incentivizes the lowering of greenhouse gas emissions by providing carbon credits to certain organizations that lower carbon emission. Our New Zealand segment regularly sells carbon credits and recognizes income as they are sold to other carbon emitting entities.

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LOG TRADING

Log trading revenue is generally recognized when procured logs are delivered to the buyer and control has passed. For domestic log trading, control is considered passed to the buyer as the logs are delivered to the customer's facility. For export log trading, control is considered passed to the buyer upon delivery onto the export vessel. The Trading segment also includes sales from log agency contracts, whereby we act as an agent managing export services on behalf of third parties. Revenue for log agency fees are recognized net of related costs.

REAL ESTATE

We recognize revenue on sales of real estate generally at the point in time when cash has been received, the sale has closed and control has passed to the buyer. A deposit of 5% is generally required at the time a purchase and sale agreement is executed, with the balance due at closing. On sales of development real estate containing future performance obligations, revenue is recognized using the cost input method based on development costs incurred to date relative to the total development costs allocated to the contract with the customer. The aggregate amount of the transaction price allocated to unsatisfied obligations is recorded and presented in "Deferred revenue" in the Consolidated Balance Sheets.

COST OF SALES

Cost of sales associated with timber operations primarily include the cost basis of timber sold (depletion) 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 and fire prevention.

Cost of sales associated with real estate sold includes the cost of the land, the cost of any timber on the property that was conveyed to the buyer, any real estate development costs and any closing costs including sales commissions that may be borne by us. We expense closing costs, including sales commissions, when incurred for all real estate sales with future performance obligations expected to be satisfied within one year.

When developed residential or commercial land is sold, the cost of sales includes actual costs incurred and estimates of future development costs benefiting the property sold through completion. Costs are allocated to each sold acre or lot based upon the relative sales value of each acre or lot as compared to the estimated sales value of the total project. For purposes of allocating development costs, estimates are reevaluated at least annually and more frequently if warranted by market conditions, changes in the project's scope or other factors, with any adjustments being allocated prospectively to the remaining units available for sale.

EMPLOYEE BENEFIT PLANS

The determination of expense and funding requirements for our defined benefit pension plan, its unfunded excess pension plan and its postretirement life insurance plan are largely based on a number of actuarial assumptions. The key assumptions include discount rate, return on assets, mortality rates and longevity of employees. See Note 18 — Employee Benefit Plans for assumptions used to determine benefit obligations, and the net periodic benefit cost for the year ended December 31, 2020.

Periodic pension and other postretirement expense is included in "Cost of sales," "Selling and general expenses" and "Interest and other miscellaneous income, net" in the Consolidated Statements of Income and Comprehensive Income. The service cost component of net periodic benefit cost is included in "Cost of sales" and "Selling and general expenses" while the other components of net periodic benefit cost (interest cost, expected return on plan assets and amortization of losses or gains) are presented outside of income from operations in "Interest and other miscellaneous income, net." At December 31, 2020 and 2019, our pension plans were in a net liability position (underfunded) of \$21.6 million and \$23.8 million, respectively. The estimated amount to be paid in the next 12 months is recorded in "Accrued payroll and benefits" on the Consolidated Balance Sheets, with the remainder recorded as a long-term liability in "Pension and Other Postretirement Benefits." Changes in the funded status of our plans are recorded through other comprehensive (loss) income in the year in which the changes occur. We measure plan assets and benefit obligations as of the fiscal year-end. See Note 18 — Employee Benefit Plans for additional information.

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INCOME TAXES

We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, operating loss carryforwards and tax credit carryforwards. Deferred tax assets and liabilities are measured pursuant to tax laws using rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. We recognize the effect of a change in income tax rates on deferred tax assets and liabilities in the Consolidated Statements of Income and Comprehensive Income in the period that includes the enactment date of the rate change. We record a valuation allowance to reduce the carrying amounts of deferred tax assets if it is more-likely-than-not that such deferred tax assets will not be realized.

In determining the provision for income taxes, we compute an annual effective income tax rate based on annual income by legal entity, permanent differences between book and tax, and statutory income tax rates by jurisdiction. Inherent in the effective tax rate is an assessment of the ultimate outcome of current period uncertain tax positions. We adjust our annual effective tax rate as additional information on outcomes or events becomes available. Discrete items such as taxing authority examination findings or legislative changes are recognized in the period in which they occur.

Our income tax returns are subject to audit by U.S. federal, state and foreign taxing authorities. In evaluating the tax benefits associated with various tax filing positions, we record a tax benefit for an uncertain tax position if it is more-likely-than-not to be realized upon ultimate settlement of the issue. We record a liability for an uncertain tax position that does not meet this criterion. We adjust our liabilities for uncertain tax benefits in the period in which it is determined the issue is settled with the taxing authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position or when new facts or information become available. See Note 11 — Income Taxes for additional information.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

We adopted Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)* on January 1, 2020, with no material impact on the consolidated financial statements.

On March 2, 2020, the SEC adopted amendments to the financial disclosure requirements for guarantors and issuers of guaranteed securities, as well for affiliates whose securities collateralize a registrant’s securities. The amendments revise Rules 3-10 and 3-16 of Regulation S-X, and relocate part of Rule 3-10 and all of Rule 3-16 to the new Article 13 in Regulation S-X, which is comprised of new Rules 13-01 and 13-02. We early adopted the requirements of the amendments on April 1, 2020, which included replacing guarantor condensed consolidating financial information with summarized financial information for the consolidated obligor group (Parent, Issuer, and Guarantor Subsidiaries) as well as no longer requiring guarantor cash flow information, financial information for non-guarantor subsidiaries, and a reconciliation to the consolidated results.

We adopted Accounting Standards Update (“ASU”) No 2018-14, *Compensation - Retirement Benefits - Defined Benefits Plans - General (Subtopic 715-20)* on October 1, 2020, with no material impact on the consolidated financial statements.

We adopted Accounting Standards Update (“ASU”) No 2019-12, *Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes* on October 1, 2020, with no material impact on the consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which provides optional guidance to ease the potential burden in accounting due to reference rate reform. The guidance in this update provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into on or before December 31, 2022. We are currently evaluating our contracts and the optional expedients provided by the new standard.

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SUBSEQUENT EVENTS

We have evaluated events occurring from December 31, 2020 to the date of issuance of these Consolidated Financial Statements for potential recognition or disclosure in the consolidated financial statements. No events were identified that warranted recognition or disclosure.

2. MERGER WITH POPE RESOURCES

On May 8, 2020, Rayonier Inc. and Rayonier, L.P. acquired Pope Resources in connection with the Mergers. Pope Resources was a master limited partnership that primarily owned and managed timberlands in the U.S. Pacific Northwest. Pope Resources also managed and co-invested in three private equity timber funds and developed and sold real estate properties. The merger added approximately 124,000 acres of high-quality, predominantly Douglas-fir timberlands to our Pacific Northwest timberland portfolio as well as a private equity timber fund business with three funds comprising approximately 141,000 acres. Additionally, we believe the Mergers augmented our higher-and-better-use real estate pipeline with rural and conservation land sale opportunities and high-potential improved development projects in the West Puget Sound area.

Under the merger agreement, each outstanding unit representing limited partnership interests of Pope Resources was, at the option of its holder, exchanged for either:

- 3.929 shares of Rayonier Inc. common stock
- 3.929 units representing limited partnership interests of Rayonier, L.P.
- \$125.00 in cash

Holders of Pope Resources units who did not make a valid election received shares of Rayonier common stock. The elections were subject to proration to ensure that the aggregate amount of Rayonier shares and Rayonier, L.P. units, on the one hand, and cash, on the other hand, issued in the merger equaled the amounts issued as if every Pope Resources unit converted into merger consideration received 2.751 shares of Rayonier common stock or Rayonier, L.P. units and \$37.50 in cash.

Upon consummation of the merger, all outstanding Pope Resources restricted units were converted into equivalent equity awards with respect to Rayonier common shares. Pope Resources directors and some executive employees of Pope Resources held restricted Pope Resources units that were subject to accelerated vesting in connection with the merger. Since a portion of these Pope Resources units relate to services rendered to Pope Resources prior to the merger, a portion of the replacement Rayonier restricted stock awards' fair value is included in the consideration transferred. See additional details about the replacement restricted stock awards in Note 19 — Incentive Stock Plans.

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The following table summarizes the total consideration transferred by Rayonier in the merger (dollars in thousands, except per share and per unit data):

Cash consideration:	
Pope Resources units outstanding as of May 8, 2020	4,366,636
Less: Pope Resources units held by us	<u>(114,400)</u>
Units outstanding, net	4,252,236
Cash consideration (per Pope Resources unit)	<u>\$37.50</u>
Cash consideration for elections	<u>\$159,463</u>
General partner interest	10,000
Repayment of Pope Resources debt	65,943
Prepayment penalty and accrued interest on Pope Resources' debt	2,275
Closing costs paid on behalf of Pope Resources	<u>9,637</u>
Cash consideration transferred	<u>\$247,318</u>
Equity consideration:	
Rayonier common shares issued	7,181,071
Rayonier share price (a)	<u>\$24.01</u>
Equity consideration for elections	\$172,418
Pope Resources replacement awards (b)(c)	<u>222</u>
Equity consideration transferred	<u>\$172,640</u>
Redeemable Operating Partnership Unit consideration:	
Redeemable Operating Partnership Units issued	4,446,153
Rayonier share price (a)	<u>\$24.01</u>
Redeemable Operating Partnership Unit consideration transferred	<u>\$106,752</u>
Fair value of Pope Resources units held by us (d)	<u>\$11,211</u>
Total consideration	<u><u>\$537,921</u></u>

(a) The closing price of Rayonier common stock on the NYSE on May 7, 2020.

(b) See Note 19 — Incentive Stock Plans for additional details.

(c) Represents the fair value of Rayonier replacement restricted stock awards for restricted Pope Resources units held by employees that relate to pre-merger services rendered to Pope Resources.

(d) Based on the closing price of Pope Resources units on the NASDAQ on May 7, 2020.

The following table contains the amounts of cash transferred in the merger and net cash consideration shown in the Consolidated Statements of Cash Flows for the year ended December 31, 2020:

	December 31, 2020
Cash consideration transferred.....	\$247,318
Less: Cash assumed in merger.....	<u>(16,250)</u>
Net cash consideration shown in the Consolidated Statements of Cash Flows.....	<u><u>\$231,068</u></u>

We recognized approximately \$17.2 million of merger-related costs that were expensed during the year ended December 31, 2020. See Note 21 — Charges for Integration and Restructuring for descriptions of the components of merger-related costs.

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The acquisition of Pope Resources has been accounted for as a business combination under ASC 805, *Business Combinations*, (“ASC 805”). Under ASC 805, assets acquired and liabilities assumed in a business combination must be recorded at their fair value as of the acquisition date. Recorded fair valuation of assets acquired and liabilities assumed related to the acquisition of Pope Resources is preliminary and will be completed as soon as practicable, but no later than one year after the consummation of the transaction. Pursuant to ASC 805, the financial statements will not be retrospectively adjusted for any changes to the recorded values that occur in subsequent periods. Rather, we will recognize any changes to the recorded values during the reporting period in which the adjustments are determined. We will also be required to record, in the same period's financial statements, the effect on earnings of changes in depletion, depreciation, amortization, or other income effects, if any, as a result of changes to recorded values, calculated as if the accounting had been completed at the acquisition date.

Our consolidated financial statements as of and for the year ended December 31, 2020, include results of operations for Pope Resources from May 8, 2020 through December 31, 2020.

As a result of refinements to timberlands and property, plant and equipment preliminary recorded values, we recognized the following changes in depletion and depreciation in the fourth quarter of 2020:

Three months ended December 31, 2020					
	Pacific Northwest Timber	Real Estate	Timber Funds	Corporate	Total
Depletion	\$2,412	—	(\$1,000)	—	\$1,412
Depreciation	—	506	—	41	547
Total	\$2,412	\$506	(\$1,000)	\$41	\$1,959

The preliminary estimate of fair value required the use of significant assumptions and estimates. Critical estimates included, but were not limited to, future expected cash flows, including projected revenues and expenses, and the applicable discount rates. These estimates were based on assumptions that we believe to be reasonable; however, actual results may differ from these estimates. The assessment of fair value is preliminary and is based on information that was available to management at the time the consolidated financial statements were prepared. Those estimates and assumptions are subject to change as we obtain additional information related to those estimates during the applicable measurement periods (up to one year from the acquisition date). The most significant open items necessary to complete are related to timberlands, real property, higher and better use timberlands and real estate development investments, environmental liabilities and tax related matters.

The preliminary fair value estimates were generally based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in ASC 820, *Fair Value Measurement*, (“ASC 820”) with the exception of certain long-term debt instruments assumed in the merger that can be valued using observable market inputs and are therefore Level 2 measurements. See Note 17 — Fair Value Measurements for further information on the fair value hierarchy.

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The following summarizes the fair value methodology utilized in our preliminary fair value estimates for significant assets and liabilities:

Income Approach — Estimates fair value for an asset based on the present value of cash flow projected to be generated by the asset. Projected cash flows are discounted at rates of return that reflect the relative risk of achieving the cash flows and the time value of money. This approach was primarily used to value acquired timberlands in our Pacific Northwest segment.

Cost Approach — Estimates value by determining the current cost of replacing an asset with another of equivalent economic utility. This approach was primarily used for property and equipment and timberlands in our Timber Funds segment.

Market Approach — Estimates fair value for an asset based on values of recent comparable transactions. This approach was primarily used to value higher and better use timberlands and real estate developments investments, certain land and building assets and long-term debt instruments.

The preliminary allocation of purchase price to the identifiable assets acquired and liabilities assumed was based on preliminary estimates of fair value as of May 8, 2020, and is as follows (in thousands):

	Core Timberlands	Timber Funds	Total
Timberland and Real Estate Business			
Cash	\$7,380	\$8,870	\$16,250
Accounts receivable	2,459	1,788	4,247
Other current assets	703	260	963
Timber and Timberlands	514,103	432,500	946,603
Higher and Better Use Timberlands and Real Estate Development Investments	26,510	—	26,510
Property, plant and equipment	11,616	—	11,616
Other assets	4,403	—	4,403
Total identifiable assets acquired	\$567,174	\$443,418	\$1,010,592
Accounts payable	274	293	567
Current maturities of long-term debt	—	25,084	25,084
Accrued interest	244	275	519
Other current liabilities	9,038	2,080	11,118
Long-term debt	53,502	35,759	89,261
Long-term environmental and natural resource damage liabilities	10,748	—	10,748
Other non-current liabilities (a)	2,009	—	2,009
Total liabilities assumed	\$75,815	\$63,491	\$139,306
Net identifiable assets	\$491,359	\$379,927	\$871,286
Less: noncontrolling interest	(3,379)	(329,986)	(333,365)
Total net assets acquired	\$487,980	\$49,941	\$537,921

(a) Other non-current liabilities includes a \$2.0 million deferred income tax liability resulting from the preliminary fair value adjustment to Pope Resources' assets and liabilities.

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These estimated fair values are preliminary in nature and subject to adjustments, which could be material. We have not identified any material unrecorded pre-merger contingencies where the related asset, liability or impairment is probable and the amount can be reasonably estimated. Our valuations will be finalized when certain information arranged to be obtained has been received and our review of that information has been completed. Prior to the finalization of the purchase price allocation, if information becomes available that would indicate it is probable that such events had occurred and the amounts can be reasonably estimated, such items will be included in the final purchase price allocation.

In September 2020, fires in Oregon burned approximately 6,700 acres of land owned by ORM Timber Fund II, which we manage and in which we hold a 20% ownership interest, and approximately 400 acres of land owned by ORM Timber Fund IV, which we manage and in which we hold a 15% ownership interest. As a result, we wrote off \$8.8 million and \$0.4 million of non-salvageable timber basis in Timber Fund II and Timber Fund IV, of which \$1.8 million and \$0.1 million was attributable to Rayonier, respectively. The amounts of these write-offs are based on preliminary fair value estimates of the underlying basis in the respective Funds' timberlands and are subject to adjustments, which could be material. As a result of refinements to the preliminary purchase allocation, value of timber write-offs from the Oregon fires increased by an inconsequential amount. Once the purchase price allocation is finalized, the amounts of the write-offs may change.

The amount of revenue of Pope Resources included in our Consolidated Statements of Income and Comprehensive Income from the date of the merger to December 31, 2020 is approximately \$50.8 million. The net income effect resulting from the merger with Pope Resources for the year ended December 31, 2020 is impracticable to determine, as we immediately integrated Pope Resources into our ongoing operations.

Pursuant to ASC 805, unaudited supplemental pro forma results of operations for the years ended December 31, 2020 and 2019, assuming the acquisition had occurred as of January 1, 2019, are presented below (in thousands, except per share and unit amounts):

	2020	2019
Sales.....	\$890,400	\$821,500
Net income (loss) attributable to Rayonier Inc.....	\$36,819	\$26,927
Basic earnings (loss) per share attributable to Rayonier Inc.....	\$0.27	\$0.20
Diluted earnings (loss) per share attributable to Rayonier Inc.....	\$0.27	\$0.20
Net income (loss) attributable to Rayonier, L.P.....	\$38,032	\$27,804
Basic earnings (loss) per unit attributable to Rayonier, L.P.....	\$0.27	\$0.20
Diluted earnings (loss) per unit attributable to Rayonier, L.P.....	\$0.27	\$0.20

The unaudited pro forma results include certain pro forma adjustments to net earnings that were directly attributable to the acquisition, assuming the acquisition had occurred on January 1, 2019, including the following:

- additional depletion expense that would have been recognized relating to the basis increase in the acquired Timber and Timberlands;
- adjustment to interest expense to reflect the removal of Pope Resources debt and the additional borrowings we incurred in conjunction with the acquisition; and
- a reduction in expenses for year ended December 31, 2020 of \$32.4 million for acquisition-related transaction costs.

Pro forma data may not be indicative of the results that would have been obtained had these events occurred at the beginning of the periods presented, nor is it intended to be a projection of future results.

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3. REVENUE

RECLASSIFICATIONS

Effective April 1, 2020, we changed the composition of our Rural and Timberland & Non-Strategic Real Estate sales categories to better align with the way management internally evaluates real estate sales. The Rural category now includes all real estate sales (excluding development sales) representing a demonstrable premium above timberland value. The Timberland & Non-Strategic category now includes all real estate sales representing little to no premium to timberland value. This category consists primarily of sales of property that management views as non-strategic to our long-term portfolio as well as sales of property for capital allocation purposes that do not fit the definition of a Large Disposition. All prior period amounts have been reclassified to reflect the new composition of these two sales categories. The Improved Development, Unimproved Development and Large Disposition categories remain unchanged, and this reclassification had no impact on overall segment results.

NEW REAL ESTATE SALES CATEGORY

Effective September 2020, we added a new Real Estate sales category, "Conservation Easement," in which we sell the development rights on a property but withhold the rights to grow and harvest timber.

Contract Balances

The timing of revenue recognition, invoicing and cash collections results in accounts receivable and deferred revenue (contract liabilities) on the Consolidated Balance Sheets. Accounts receivable are recorded when we have an unconditional right to consideration for completed performance under the contract. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) we perform under the contract.

The following table summarizes revenue recognized during the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of each year:

	Year Ended December 31,	
	2020	2019
Revenue recognized from contract liability balance at the beginning of the year (a).....	\$10,857	\$10,039

(a) Revenue recognized was primarily from hunting licenses and the use of advances on pay-as-cut timber sales.

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The following tables present our revenue from contracts with customers disaggregated by product type for the years ended December 31, 2020, 2019 and 2018:

Year Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
December 31, 2020								
Pulpwood.....	\$94,108	\$10,581	\$27,558	\$784	—	\$10,260	—	\$143,291
Sawtimber.....	73,683	106,051	166,935	25,195	—	77,314	—	449,178
Hardwood.....	2,430	—	—	—	—	—	—	2,430
Total Timber Sales.....	170,221	116,632	194,493	25,979	—	87,574	—	594,899
License Revenue, Primarily From Hunting.....	17,765	843	307	17	—	—	—	18,932
Other Non-Timber/Carbon Revenue.....	3,845	3,334	7,515	124	—	—	—	14,818
Agency Fee Income.....	—	—	—	—	—	1,160	—	1,160
Total Non-Timber Sales.....	21,610	4,177	7,822	141	—	1,160	—	34,910
Improved Development.....	—	—	—	—	14,498	—	—	14,498
Unimproved Development.....	—	—	—	—	8,426	—	—	8,426
Rural.....	—	—	—	—	67,152	—	—	67,152
Timberland & Non-Strategic.....	—	—	—	—	19,255	—	—	19,255
Conservation Easement.....	—	—	—	—	3,099	—	—	3,099
Deferred Revenue/Other (b).....	—	—	—	—	283	—	—	283
Large Dispositions.....	—	—	—	—	116,027	—	—	116,027
Total Real Estate Sales.....	—	—	—	—	228,740	—	—	228,740
Revenue from Contracts with Customers.....	191,831	120,809	202,315	26,120	228,740	88,734	—	858,549
Lease Revenue.....	—	—	—	—	605	—	—	605
Intersegment.....	—	—	—	3,437	—	239	(3,676)	—
Total Revenue.....	\$191,831	\$120,809	\$202,315	\$29,557	\$229,345	\$88,973	(\$3,676)	\$859,154
December 31, 2019								
Pulpwood.....	\$86,537	\$10,350	\$32,925	—	—	\$13,351	—	\$143,163
Sawtimber.....	67,360	72,377	198,481	—	—	101,255	—	439,473
Hardwood.....	5,259	—	—	—	—	—	—	5,259
Total Timber Sales.....	159,156	82,727	231,406	—	—	114,606	—	587,895
License Revenue, Primarily from Hunting.....	18,270	717	361	—	—	—	—	19,348
Other Non-Timber/Carbon Revenue.....	16,685	1,970	10,094	—	—	—	—	28,749
Agency Fee Income.....	—	—	—	—	—	677	—	677
Total Non-Timber Sales.....	34,955	2,687	10,455	—	—	677	—	48,774
Improved Development.....	—	—	—	—	5,882	—	—	5,882
Unimproved Development.....	—	—	—	—	19,476	—	—	19,476
Rural (a).....	—	—	—	—	47,647	—	—	47,647
Timberland & Non-Strategic (a).....	—	—	—	—	1,338	—	—	1,338
Deferred Revenue/Other (b).....	—	—	—	—	544	—	—	544
Total Real Estate Sales.....	—	—	—	—	74,887	—	—	74,887
Revenue from Contracts with Customers.....	194,111	85,414	241,861	—	74,887	115,283	—	711,556
Intersegment.....	—	—	—	—	—	155	(155)	—
Total Revenue.....	\$194,111	\$85,414	\$241,861	—	\$74,887	\$115,438	(\$155)	\$711,556
December 31, 2018								
Pulpwood.....	\$80,134	\$14,305	\$28,737	—	—	\$13,771	—	\$136,947
Sawtimber.....	60,295	92,166	213,206	—	—	134,299	—	499,966
Hardwood.....	3,433	—	—	—	—	—	—	3,433
Total Timber Sales.....	143,863	106,471	241,943	—	—	148,070	—	640,347
License Revenue, Primarily from Hunting.....	16,285	709	401	—	—	—	—	17,395
Other Non-Timber/Carbon Revenue.....	9,847	2,652	6,670	—	—	—	—	19,169
Agency Fee Income.....	—	—	—	—	—	652	—	652
Total Non-Timber Sales.....	26,132	3,361	7,071	—	—	652	—	37,216
Improved Development.....	—	—	—	—	8,336	—	—	8,336
Unimproved Development.....	—	—	—	—	8,621	—	—	8,621
Rural (a).....	—	—	—	—	46,280	—	—	46,280
Timberland & Non-Strategic (a).....	—	—	—	—	75,281	—	—	75,281
Deferred Revenue/Other (b).....	—	—	—	—	57	—	—	57
Total Real Estate Sales.....	—	—	—	—	138,575	—	—	138,575
Revenue from Contracts with Customers.....	169,995	109,832	249,014	—	138,575	148,722	—	816,138
Intersegment.....	—	—	—	—	—	92	(92)	—
Total Revenue.....	\$169,995	\$109,832	\$249,014	—	\$138,575	\$148,814	(\$92)	\$816,138

- (a) The years ended December 31, 2019 and 2018 reflect the reclassification of certain real estate sales between the Rural and Timberland & Non-Strategic sales categories to better align with the way management internally evaluates real estate sales.
(b) Includes deferred revenue adjustments and marketing fees related to Improved Development sales.

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The following tables present our timber sales disaggregated by contract type for the years ended December 31, 2020, 2019 and 2018:

Year Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Trading	Total
December 31, 2020						
Stumpage Pay-as-Cut	\$68,684	—	—	\$1,731	—	\$70,415
Stumpage Lump Sum.....	2,027	8,142	—	—	—	10,169
Total Stumpage.....	70,711	8,142	—	1,731	—	80,584
Delivered Wood (Domestic)...	85,996	108,490	62,568	24,248	1,768	283,070
Delivered Wood (Export).....	13,514	—	131,925	—	85,806	231,245
Total Delivered.....	99,510	108,490	194,493	24,248	87,574	514,315
Total Timber Sales.....	\$170,221	\$116,632	\$194,493	\$25,979	\$87,574	\$594,899
December 31, 2019						
Stumpage Pay-as-Cut	\$71,943	—	—	—	—	\$71,943
Stumpage Lump Sum.....	7,428	2,749	—	—	—	10,177
Total Stumpage.....	79,371	2,749	—	—	—	82,120
Delivered Wood (Domestic)...	71,054	79,978	80,974	—	5,488	237,494
Delivered Wood (Export).....	8,731	—	150,432	—	109,118	268,281
Total Delivered.....	79,785	79,978	231,406	—	114,606	505,775
Total Timber Sales.....	\$159,156	\$82,727	\$231,406	—	\$114,606	\$587,895
December 31, 2018						
Stumpage Pay-as-Cut	\$72,385	—	—	—	—	\$72,385
Stumpage Lump Sum.....	4,988	11,854	—	—	—	16,842
Total Stumpage.....	77,373	11,854	—	—	—	89,227
Delivered Wood (Domestic)...	60,931	94,617	90,631	—	6,141	252,320
Delivered Wood (Export).....	5,559	—	151,312	—	141,929	298,800
Total Delivered.....	66,490	94,617	241,943	—	148,070	551,120
Total Timber Sales.....	\$143,863	\$106,471	\$241,943	—	\$148,070	\$640,347

4. TIMBERLAND ACQUISITIONS

In 2020, we acquired approximately 13,000 acres of U.S. timberland located in Alabama, Georgia, and Louisiana through three transactions for an aggregate value of \$24.2 million. Approximately \$24.1 million of these acquisitions were acquired using like-kind exchange proceeds while the remaining \$0.1 million were funded from operating cash flow. Additionally, during 2020, we acquired approximately 2,000 acres of timberland (including approximately 2,000 acres of leased land) in New Zealand for approximately \$0.5 million. These acquisitions were funded from operating cash flow.

In 2019, we acquired approximately 62,000 acres of U.S. timberland located in Florida, Georgia, Texas, and Washington through sixteen transactions for an aggregate value of \$106.3 million. Approximately \$29.8 million of these acquisitions were acquired using like-kind exchange proceeds while the remaining \$76.5 million were funded from operating cash flow and the use of our revolving credit facility. Additionally, during 2019, we acquired approximately 9,000 acres of timberland (including approximately 2,000 acres of leased land) in New Zealand for approximately \$36.0 million. These acquisitions were funded from operating cash flow.

See Note 8 - Debt for additional information on our revolving credit facility and the New Zealand subsidiary's working capital facility.

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The following table summarizes the timberland acquisitions for the years ended December 31, 2020 and 2019:

	2020		2019	
	Cost	Acres (a)	Cost	Acres
Alabama.....	\$100	56	—	—
Florida.....	—	—	71,183	42,522
Georgia.....	18	20	13,395	10,271
Louisiana.....	24,123	12,558	—	—
Texas.....	—	—	14,349	6,643
Washington.....	—	—	7,340	2,260
New Zealand.....	454	2,378	36,020	9,223
Total Acquisitions.....	\$24,695	15,012	\$142,287	70,919

(a) Excludes acres and costs related to Pope Resources, for more information on assets and liabilities acquired see Note 2 - Merger with Pope Resources.

5. LEASES

TIMBERLAND LEASES

U.S. timberland leases typically have initial terms of approximately 30 to 65 years, with renewal provisions in some cases. New Zealand timberland lease terms typically range between 30 and 99 years. New Zealand lease arrangements generally consist of Crown Forest Licenses (“CFLs”), forestry rights and land leases. A CFL is a license arrangement to use government or privately owned lands to operate a commercial forest. CFLs generally extend indefinitely and may only be terminated upon a 35-year termination notice. If no termination notice is given, the CFLs renew automatically each year for a one-year term. Alternatively, some CFLs extend for a specific term. Once a CFL is terminated, we may be able to obtain a forestry right from the subsequent owner. A forestry right is a license arrangement with a private entity to use their lands to operate a commercial forest. Forestry rights terminate either upon the issuance of a termination notice (which can last 35 to 45 years), completion of harvest, or a specified termination date.

As of December 31, 2020, the New Zealand subsidiary has two CFLs comprising 9,000 gross acres or 8,000 net plantable acres under termination notice that are being relinquished as harvest activities are concluded, as well as two fixed-term CFLs comprising 3,000 gross acres or 2,000 net plantable acres expiring in 2062. Additionally, the New Zealand subsidiary has two forestry rights comprising 32,000 gross acres or 8,000 net plantable acres under termination notice that are being relinquished as harvest activities are concluded.

OTHER NON-TIMBERLAND LEASES

In addition to timberland holdings, we lease properties for certain office locations. Significant leased properties include a regional office in Lufkin, Texas; a Pacific Northwest Timber office in Hoquiam, Washington and a New Zealand Timber and Trading headquarters in Auckland, New Zealand.

LEASE MATURITIES, LEASE COST AND OTHER LEASE INFORMATION

The following table details our undiscounted lease obligations as of December 31, 2020 by type of lease and year of expiration:

Lease obligations	Total	Year of Expiration					
		2021	2022	2023	2024	2025	Thereafter
Operating lease liabilities	\$196,279	\$9,813	\$8,842	\$8,745	\$8,681	\$7,872	\$152,326
Total Undiscounted Cash Flows	\$196,279	\$9,813	\$8,842	\$8,745	\$8,681	\$7,872	\$152,326
Imputed interest	(87,257)						
Balance at December 31, 2020	\$109,022						
Less: Current portion	(8,771)						
Non-current portion at December 31, 2020	\$100,251						

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The following table details components of our lease cost for the years ended December 31, 2020 and 2019:

Lease Cost Components	Year Ended December 31,	
	2020	2019
Operating lease cost	\$9,647	\$10,870
Variable lease cost (a)	230	235
Total lease cost (b)	<u>\$9,877</u>	<u>\$11,105</u>

- (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) Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for these leases are expensed on a straight line basis over the lease term. Short-term lease expense was not material for the year ended December 31, 2020.

The following table details components of our lease cost for the years ended December 31, 2020 and 2019:

Supplemental Cash Flow Information Related to Leases:	Year Ended December 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$2,127	\$2,567
Investing cash flows from operating leases	7,520	8,303
Total cash flows from operating leases	<u>\$9,647</u>	<u>\$10,870</u>
Weighted-average remaining lease term in years - operating leases	29	28
Weighted-average discount rate - operating leases	5%	5%

Lessor Lease Information

In the Mergers, we acquired income generating commercial and residential leases primarily concentrated in Port Gamble, Washington. Commercial and residential leases have non-lease components of taxes, insurance, and common area maintenance that we have elected not to separate under the ASC 842 practical expedient. Each of these are classified as operating leases. Buildings subject to operating leases had a preliminary cost of \$3.5 million and accumulated depreciation of \$0.2 million at December 31, 2020.

The following table details our lease income for the years ended December 31, 2020 and 2019:

Lease Income Components	Year Ended December 31,	
	2020	2019
Operating lease income	\$605	—
Total lease income	<u>\$605</u>	<u>—</u>

Future lease income as of December 31, 2020, based on payments due by period under the lease contracts, are presented in the following table:

Lease assets	Total	Year of Expiration					
		2021	2022	2023	2024	2025	Thereafter
Operating lease Income	\$574	\$247	\$150	\$120	\$57	—	—

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We apply the following practical expedients as allowed under ASC 842:

Practical Expedient	Description
Short-term leases	We do not record right-of-use assets or liabilities for short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that is reasonably certain to be exercised).
Separation of lease and non-lease components	We do not separate non-lease components from the associated lease components if they have the same timing and pattern of transfer and, if accounted for separately, would both be classified as an operating lease.

6. NONCONTROLLING INTERESTS

NONCONTROLLING INTERESTS IN CONSOLIDATED AFFILIATES

Matariki Forestry Group

We maintain a 77% controlling financial interest in Matariki Forestry Group (the “New Zealand subsidiary”), a joint venture that owns or leases approximately 417,000 legal acres of New Zealand timberland. Accordingly, we consolidate the New Zealand subsidiary’s balance sheet and results of operations. The portions of the consolidated financial position and results of operations attributable to the New Zealand subsidiary’s 23% noncontrolling interest are reflected as an adjustment to income in our Consolidated Statements of Income and Comprehensive Income under the caption “Net loss (income) attributable to noncontrolling interests in consolidated affiliates.” Rayonier New Zealand Limited (“RNZ”), a wholly-owned subsidiary, serves as the manager of the New Zealand subsidiary.

In September 2020, the New Zealand subsidiary made a capital distribution to its partners on a pro rata basis in order to redeem certain equity interests. A portion of this capital distribution was reinvested by the partners in shareholder loans to the New Zealand subsidiary. Our capital distribution and portion of the shareholder loan are eliminated in consolidation. The capital distribution to the minority shareholder and its reinvestment in the shareholder loan resulted in the recording of a noncontrolling interest share redemption of \$5.1 million and a loan payable by the New Zealand subsidiary in the amount of \$23.3 million due in 2025 at a fixed interest rate of 2.95%. As of December 31, 2020, the outstanding balance on the shareholder loan is \$24.9 million. Except for changes in the New Zealand foreign exchange rate, there have been no adjustments to the carrying value of the shareholder loan since its inception. See Note 8 - Debt for further information.

The following table sets forth the income attributable to the New Zealand subsidiary’s noncontrolling interests:

	2020	2019
Net income attributable to noncontrolling interest in the New Zealand subsidiary.....	\$4,920	\$8,573

ORM Timber Fund II, Inc. (Fund II), ORM Timber Fund III LLC (Fund III), and ORM Timber Fund IV LLC. (Fund IV) (Collectively, the “Funds”)

Upon completion of the Mergers, we became manager of three private equity timber funds, Fund II, Fund III, and Fund IV, and obtained ownership interests in the Funds of 20%, 5%, and 15%, respectively. We determined, based upon an analysis under the variable interest entity guidance, that we have the power to direct the activities that most significantly impact the Funds’ economic success. Therefore, we are considered the primary beneficiary and are required under ASC 810 — *Consolidation* to consolidate the Funds. Loss attributed to third-party investors is reflected as an adjustment to income in our Consolidated Statements of Income and Comprehensive Income under the caption “Net loss (income) attributable to noncontrolling interests in consolidated affiliates.”

The following table sets forth the (loss) attributable to the Funds’ noncontrolling interests:

	2020	2019
Net loss attributable to noncontrolling interest in the Funds:.....	(\$12,221)	—

Prior to the Mergers, the Funds were formed by ORM LLC for the purpose of generating a return on investment through the acquisition, management, value enhancement and sale of timberland properties. Each Fund is organized to operate for a specified term from the end of its respective investment period: 10 years for each of Fund

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II and Fund III, and 15 years for Fund IV. Fund II is scheduled to terminate in March 2023, Fund III is scheduled to terminate in December 2025 and Fund IV is scheduled to terminate in January 2035. The obligations of each of the Funds do not have any recourse to the Company or the Operating Partnership.

Fernclyff Investors

We also acquired in the Mergers an ownership interest in a real estate joint venture entity. In 2017, Fernclyff Management and Fernclyff Investors were formed for the purpose of raising capital from third parties to invest in an unconsolidated real estate joint venture entity (“joint venture investment”), Bainbridge Landing LLC, to develop a five-acre parcel on Bainbridge Island, Washington into a multi-family community containing apartments and townhomes. Fernclyff Management, a wholly-owned subsidiary, serves as manager of Fernclyff Investors and holds a 33.33% equity interest with the remaining ownership interest being held by third-party investors. Fernclyff Investors holds a 50% interest in Bainbridge Landing LLC, the joint venture entity that owns and is developing the property.

We determined, based upon an analysis under the variable interest entity guidance, that we have the power to direct the activities that most significantly impact Fernclyff Investors economic success. Therefore, we are considered the primary beneficiary and are required under ASC 810 — *Consolidation* to consolidate Fernclyff Investors. The obligations of Fernclyff Investors do not have any recourse to the Company or the Operating Partnership.

Bainbridge Landing LLC is considered a voting interests entity. Fernclyff Investors accounts for its interest in the joint venture entity under the equity method because neither it nor the other member can exercise control over Bainbridge Landing LLC. Under the equity method, Fernclyff Investors records its share of the net income or loss of Bainbridge Landing LLC. To date, this activity has been a loss primarily due to depreciation and is included in Other operating expense, net in the Real Estate segment. The portion of Fernclyff Investors’ loss attributed to third-party investors is shown within the Consolidated Statements of Income and Comprehensive Income under the caption “Net loss (income) attributable to noncontrolling interests in consolidated affiliates.”

The following table sets forth the (loss) attributable to Fernclyff Investors’ noncontrolling interests:

	2020	2019
Net (loss) attributable to noncontrolling interest in the Fernclyff Investors:.....	(\$526)	—

NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP

Noncontrolling interests in the Operating Partnership relate to the third-party ownership of Redeemable Operating Partnership Units. Net income attributable to the noncontrolling interests in the Operating Partnership is computed by applying the weighted average Redeemable Operating Partnership Units outstanding during the period as a percentage of the weighted average total units outstanding to the Operating Partnership’s net income for the period. If a noncontrolling unitholder redeems a unit for a registered common share of Rayonier or cash, the noncontrolling interests in the Operating Partnership will be reduced and the Company’s share in the Operating Partnership will be increased by the fair value of each security at the time of redemption.

The following table sets forth the Company’s noncontrolling interests in the Operating Partnership:

	2020
Beginning noncontrolling interests in the Operating Partnership	—
Issuances of Redeemable Operating Partnership Units	106,752
Adjustment of noncontrolling interests in the Operating Partnership	24,393
Conversions of Redeemable Operating Partnership Units to Common Shares	(496)
Net (Loss) Income attributable to noncontrolling interests in the Operating Partnership	528
Other Comprehensive Income attributable to noncontrolling interests in the Operating Partnership	2,540
Distributions to noncontrolling interests in the Operating Partnership	(3,596)
Total noncontrolling interests in the Operating Partnership	\$130,121

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7. SEGMENT AND GEOGRAPHICAL INFORMATION

As a result of the merger with Pope Resources, we have revised our reportable business segments, adding one additional segment, Timber Funds. The Timber Funds segment represents operations of the three private equity timber funds included in the transaction – Fund II, Fund III and Fund IV (collectively, the “Funds”). Rayonier owns 20% of Fund II, 5% of Fund III, and 15% of Fund IV and is also the managing member of the Funds. As discussed in Note 6 - Noncontrolling Interests, the Funds are consolidated into our financial statements. The Timber Funds segment also includes fee revenue paid to us for managing the Funds, which consists of both fixed components based on invested capital and acres under management as well as variable components related to the harvest volumes of the Funds. These fees, which also represent an expense in the Timber Funds segment, are eliminated in consolidation.

We now operate in six reportable segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Timber Funds, Real Estate, and Trading.

Sales between operating segments are made based on estimated fair market value, and intercompany sales, purchases and profits (losses) are eliminated in consolidation. We evaluate financial performance based on segment operating income (loss) and Adjusted EBITDA. Asset information is not reported by segment, as we do 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 interest income (expense), miscellaneous income (expense) and income tax expense, are not considered by management to be part of segment operations and are included under “unallocated interest expense and other.”

Segment information for each of the three years ended December 31 follows:

	Sales by Product Line		
	2020	2019	2018
Southern Timber	\$191,831	\$194,111	\$169,995
Pacific Northwest Timber.....	120,809	85,414	109,832
New Zealand Timber.....	202,315	241,861	249,014
Timber Funds (a).....	29,557	—	—
Real Estate			
Improved Development.....	14,498	5,882	8,336
Unimproved Development.....	8,426	19,476	8,621
Rural (b).....	67,152	47,647	46,280
Timberland & Non-Strategic (b).....	19,255	1,338	75,281
Conservation Easement.....	3,099	—	—
Deferred Revenue/Other.....	888	544	57
Large Dispositions.....	116,027	—	—
Total Real Estate.....	229,345	74,887	138,575
Trading.....	88,973	115,438	148,814
Intersegment eliminations (c).....	(3,676)	(155)	(92)
Total Sales.....	\$859,154	\$711,556	\$816,138

(a) The year ended December 31, 2020 includes \$22.7 million of sales attributable to noncontrolling interest in Timber Funds.

(b) The years ended December 31, 2019 and 2018 reflect the reclassification of certain real estate sales between the Rural and Timberland & Non-Strategic sales categories to better align with the way management internally evaluates real estate sales.

(c) Primarily consists of the elimination of timberland investment management fees paid to us by the timber funds which are initially recognized as sales and cost of sales within the Timber Funds segment, as well as log marketing fees paid to our New Zealand Timber segment from our Southern Timber and Pacific Northwest Timber segments for marketing log export sales.

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	Operating Income (Loss)		
	2020	2019	2018
Southern Timber (a).....	\$41,247	\$57,804	\$44,245
Pacific Northwest Timber.....	(9,979)	(12,427)	8,137
New Zealand Timber.....	29,984	48,035	62,754
Timber Funds (b).....	(13,195)	—	—
Real Estate (c).....	71,951	38,665	76,240
Trading.....	(462)	8	953
Corporate and other (d).....	(45,158)	(25,058)	(22,261)
Total Operating Income.....	74,388	107,027	170,068
Unallocated interest expense and other.....	(37,595)	(26,409)	(27,502)
Total Income before Income Taxes.....	<u>\$36,793</u>	<u>\$80,618</u>	<u>\$142,566</u>

- (a) The year ended December 31, 2020 includes \$6.0 million of timber write-offs resulting from casualty events. Timber write-offs resulting from casualty events are recorded within the Consolidated Statements of Income and Comprehensive Income under the caption "Cost of sales."
- (b) The year ended December 31, 2020 includes \$11.6 million of operating loss attributable to noncontrolling interest in Timber Funds. Included in operating loss attributable to noncontrolling interest in Timber Funds for the year ended December 31, 2020 is \$7.3 million related to timber write-offs resulting from casualty events attributable to noncontrolling interest in Timber Funds. The year ended December 31, 2020 also includes \$1.8 million of timber write-offs resulting from casualty events attributable to Rayonier. Timber write-offs resulting from casualty events are recorded within the Consolidated Statements of Income and Comprehensive Income under the caption "Cost of sales."
- (c) The year ended December 31, 2020 includes \$28.7 million from a Large Disposition.
- (d) The year ended December 31, 2020 includes \$17.2 million of integration and restructuring costs related to the merger with Pope Resources. See Note 21 — Charges for Integration and Restructuring for additional details.

	Gross Capital Expenditures		
	2020	2019	2018
<i>Capital Expenditures (a)</i>			
Southern Timber.....	\$35,505	\$34,574	\$35,388
Pacific Northwest Timber	11,367	11,220	9,311
New Zealand Timber	16,595	17,357	17,318
Timber Funds (b).....	2,606	—	—
Real Estate.....	428	204	284
Corporate and other.....	—	641	24
Total capital expenditures.....	<u>\$66,500</u>	<u>\$63,996</u>	<u>\$62,325</u>
<i>Timberland Acquisitions (c)</i>			
Southern Timber	\$24,241	\$98,927	\$45,943
Pacific Northwest Timber.....	—	7,340	—
New Zealand Timber.....	454	36,020	11,665
Total timberland acquisitions.....	<u>\$24,695</u>	<u>\$142,287</u>	<u>\$57,608</u>
Total Gross Capital Expenditures.....	<u><u>\$91,195</u></u>	<u><u>\$206,283</u></u>	<u><u>\$119,933</u></u>

- (a) Excludes timberland acquisitions presented separately in addition to real estate development investments of \$6.5 million, \$6.8 million and \$9.5 million in the years 2020, 2019 and 2018, respectively.
- (b) The year ended December 31, 2020 includes \$2.3 million of capital expenditures attributable to noncontrolling interest in Timber Funds.
- (c) Excludes timberland acquired in the Pope Resources merger. For additional information, see Note 2 - Merger with Pope Resources.

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	Depreciation, Depletion and Amortization		
	2020	2019	2018
Southern Timber.....	\$61,827	\$61,923	\$58,609
Pacific Northwest Timber.....	47,107	29,165	32,779
New Zealand Timber.....	25,030	27,761	28,007
Timber Funds (a).....	11,884	—	—
Real Estate (b).....	53,093	8,229	23,566
Corporate and other	1,427	1,157	1,160
Total.....	<u>\$200,368</u>	<u>\$128,235</u>	<u>\$144,121</u>

(a) The year ended December 31, 2020 includes \$10.3 million of depreciation, depletion and amortization attributable to noncontrolling interest in Timber Funds.

(b) The year ended December 31, 2020 includes \$35.4 million from a Large Disposition.

	Non-Cash Cost of Land and Improved Development		
	2020	2019	2018
Real Estate (a).....	<u>\$82,008</u>	<u>\$12,565</u>	<u>\$23,553</u>

(a) The ended December 31, 2020 includes \$51.6 million from a Large Disposition.

Geographical Operating Information								
	Sales			Operating Income			Identifiable Assets	
	2020	2019	2018	2020	2019	2018	2020	2019
United States.....	\$567,998	\$354,395	\$390,396	\$44,877	\$58,945	\$83,357	\$3,104,916	\$2,288,642
New Zealand.....	291,156	357,161	425,742	29,511	48,082	86,711	623,817	572,354
Total.....	<u>\$859,154</u>	<u>\$711,556</u>	<u>\$816,138</u>	<u>\$74,388</u>	<u>\$107,027</u>	<u>\$170,068</u>	<u>\$3,728,733</u>	<u>\$2,860,996</u>

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8. DEBT

Our debt consisted of the following at December 31, 2020 and 2019:

	2020	2019
Debt, excluding Timber Funds:		
Term Credit Agreement borrowings due 2028 at a variable interest rate of 1.8% at December 31, 2020.....	\$350,000	\$350,000
Senior Notes due 2022 at a fixed interest rate of 3.75%.....	325,000	325,000
Incremental Term Loan Agreement borrowings due 2026 at a variable interest rate of 2.1% at December 31, 2020.....	300,000	300,000
2020 Incremental Term Loan Facility borrowings due 2025 at a variable interest rate of 2.0% at December 31, 2020.....	250,000	—
Revolving Credit Facility borrowings due 2025 at an average variable interest rate of 1.7% at December 31, 2020.....	—	82,000
New Zealand subsidiary noncontrolling interest shareholder loan due 2025 at a fixed interest rate of 2.95%.....	24,903	—
Northwest Farm Credit Services Credit Facility with quarterly interest-only payments, collateralized by Core Timberlands, with the following tranches (a).....		
Due 2025 at a fixed interest rate of 6.1%.....	11,601	—
Due 2028 at a fixed interest rate of 4.1%.....	12,018	—
Due 2033 at a fixed interest rate of 5.3%.....	19,430	—
Due 2036 at a fixed interest rate of 5.4%.....	9,868	—
Total debt, excluding Timber Funds.....	1,302,820	1,057,000
Less: Current maturities of long-term debt.....	—	(82,000)
Less: Deferred financing costs, excluding Timber Funds.....	(2,484)	(1,871)
Long-term debt, net of deferred financing costs, excluding Timber Funds.....	1,300,336	973,129
Debt, Timber Funds:		
Fund II Mortgages Payable, collateralized by Fund II timberlands with quarterly interest payments, as follows: (a).....		
Due 2022 at a fixed interest rate of 2.0%.....	11,000	—
Due 2022 at a fixed interest rate of 2.0%.....	14,000	—
Fund III Mortgages Payable, collateralized by Fund III timberlands with quarterly interest payments, as follows (a).....		
Due 2023 at a fixed interest rate of 5.1%.....	19,563	—
Due 2024 at a fixed interest rate of 4.5%.....	15,626	—
Total debt, Timber Funds.....	60,189	—
Less: Deferred financing costs, Timber Funds.....	(10)	—
Long-term debt, net of deferred financing costs, Timber Funds.....	60,179	—
Long-term debt, net of deferred financing costs.....	<u>\$1,360,515</u>	<u>\$973,129</u>

(a) See the section below labeled “Long-Term Debt Assumed in the Pope Resources Merger” for additional details.

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

	Excluding Timber Funds	Timber Funds	Total
2021.....	—	—	—
2022.....	325,000	25,000	350,000
2023.....	—	17,980	17,980
2024.....	—	14,400	14,400
2025.....	284,903	—	284,903
Thereafter.....	685,000	—	685,000
Total debt.....	<u>\$1,294,903</u>	<u>\$57,380</u>	<u>\$1,352,283</u>

TERM CREDIT AGREEMENT

In August 2015, we entered into a credit agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions and other commercial banks to provide \$550 million of new credit facilities, including a nine-year \$350 million term loan facility. In April 2020, the maturity date of the Term Credit Agreement was extended from August 5, 2024 to April 1, 2028. In connection herewith, we recorded deferred financing costs in the amount of \$0.5 million which are being amortized over the term of the Term Credit Agreement. The periodic interest rate on the term loan facility is subject to a pricing grid based on our leverage ratio, as defined in the credit agreement. As of December 31, 2020, the periodic interest rate on the term loan facility was LIBOR plus 1.600%. Monthly payments of interest only are due on this loan through maturity. Following the closing of the term loan, we entered into several interest rate swap transactions to fix the cost of the term loan facility over its nine-year term. The term credit agreement allows us to receive annual patronage payments, which are profit distributions made by a cooperative to its member-users based on the quantity or value of business done with the member-user. We estimate the effective interest rate on the term loan facility to be approximately 3.2% after consideration of the interest rate swaps and estimated patronage refunds. For additional information on the our interest rate swaps see Note 16 — Derivative Financial Instruments and Hedging Activities.

3.75% SENIOR NOTES ISSUED MARCH 2012

In March 2012, Rayonier Inc. issued \$325 million of 3.75% Senior Notes due 2022, guaranteed by certain subsidiaries. Semi-annual payments of interest only are due on these notes through maturity.

INCREMENTAL TERM LOAN AGREEMENT

In April 2016, we entered into an incremental term loan agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions to provide a 10-year, \$300 million incremental term loan. The periodic interest rate on the incremental term loan agreement is subject to a pricing grid based on our leverage ratio, as defined in the credit agreement. As of December 31, 2020, the periodic interest rate on the incremental term loan was LIBOR plus 1.900%. Monthly payments of interest only are due on this loan through maturity. Following the closing of the incremental term loan, we entered into several interest rate swap transactions to fix the cost of the facility over its 10-year term. We estimate the effective interest rate on the incremental term loan facility to be approximately 2.8% after consideration of the interest rate swaps and estimated patronage payments. For additional information on our interest rate swaps see Note 16 — Derivative Financial Instruments and Hedging Activities.

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2020 INCREMENTAL TERM LOAN AGREEMENT

In April 2020, we entered into an Incremental Term Loan Agreement, which provided for the advancement of a five-year \$250 million senior unsecured incremental term loan facility. In connection herewith, we recorded deferred financing costs in the amount of \$0.8 million which are being amortized over the term of the 2020 Incremental Term Loan Facility. The proceeds from the 2020 Incremental Term Loan Facility were used to fund our acquisition of Pope Resources. As of December 31, 2020, the periodic interest rate on the incremental term loan was LIBOR plus 1.850%. Monthly payments of interest only are due on this loan through maturity. Following the closing of the incremental term loan, we entered into an interest rate swap transaction to fix the cost of the facility over its 5-year term. We estimate the effective interest rate on the incremental term loan facility to be approximately 2.3% after consideration of the interest rate swap and estimated patronage payments. For additional information on our interest rate swaps see Note 16 — Derivative Financial Instruments and Hedging Activities.

REVOLVING CREDIT FACILITY

In April 2020, we amended our Revolving Credit Facility, originally entered into in 2015, with two amendments to the credit agreement: the first amendment increased the limit on the Revolving Credit Facility from \$200 million to \$250 million and extended its maturity date from August 5, 2020 to April 1, 2025, and the second amendment further increased the limit to \$300 million. In connection herewith, we recorded deferred financing costs in the amount of \$1.2 million which are being amortized over the term of the Revolving Credit Facility. The periodic interest rate on the revolving credit facility is subject to a pricing grid based on our leverage ratio, as defined in the credit agreement. As of December 31, 2020, the periodic interest rate on the revolving credit facility was LIBOR plus 1.500%, with an unused commitment fee of 0.175%. Monthly payments of interest only are due on this loan through maturity.

During the year ended December 31, 2020, we made borrowings of \$70.0 million and repayments of \$152.0 million on our Revolving Credit Facility. At December 31, 2020, we had available borrowings of \$299.1 million under the Revolving Credit Facility, net of \$0.9 million to secure our outstanding letters of credit.

NEW ZEALAND SUBSIDIARY DEBT

In April 2013, we acquired an additional 39% interest in our New Zealand subsidiary, bringing our total ownership to 65%, and as a result, the New Zealand subsidiary's debt was consolidated effective on that date. On March 3, 2016, as a result of a capital contribution, our ownership interest in the New Zealand subsidiary increased to 77%. See Note 6 - Noncontrolling Interests for further information.

WORKING CAPITAL FACILITY

In June 2020, the New Zealand subsidiary renewed its NZ\$20 million working capital facility for an additional 12-month term. The NZ\$20 million working capital facility is available for short-term operating cash flow needs of the New Zealand subsidiary. This facility holds a variable interest rate indexed to the 90-day New Zealand Bank Bill rate ("BKBM"). The margins are set for the term of the facility. During the year ended December 31, 2020, the New Zealand subsidiary made no borrowings and repayments on its working capital facility. At December 31, 2020, there was no outstanding balance on the working capital facility.

SHAREHOLDER LOAN

In September 2020, the New Zealand subsidiary made a capital distribution to its partners on a pro rata basis in order to redeem certain equity interests. A portion of this capital distribution was reinvested by the partners in shareholder loans to the New Zealand subsidiary. Our capital distribution and portion of the shareholder loan are eliminated in consolidation. The capital distribution to the minority shareholder and its reinvestment in the shareholder loan resulted in the recording of a noncontrolling interest share redemption of \$5.1 million and a loan payable by the New Zealand subsidiary in the amount of \$23.3 million due in 2025 at a fixed interest rate of 2.95%. As of December 31, 2020, the outstanding balance on the shareholder loan is \$24.9 million. Except for changes in the New Zealand foreign exchange rate, there have been no adjustments to the carrying value of the shareholder loan since its inception.

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LONG-TERM DEBT ASSUMED IN THE POPE RESOURCES MERGER

Northwest Farm Credit Services Credit Facility

We assumed five tranches of a credit facility payable to Northwest Farm Credit Services (the “NWFCs Credit Facility”) totaling \$45.0 million. Quarterly payments of interest only are due on the NWFCs Credit Facility through the respective maturity of each tranche. The NWFCs Credit Facility is collateralized by a portion of the Pacific Northwest timberlands acquired in the merger with Pope Resources. The NWFCs Credit Facility allows us to receive annual patronage payments, which are profit distributions made by a cooperative to its member-users based on the quantity or value of business done with the member-user.

The pertinent details of each tranche of the NWFCs Credit Facility we assumed are as follows:

Tranche	Stated Fixed Interest Rate	Effective Fixed Interest Rate (a)	Stated Principal Amount	Est. Fair Value at Merger Date (b)
Tranche 2 (Due 2025).....	6.1%	4.8%	\$10,000	\$11,838
Tranche 4 (Due 2028).....	4.1%	3.1%	11,000	12,108
Tranches 6 & 7 (Due 2033).....	5.3%	4.2%	16,000	19,609
Tranche 8 (Due 2036).....	5.4%	4.3%	8,000	9,947
Total NWFCs Credit Facility assumed			\$45,000	\$53,502

(a) Estimated effective fixed interest rates as of December 31, 2020 after consideration of estimated patronage refunds.

(b) The fair market value premium will be amortized as a benefit to interest expense over the maturity term of each tranche.

Fund II Mortgage Payable

We assumed Fund II's two mortgages payable (the “Fund II Mortgages Payable”) to MetLife totaling \$25.0 million. Quarterly payments of interest only are due on the Fund II Mortgages Payable through their respective maturities. The Fund II Mortgages Payable are collateralized by Fund II Timberlands and do not have any recourse to the Company or the Operating Partnership.

On September 1, 2020, we entered into an agreement to extend the maturity date of the Fund II Mortgages Payable from September 2020 to September 2022. Additionally, the fixed interest rates on both the \$11 million tranche and the \$14 million tranche were changed to 2.0%, from 4.9% and 3.8%, respectively. Beginning January 1, 2021, this fixed rate will transition to a variable rate of 3-month LIBOR plus 1.700%.

The pertinent details of the Fund II Mortgages Payable are as follows:

Maturity Date	Stated Fixed Interest Rate (a)	Stated Principal Amount	Est. Fair Value at Merger Date (b)
September 2022.....	2.0%	\$11,000	\$11,061
September 2022.....	2.0%	14,000	14,023
		\$25,000	\$25,084

(a) Beginning January 1, 2021, this will transition from a fixed to a variable interest rate of 3-month LIBOR plus 1.700%.

(b) The fair market value premium has been amortized as a benefit to interest expense over the original maturity term of each mortgage.

Fund III Mortgage Payable

We assumed Fund III's two mortgages payable (the “Fund III Mortgages Payable”) to NWFCs totaling \$32.4 million. Quarterly payments of interest only are due on the Fund III Mortgages Payable through their respective maturities. The Fund III Mortgages Payable are collateralized by Fund III Timberlands and do not have any recourse to the Company or the Operating Partnership.

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The pertinent details of the Fund III Mortgages Payable are as follows:

Maturity Date	Stated Fixed Interest Rate	Effective Fixed Interest Rate (a)	Stated Principal Amount	Est. Fair Value at Merger Date (b)
December 2023.....	5.1%	3.9%	\$17,980	\$19,915
October 2024.....	4.5%	3.2%	14,400	15,844
			\$32,380	\$35,759

(a) Estimated effective fixed interest rates as of December 31, 2020 after consideration of estimated patronage refunds.

(b) The fair market value premium will be amortized as a benefit to interest expense over the maturity term of each mortgage.

DEBT COVENANTS — EXCLUDING TIMBER FUNDS

In connection with our \$350 million Term Credit Agreement, \$300 million Incremental Term Loan Agreement, \$250 million 2020 Incremental Term Loan Agreement and \$300 million Revolving Credit Facility, customary covenants must be met, the most significant of which include interest coverage and leverage ratios.

The covenants listed below, which are the most significant financial covenants in effect as of December 31, 2020, are calculated on a trailing 12-month basis:

	Covenant Requirement	Actual Ratio	Favorable
Covenant EBITDA to consolidated interest expense should not be less than..	2.5 to 1	9.20 to 1	6.70
Covenant debt to covenant net worth plus covenant debt shall not exceed.....	65%	47%	18%

In connection with our \$45 million NWFCS Credit Facility, customary covenants must be met, the most significant of which include interest coverage and debt-to-capitalization ratios.

The covenants listed below, which are the most significant financial covenants in effect as of December 31, 2020, are calculated on a trailing 12-month basis:

	Covenant Requirement	Actual Ratio	Favorable
Covenant loan-to-appraised value shall not exceed.....	50%	12%	38%
Covenant EBITDA to consolidated interest expense should not be less than..	2.5 to 1	9.20 to 1	6.70
Covenant debt to covenant net worth plus covenant debt shall not exceed.....	65%	47%	18%

In addition to these financial covenants listed above, the 2022 Notes, Term Credit Agreement, Incremental Term Loan Agreement, 2020 Incremental Term Loan Facility, Revolving Credit Facility, and NWFCS Credit Facility include customary covenants that limit the incurrence of debt and the disposition of assets, among others. At December 31, 2020, we were in compliance with all applicable covenants.

DEBT COVENANTS — TIMBER FUNDS

The Fund II Mortgages Payable to MetLife contains a requirement to maintain a loan-to-value ratio of less than 50%, with the denominator defined as fair market value of the timberland pledged as collateral.

The Fund III Mortgages Payable to NWFCS contain a requirement to maintain a minimum interest coverage ratio of 1.5:1, minimum working capital of \$500,000, and a loan-to-value ratio of less than 50%, with the denominator defined as fair market value.

Both Timber Funds are in compliance with their respective debt covenants as of December 31, 2020.

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

We continuously assess potential alternative uses of our timberlands, as some properties may become more valuable for development, residential, recreation or other purposes. We periodically transfer, 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. We also periodically acquire 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, we also selectively pursue 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, we also invest in targeted infrastructure improvements, such as roadways and utilities, to accelerate the marketability and improve the value of such properties.

In the merger with Pope Resources, we acquired HBU properties with an estimated fair value of \$26.5 million. This includes development properties in the town of Port Gamble, Washington, development projects in Gig Harbor, Kingston, and Bremerton, Washington and various other assets.

An analysis of higher and better use timberlands and real estate development investments from December 31, 2019 to December 31, 2020 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, 2019	\$58,091	\$23,700	\$81,791
Plus: Current portion (a)	274	12,389	12,663
Total Balance at December 31, 2019	58,365	36,089	94,454
Non-cash cost of land and improved development	(1,834)	(7,390)	(9,224)
Timber depletion from harvesting activities and basis of timber sold in real estate sales	(725)	—	(725)
Capitalized real estate development investments (b)	—	6,462	6,462
HBU properties acquired in merger with Pope Resources (c)	26,510	—	26,510
Capital expenditures (silviculture)	427	—	427
Intersegment transfers	(2,630)	—	(2,630)
Total Balance at December 31, 2020	80,113	35,161	115,274
Less: Current portion (a)	(212)	(6,544)	(6,756)
Non-current portion at December 31, 2020	<u>\$79,901</u>	<u>\$28,617</u>	<u>\$108,518</u>

(a) The current portion of Higher and Better Use Timberlands and Real Estate Development Investments is recorded in Inventory. See Note 22 — Inventory for additional information.

(b) Capitalized real estate development investments includes \$0.4 million of capitalized interest.

(c) Based on preliminary estimates of fair value as of December 31, 2020. See Note 2 - Merger with Pope Resources for additional information.

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10. COMMITMENTS

At December 31, 2020, the future minimum payments under non-cancellable commitments were as follows:

	Environmental Remediation (a)	Development Projects (b)	Commitments (c)	Total
2021.....	\$1,026	\$10,723	\$14,341	\$26,090
2022.....	1,864	267	17,232	19,363
2023.....	1,853	267	17,996	20,116
2024.....	1,853	267	15,228	17,348
2025.....	2,338	267	10,303	12,908
Thereafter.....	2,706	3,899	29,171	35,776
	<u>\$11,640</u>	<u>\$15,690</u>	<u>\$104,271</u>	<u>\$131,601</u>

- (a) Environmental remediation represents our estimate of potential liability associated with environmental contamination and Natural Resource Damages (NRD) in Port Gamble, Washington. See Note 13 - Environmental and Natural Resource Damage Liabilities for additional information.
- (b) Primarily consisting of payments expected to be made on our Wildlight, Richmond Hill and West Puget Sound development projects.
- (c) Commitments include payments expected to be made on derivative financial instruments (interest rate swaps and forward-starting interest rate swaps), timberland deeds and other purchase obligations.

11. INCOME TAXES

Rayonier is a REIT under the Internal Revenue Code and therefore generally does not pay U.S. federal or state income tax. Through the Mergers, Rayonier transferred all of its assets to the Operating Partnership on May 8, 2020. See Note 1 - Summary of Significant Accounting Policies for more information. As a result, Rayonier owns a 96.9% interest in the Operating Partnership and conducts substantially all of its timberland operations through the Operating Partnership. The taxable income or loss generated by the Operating Partnership is passed through and reported to its unit holders (including the Company) on a Schedule K-1 for inclusion in each unitholder's income tax return. Certain operations, including log trading and certain real estate activities, such as the entitlement, development and sale of HBU properties, are conducted through our TRS. The TRS subsidiaries are subject to United States federal and state corporate income tax. The New Zealand timber operations are conducted by the New Zealand subsidiary, which is subject to corporate-level tax at 28% in New Zealand and is treated as a partnership for U.S. income tax purposes.

PROVISION FOR INCOME TAXES FROM CONTINUING OPERATIONS

The provision for income taxes for each of the three years ended December 31 follows:

	2020	2019	2018
Current			
U.S. federal.....	(\$237)	\$2	\$2
State.....	(339)	(122)	37
Foreign.....	(5,391)	(1,542)	(1,914)
	<u>(5,967)</u>	<u>(1,662)</u>	<u>(1,875)</u>
Deferred			
U.S. federal.....	8,355	465	3,803
State.....	325	17	146
Foreign.....	(3,027)	(11,278)	(23,360)
	<u>5,653</u>	<u>(10,796)</u>	<u>(19,411)</u>
Changes in valuation allowance.....	<u>(6,695)</u>	<u>(482)</u>	<u>(3,950)</u>
Total.....	<u><u>(\$7,009)</u></u>	<u><u>(\$12,940)</u></u>	<u><u>(\$25,236)</u></u>

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A reconciliation of the U.S. federal statutory income tax rate to the actual income tax rate for each of the three years ended December 31 follows:

	2020		2019		2018	
U.S. federal statutory income tax rate.....	(\$7,726)	(21.0)%	(\$16,930)	(21.0)%	(\$29,939)	(21.0)%
U.S. and foreign REIT income.....	16,569	45.0	19,902	24.7	32,949	23.1
Matariki Group and Rayonier New Zealand Ltd.....	(7,698)	(20.8)	(11,181)	(13.9)	(23,166)	(16.2)
Change in valuation allowance.....	(6,695)	(18.2)	(482)	(0.6)	(3,950)	(2.8)
State Net Operating Loss.....	1,118	3.0	—	—	—	—
Prepaid land sales.....	(1,084)	(2.9)	—	—	—	—
Internal transfer of assets deferred.....	—	—	(1,815)	(2.3)	—	—
Foreign income tax withholding.....	(721)	(2.0)	(1,535)	(1.9)	(1,848)	(1.3)
Other.....	(772)	(2.1)	(899)	(1.1)	718	0.5
Income tax expense as reported for net income.....	(\$7,009)	(19.0)%	(\$12,940)	(16.1)%	(\$25,236)	(17.7)%

The Company's effective tax rate is below the 21 percent U.S. statutory rate primarily due to tax benefits associated with being a REIT.

DEFERRED TAXES

Deferred income taxes result from differences between the timing of recognizing revenues and expenses for financial book purposes versus income tax purposes. The nature of the temporary differences and the resulting net deferred tax asset/liability for the two years ended December 31 follows:

	2020	2019
Gross deferred tax assets:		
Pension, postretirement and other employee benefits.....	\$1,403	\$1,512
New Zealand subsidiary.....	23,461	23,211
CBPC tax credit carry forwards.....	14,555	14,555
Capitalized real estate costs.....	1,459	6,635
U.S. TRS net operating loss.....	18,363	5,410
Land basis difference.....	9,468	10,626
Other.....	5,502	4,356
Total gross deferred tax assets.....	74,211	66,305
Less: Valuation allowance.....	(46,015)	(39,320)
Total deferred tax assets after valuation allowance.....	\$28,196	\$26,985
Gross deferred tax liabilities:		
Accelerated depreciation.....	(38)	(23)
New Zealand subsidiary.....	(98,245)	(87,548)
Other.....	(4,884)	(3,938)
Total gross deferred tax liabilities.....	(103,167)	(91,509)
Net deferred tax liability reported as noncurrent.....	(\$74,971)	(\$64,524)

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Net operating loss ("NOL") and tax credit carryforwards as of the two years ended December 31 follows:

	Tax Effected Balance	Expiration
2020		
U.S. Federal NOL Carryforwards- Pre TCJA (a).....	\$2,363	2036
U.S. Federal NOL Carryforwards- Post TCJA (a).....	13,017	None
U.S State NOL Carryforwards (b).....	2,983	2031
Cellulosic Biofuel Producer Credit (c).....	14,555	2023
2019		
New Zealand subsidiary NOL carryforwards.....	\$3,262	None
U.S. Federal NOL Carryforwards- Pre TCJA (a).....	2,363	2036
U.S. Federal NOL Carryforwards- Post TCJA (a).....	1,872	None
U.S State NOL Carryforwards (b).....	1,175	2031
Cellulosic Biofuel Producer Credit (c).....	14,555	2023

- (a) The Tax Cuts and Jobs Act (TCJA) was signed into law on December 22, 2017. The TCJA lifted the 20-year federal NOL Carryforward period. Net operating losses generated after 12/31/2017 have an indefinite carryforward period.
- (b) The U.S. state NOL is made up of several jurisdictions that expire in various future years. No State NOL is set to expire before 12/31/2031.
- (c) The Further Consolidated Appropriations Act, 2020 was signed into law on December 20, 2019. The Further Consolidated Appropriations Act, 2020 included the Taxpayer Certainty and Disaster Relief Act of 2019 (Tax Extenders Act), which temporarily renewed approximately two dozen credits that previously expired or were set to expire at the end of 2019. The Cellulosic Biofuel Producer Credit was one of the credits extended under this act.

Valuation allowances are provided when it is considered more likely than not that the deferred tax assets will not be recorded. Since 2015, we have had a 100% valuation allowance against the U.S. taxable REIT subsidiary's deferred tax assets, net of deferred tax liabilities. During 2020, the net deferred tax assets increased by \$6.7 million, and thus the valuation allowance was adjusted accordingly. We recorded a change in the valuation allowance of \$6.7 million related to the U.S. TRS's deferred tax assets, net of liabilities.

TAX STATUTES

The following table provides detail of the tax years that remain open to examination by the IRS and other significant taxing jurisdictions:

Taxing Jurisdiction	Open Tax Years
U.S. Internal Revenue Service.....	2017 - 2019
New Zealand Inland Revenue.....	2015 - 2019

TAX CHARACTERISTICS OF DIVIDEND DISTRIBUTIONS

The taxable nature of the dividend distributions paid for each of the three years ended December 31 follows:

	2020	2019	2018
Total dividends/distributions paid per common share/unit	\$1.08	\$1.08	\$1.06
<i>Tax characteristics:</i>			
Capital gain.....	100%	100%	100%

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12. CONTINGENCIES

We have been named as a defendant in various lawsuits and claims arising in the normal course of business. While we have procured reasonable and customary insurance covering risks normally occurring in connection with our businesses, we have in certain cases retained some risk through the operation of large deductible insurance plans, primarily in the areas of executive risk, property, automobile and general liability. These pending lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on our financial position, results of operations, or cash flow.

13. ENVIRONMENTAL AND NATURAL RESOURCE DAMAGE LIABILITIES

Various federal and state environmental laws in the states in which we operate place cleanup or restoration liability on the current and former owners of affected real estate. These laws are often a source of “strict liability,” meaning that an owner or operator need not necessarily have caused, or even been aware of, the release of contaminated materials. Similarly, there are certain environmental laws that allow state, federal, and tribal trustees (collectively, the “Trustees”) to bring suit against property owners to recover damage for injuries to natural resources. Like the liability that attaches to current property owners in the cleanup context, liability for natural resource damages (“NRD”) can attach to a property simply because an injury to natural resources resulted from releases of contaminated materials on the owner’s property, regardless of culpability for the release.

In connection to the merger with Pope Resources, we assumed ownership of certain real estate in Port Gamble, Washington, which requires environmental remediation under these laws.

An analysis of environmental and NRD liabilities from December 31, 2019 to December 31, 2020 is shown below:

	Port Gamble, WA (a)
Total Balance at December 31, 2019	—
Liabilities assumed in merger with Pope Resources	13,003
Expenditures	<u>(1,362)</u>
Total Balance at December 31, 2020	11,641
Less: Current portion	<u>1,026</u>
Non-current portion at December 31, 2020	<u><u>\$10,615</u></u>

(a) Represents environmental and NRD liabilities assumed in the merger with Pope Resources. Pope & Talbot Inc. operated a sawmill from 1853 to 1995 and conducted shipping, log storage, and log transfer operations in the Port Gamble Bay area from 1974 to 2004. P&T’s operations resulted in the release of contaminated materials to the townsite, millsite, and adjacent bay. Prior to the merger, the in-water portion of the clean up was completed. In November 2020, a consent decree, which includes a cleanup action plan, was entered in Kitsap County Superior Court. Negotiations with the Trustees relating to NRD liabilities are currently ongoing and will ultimately result in agreement as to requested mitigation activities.

These estimates were based on assumptions that we believe to be reasonable; however, actual results may differ from these estimates. See Note 2 - Merger with Pope Resources for information regarding our preliminary estimates of fair value. It is expected that the millsite cleanup and NRD restoration will occur over the next two to three years, while the monitoring of the Port Gamble Bay, millsite and landfills will continue for an additional 10 to 15 years. The NRD costs are subject to change as the scope of the restoration projects become more clearly defined. It is reasonably possible that these components of the liability may increase as the project progresses. Management continues to monitor the Port Gamble cleanup process and will make adjustments as needed. Should any future circumstances result in a change to the estimated cost of the project, we will record an appropriate adjustment to the liability in the period it becomes known and when we can reasonably estimate the amount. For further information on the timing and amount of future payments related to our environmental remediation liabilities, see Note 10 - Commitments.

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14. GUARANTEES

We provide financial guarantees as required by creditors, insurance programs, and various governmental agencies. As of December 31, 2020, the following financial guarantees were outstanding:

Financial Commitments (a)	Maximum Potential Payment
Standby letters of credit.....	\$885
Surety bonds (b).....	7,284
Total financial commitments.....	\$8,169

- (a) We have not recorded any liabilities for these financial commitments in the Consolidated Balance Sheets. The guarantees are not subject to measurement, as the guarantees are dependent on our own performance.
- (b) Surety bonds are issued primarily to secure performance obligations related to various operational activities, to provide collateral for our Wildlight development project in Nassau County, Florida and in connection with pending and completed sales from the Harbor Hill project in Gig Harbor, Washington. These surety bonds expire at various dates during 2021, 2022 and 2023 and are expected to be renewed as required.

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15. EARNINGS PER SHARE AND PER UNIT

Basic earnings per common share (“EPS”) is calculated by dividing net income attributable to Rayonier Inc. by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by dividing net income attributable to Rayonier Inc., before net income attributable to noncontrolling interests in the Operating Partnership by the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of outstanding stock options, performance shares, restricted shares, restricted stock units and noncontrolling interests in Operating Partnership units.

The following table provides details of the calculations of basic and diluted earnings per common share of the Company for the three years ended December 31:

	2020	2019	2018
Earnings per common share - basic			
Numerator:			
Net Income.....	\$29,784	\$67,678	\$117,330
Less: Net (income) attributable to noncontrolling interest in the Operating Partnership.....	(528)	—	—
Less: Net loss (income) attributable to noncontrolling interests in consolidated affiliates.....	7,828	(8,573)	(15,114)
Net income attributable to Rayonier Inc.	<u>\$37,084</u>	<u>\$59,105</u>	<u>\$102,216</u>
Denominator:			
Denominator for basic earnings per common share - weighted average shares.....	133,865,867	129,257,202	129,043,627
Basic earnings per common share attributable to Rayonier Inc.:.....	\$0.28	\$0.46	\$0.79
Earnings per common share - diluted			
Numerator:			
Net Income.....	\$29,784	\$67,678	\$117,330
Less: Net loss (income) attributable to noncontrolling interest in consolidated affiliates.....	7,828	(8,573)	(15,114)
Net income attributable to Rayonier Inc., before net income attributable to noncontrolling interests in the Operating Partnership .	<u>\$37,612</u>	<u>\$59,105</u>	<u>\$102,216</u>
Denominator:			
Denominator for basic earnings per common share - weighted average shares.....	133,865,867	129,257,202	129,043,627
Add: Dilutive effect of:			
Stock options.....	633	12,209	71,276
Performance shares, restricted shares and restricted stock units....	198,955	328,977	575,328
Noncontrolling interests in Operating Partnership units.....	2,877,447	—	—
Denominator for diluted earnings per common share - adjusted weighted average shares.....	<u>136,942,902</u>	<u>129,598,388</u>	<u>129,690,231</u>
Diluted earnings per common share attributable to Rayonier Inc.:.....	\$0.27	\$0.46	\$0.79

	2020	2019	2018
Anti-dilutive shares excluded from computations of diluted earnings per share:			
Stock options, performance shares, restricted shares and restricted stock units.....	450,551	450,681	254,282

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Basic earnings per unit ("EPU") is calculated by dividing net income available to unitholders of Rayonier, L.P. by the weighted average number of units outstanding during the year. Diluted EPU is calculated by dividing net income available to unitholders of Rayonier, L.P. by the weighted average number of units outstanding adjusted to include the potentially dilutive effect of outstanding unit equivalents, including stock options, performance shares, restricted shares and restricted stock units.

The following table provides details of the calculations of basic and diluted earnings per unit of the Operating Partnership for the three years ended December 31:

	2020	2019	2018
Earnings per unit - basic			
Numerator:			
Net Income.....	\$29,784	\$67,678	\$117,330
Less: Net loss (income) attributable to noncontrolling interests in consolidated affiliates.....	7,828	(8,573)	(15,114)
Net income available to unitholders.....	<u>\$37,612</u>	<u>\$59,105</u>	<u>\$102,216</u>
Denominator:			
Denominator for basic earnings per unit - weighted average units.....	136,743,314	129,257,202	129,043,627
Basic earnings per unit attributable to Rayonier, L.P.:.....	\$0.28	\$0.46	\$0.79
Earnings per unit - diluted			
Numerator:			
Net Income.....	\$29,784	\$67,678	\$117,330
Less: Net loss (income) attributable to noncontrolling interest in consolidated affiliates.....	7,828	(8,573)	(15,114)
Net income available to unitholders.....	<u>\$37,612</u>	<u>\$59,105</u>	<u>\$102,216</u>
Denominator:			
Denominator for basic earnings per unit - weighted average units.....	136,743,314	129,257,202	129,043,627
Add: Dilutive effect of unit equivalents:			
Stock options.....	633	12,209	71,276
Performance shares, restricted shares and restricted stock units....	198,955	328,977	575,328
Denominator for diluted earnings per unit - adjusted weighted average units.....	<u>136,942,902</u>	<u>129,598,388</u>	<u>129,690,231</u>
Diluted earnings per unit attributable to Rayonier, L.P.:.....	\$0.27	\$0.46	\$0.79

	2020	2019	2018
Anti-dilutive unit equivalents excluded from computations of diluted earnings per unit:			
Stock options, performance shares, restricted shares and restricted stock units.....	450,551	450,681	254,282

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16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to market risk related to potential fluctuations in foreign currency exchange rates and interest rates. We use derivative financial instruments to mitigate the financial impact of exposure to these risks. We also use derivative financial instruments to mitigate exposure to foreign currency risk due to the translation of the investment in Rayonier's New Zealand-based operations from New Zealand dollars to U.S. dollars.

Accounting for derivative financial instruments is governed by Accounting Standards Codification Topic 815, *Derivatives and Hedging*, ("ASC 815"). In accordance with ASC 815, we record our 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 (loss) 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 investment is partially or completely liquidated. The 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.

FOREIGN CURRENCY EXCHANGE AND OPTION CONTRACTS

The functional currency of Rayonier New Zealand Limited, and the New Zealand subsidiary is the New Zealand dollar. The New Zealand subsidiary is exposed to foreign currency risk on export sales and ocean freight payments, which are mainly denominated in U.S. dollars. The New Zealand subsidiary typically hedges 50% to 90% of its estimated foreign currency exposure with respect to the following twelve months forecasted sales and purchases less distributions and up to 75% of the forward 12 to 18 months. Additionally, the New Zealand subsidiary will occasionally hedge up to 50% of its estimated foreign currency exposure with respect to the following 18 to 48 months forecasted sales and purchases, less distributions, when New Zealand dollar is at a cyclical low versus the U.S. dollar. Foreign currency exposure from the New Zealand subsidiary's trading operations is typically hedged based on the following three months forecasted sales and purchases. As of December 31, 2020, foreign currency exchange contracts and foreign currency option contracts had maturity dates through April 2022 and August 2021, respectively.

Foreign currency exchange and option contracts hedging foreign currency risk on export sales and ocean freight payments qualify for cash flow hedge accounting. We 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 (loss) income for de-designated hedges remains in AOCI until the forecasted transaction affects earnings. Changes in the value of derivative instruments after de-designation are recorded in earnings.

INTEREST RATE SWAPS

We are exposed to cash flow interest rate risk on our variable-rate Term Credit Agreement, Incremental Term Loan Agreement and 2020 Incremental Term Loan Facility, and use variable-to-fixed interest rate swaps to hedge this exposure. For these derivative instruments, we report the gains/losses from the fluctuations in the fair market value of the hedges in AOCI and reclassify them to earnings as interest expense in the same period in which the hedged interest payments affect earnings.

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The following table contains information on the outstanding interest rate swaps as of December 31, 2020:

Outstanding Interest Rate Swaps (a)						
Date Entered Into	Term	Notional Amount	Related Debt Facility	Fixed Rate of Swap (b)	Bank Margin on Debt	Total Effective Interest Rate (c)
August 2015	9 years	\$170,000	Term Credit Agreement	2.20 %	1.60 %	3.80 %
August 2015	9 years	180,000	Term Credit Agreement	2.35 %	1.60 %	3.95 %
April 2016	10 years	100,000	Incremental Term Loan	1.60 %	1.90 %	3.50 %
April 2016	10 years	100,000	Incremental Term Loan	1.60 %	1.90 %	3.50 %
July 2016	10 years	100,000	Incremental Term Loan	1.26 %	1.90 %	3.16 %
June 2020	10 years	250,000	2020 Incremental Term Loan	1.10 %	1.85 %	2.95 %

- (a) All interest rate swaps have been designated as interest rate cash flow hedges and qualify for hedge accounting.
(b) The interest rate swap entered in June 2020, was an off-market derivative, meaning it contained an embedded financing element, which the counterparties recovered through an incremental change in the fixed rate over what would have been charged for an at-market swap.
(c) Rate is before estimated patronage payments.

TREASURY LOCKS

During the first quarter of 2020, we entered into treasury lock agreements, which were designated and qualified as cash flow hedges. These derivative instruments hedged the impact of changes in the benchmark interest rate to future interest payments associated with anticipated debt issuances. Prior to expiration, we de-designated and settled the treasury locks by converting them into interest rate swap lock agreements (discussed below). To the extent we de-designate or terminate a cash flow hedging relationship and the associated hedged item continues to exist, any unrealized gain or loss of the cash flow hedge at the time of de-designation remains in AOCI and is amortized using the straight-line method through interest expense over the remaining life of the hedged item. Amounts recorded in AOCI in connection with the settled treasury locks were (\$20.8) million which will be reclassified to earnings through interest expense over the life of the 2020 Incremental Term Loan Facility.

The following table contains information on the expired treasury lock agreements entered into during the twelve months ended December 31, 2020:

Converted Treasury Rate Locks (a)					
Date Entered Into	Term	Notional Amount	Rate	Related Debt Facility (b)	Expiration Date
January 2020	10 years	\$100,000	1.53%	2020 Incremental Term Loan Facility	March 30, 2020
January 2020	10 years	100,000	1.53%	2020 Incremental Term Loan Facility	March 31, 2020
February 2020	10 years	50,000	1.35%	2020 Incremental Term Loan Facility	March 31, 2020

- (a) At inception, all treasury locks were designated as interest rate cash flow hedges and qualified for hedge accounting.
(b) See Note 8 — Debt for more information. We anticipate extending the term of the 2020 Incremental Term Loan facility for an additional five-year term upon maturity.

INTEREST RATE SWAP LOCKS

Upon de-designation, we converted the above treasury lock agreements to interest rate swap lock agreements to hedge the risk of changes in the interest payments attributable to changes in the benchmark LIBOR interest rate associated with anticipated issuances of debt. The interest rate swap locks were designated and qualified as cash flow hedges.

Prior to expiration, we de-designated and partially cash settled \$11.1 million of the interest rate swap locks and converted them into interest rate swap agreements. To the extent we de-designate or terminate a cash flow hedging relationship and the associated hedged item continues to exist, any unrealized gain or loss of the cash flow hedge

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at the time of de-designation remains in accumulated other comprehensive loss and is amortized using the straight-line method through interest expense over the remaining life of the hedged item. Incremental amounts recorded in accumulated other comprehensive loss in connection with the settled interest rate swap locks were (\$1.4) million, which will be reclassified to earnings through interest expense over the life of the 2020 Incremental Term Loan Facility.

The following table contains information on the terminated interest rate swap lock agreements as of December 31, 2020:

Converted Interest Rate Swap Locks (a)						
Date Entered Into	Term	Notional Amount	Fixed Rate of Swap Lock (b)	Related Debt Facility (c)	Termination Date	
March 2020	10 years	\$100,000	1.56%	2020 Incremental Term Loan Facility	June 30, 2020	
March 2020	10 years	100,000	1.59%	2020 Incremental Term Loan Facility	June 30, 2020	
March 2020	10 years	50,000	1.41%	2020 Incremental Term Loan Facility	June 30, 2020	

- (a) All interest rate swap locks have been designated as interest rate cash flow hedges and qualify for hedge accounting.
(b) These interest rate swap locks were off-market derivatives, meaning they contained an embedded financing element, which the counterparties recovered through an incremental charge in the fixed rate over what would have been charged for an at-market swap lock.
(c) See Note 8 — Debt for information. We anticipate extending the term of the 2020 Incremental Term Loan facility for an additional five-year term upon maturity.

FORWARD-STARTING INTEREST RATE SWAPS

We are exposed to cash flow interest rate risk on anticipated debt issuances and use forward-starting interest rate swap agreements to hedge against changes in future cash flows resulting from changes in interest rates from the trade date through the anticipated issuance date. For these derivative instruments, we report the gains/losses from the fluctuations in the fair market value of the hedges in AOCI and reclassify them to earnings as interest expense in the same period in which the hedged interest payments affect earnings.

The following table contains information on the outstanding forward-starting interest rate swaps as of December 31, 2020:

Outstanding Forward-Starting Interest Rate Swaps (a)						
Date Entered Into	Term	Notional Amount	Fixed Rate of Swap	Related Debt Facility	Forward Date	Maximum Period Ending for Forecasted Issuance Date
February 2020	10 years	\$325,000	1.40%	Anticipated refinancing of Senior Notes due 2022	April 2022	April 2022
March 2020	4 years	100,000	0.88%	Term Credit Agreement	August 2024	N/A
May 2020	4 years	50,000	0.74%	Term Credit Agreement	August 2024	N/A

- (a) All forward-starting interest rate swaps have been designated as interest rate cash flow hedges and qualify for hedge accounting.

CARBON OPTIONS

The New Zealand subsidiary enters into carbon options from time to time to sell carbon assets at certain prices. Changes in fair value of the carbon option contracts are recorded in "Interest and other miscellaneous income, net" as the contracts do not qualify for hedge accounting treatment. As of December 31, 2020, all existing carbon option contracts have expired.

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The following table demonstrates the impact, gross of tax, of our derivatives on the Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2020, 2019 and 2018.

	Location on Statement of Income and Comprehensive Income	2020	2019	2018
Derivatives designated as cash flow hedges:				
Foreign currency exchange contracts.....	Other comprehensive (loss) income	\$5,376	\$2,211	(\$4,357)
Foreign currency option contracts.....	Other comprehensive (loss) income	1,211	159	(180)
Interest rate swaps.....	Other comprehensive (loss) income	(76,567)	(29,893)	8,745
Interest rate products.....	Interest Expense	10,769	(2,296)	(449)
Derivatives designated as a net investment hedge:				
Foreign currency exchange contract.....	Other comprehensive (loss) income	—	—	(344)
Derivatives not designated as hedging instruments:				
Foreign currency exchange contracts.....	Interest and other miscellaneous income, net	—	\$135	\$2,183
Carbon options	Interest and other miscellaneous income, net	563	(105)	(158)

During the next 12 months, the amount of the December 31, 2020 AOCI balance, net of tax, expected to be reclassified into earnings as a result of the maturation of our derivative instruments is a gain of approximately \$4.7 million.

The following table contains the notional amounts of the derivative financial instruments recorded in the Consolidated Balance Sheets at December 31, 2020 and 2019:

	Notional Amount	
	2020	2019
Derivatives designated as cash flow hedges:		
Foreign currency exchange contracts.....	\$49,000	\$56,350
Foreign currency option contracts.....	28,000	22,000
Interest rate swaps.....	900,000	650,000
Forward-starting interest rate swaps	475,000	—
Derivatives not designated as hedging instruments:		
Carbon options (a).....	—	9,592

(a) Notional amount for carbon options is calculated as the number of units outstanding multiplied by the spot price as of the end of the period.

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The following table contains the fair values of the derivative financial instruments recorded in the Consolidated Balance Sheets at December 31, 2020 and 2019. Changes in balances of derivative financial instruments are recorded as operating activities in the Consolidated Statements of Cash Flows:

	Location on Balance Sheet	Fair Value Assets (Liabilities) (a)	
		2020	2019
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts.....	Other current assets	\$4,968	\$424
	Other assets	1,050	390
	Other current liabilities	—	(172)
Foreign currency option contracts.....	Other current assets	1,526	151
	Other assets	—	209
	Other current liabilities	(11)	(27)
	Other non-current liabilities	—	(30)
Interest rate swaps.....	Other assets	—	2,614
	Other non-current liabilities	(51,580)	(11,068)
Forward-starting interest rate swaps.....	Other assets	513	—
	Other non-current liabilities	(13,042)	—
Derivatives not designated as hedging instruments:			
Carbon options (a).....	Other current liabilities	—	(607)
Total derivative contracts:			
Other current assets.....		\$6,494	\$575
Other assets.....		1,563	3,213
Total derivative assets.....		<u>\$8,057</u>	<u>\$3,788</u>
Other current liabilities.....		(11)	(806)
Other non-current liabilities.....		(64,622)	(11,098)
Total derivative liabilities.....		<u>(\$64,633)</u>	<u>(\$11,904)</u>

(a) See Note 17 — Fair Value Measurements for further information on the fair value of our 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. Our derivative financial instruments are not subject to master netting arrangements, which would allow the right of offset.

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17. 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.

The following table presents the carrying amount and estimated fair values of our financial instruments at December 31, 2020 and 2019, using market information and what we believe to be appropriate valuation methodologies under generally accepted accounting principles:

Asset (liability) (a)	December 31, 2020			December 31, 2019		
	Carrying Amount	Fair Value		Carrying Amount	Fair Value	
		Level 1	Level 2		Level 1	Level 2
Cash and cash equivalents, excluding Timber Funds.....	\$80,454	\$80,454	—	\$68,735	\$68,735	—
Cash and cash equivalents, Timber Funds.....	4,053	4,053	—	—	—	—
Restricted cash (b).....	2,975	2,975	—	1,233	1,233	—
Current maturities of long-term debt, excluding Timber Funds.....	—	—	—	(82,000)	—	(82,000)
Long-term debt, excluding Timber Funds (c).....	(1,300,336)	—	(1,313,631)	(973,129)	—	(981,500)
Long-term debt, Timber Funds (c).....	(60,179)	—	(60,474)	—	—	—
Interest rate swaps (d).....	(51,580)	—	(51,580)	(8,454)	—	(8,454)
Forward-starting interest rate swaps (d)...	(12,529)	—	(12,529)	—	—	—
Foreign currency exchange contracts (d)..	6,018	—	6,018	642	—	642
Foreign currency option contracts (d).....	1,515	—	1,515	303	—	303
Carbon options contracts (d).....	—	—	—	(607)	—	(607)
Marketable equity securities (e).....	—	—	—	10,582	10,582	—
Noncontrolling Interests in the Operating Partnership (f).....	130,121	130,121	—	—	—	—

(a) We did not have Level 3 assets or liabilities at December 31, 2020 and 2019.

(b) Restricted cash represents the proceeds from like-kind exchange sales deposited with a third-party intermediary and cash held in escrow for real estate development obligations. See Note 23 - Restricted Cash for additional information.

(c) The carrying amount of long-term debt is presented net of capitalized debt costs on non-revolving debt. See Note 8 — Debt for additional information.

(d) See Note 16 — Derivative Financial Instruments and Hedging Activities for information regarding the Balance Sheet classification of our derivative financial instruments.

(e) Investments in marketable securities are classified in "Other Assets" based on the nature of the securities and their availability for use in current operations. See Note 24 - Other Assets for additional information.

(f) Noncontrolling interests in the Operating Partnership is neither an asset nor liability and is classified as temporary equity in the Company's Consolidated Balance Sheets. This relates to the ownership of Rayonier, L.P. Units by various individuals and entities other than the Company.

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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.

Carbon option contracts — The fair value of carbon option contracts is determined by a mark-to-market valuation using the Black-Scholes option pricing model, 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.

Marketable equity securities — The fair value of marketable equity securities is determined by quoted prices in their active market.

Noncontrolling Interests in the Operating Partnership — The fair value of noncontrolling interests in the Operating Partnership is determined based on the period-end closing price of Rayonier Inc. common shares.

The following table presents marketable equity securities that have been in a continuous unrealized gain position for less than 12 months and for 12 months or greater at December 31, 2020 and December 31, 2019:

	December 31, 2020				December 31, 2019			
	Carrying Amount	Less than 12 Months	12 Months or Greater	Total	Carrying Amount	Less than 12 Months	12 Months or Greater	Total
Fair value of marketable equity securities.....	—	—	—	—	\$10,582	\$10,582	—	\$10,582
Unrealized gains.....	—	—	—	—	—	3,043	—	3,043

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18. EMPLOYEE BENEFIT PLANS

We have 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 plans. We closed enrollment in the pension plans to salaried employees hired after December 31, 2005. Effective December 31, 2016, we froze benefits for all employees participating in the pension plan. In lieu of the pension plan, we provide those employees with an enhanced 401(k) plan match similar to what is currently provided to employees hired after December 31, 2005. 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 following tables set forth the change in the projected benefit obligation and plan assets and reconcile the funded status and the amounts recognized in the Consolidated Balance Sheets for the pension and postretirement benefit plans for the two years ended December 31:

	Pension		Postretirement	
	2020	2019	2020	2019
Change in Projected Benefit Obligation				
Projected benefit obligation at beginning of year.....	\$90,261	\$79,559	\$1,634	\$1,303
Service cost.....	—	—	6	6
Interest cost.....	2,706	3,197	51	54
Actuarial loss (gain).....	10,915	10,828	209	285
Benefits paid.....	(3,413)	(3,323)	(14)	(14)
Projected benefit obligation at end of year.....	<u>\$100,469</u>	<u>\$90,261</u>	<u>\$1,886</u>	<u>\$1,634</u>
Change in Plan Assets				
Fair value of plan assets at beginning of year.....	\$66,460	\$50,949	—	—
Actual return on plan assets.....	13,329	12,975	—	—
Employer contributions.....	3,005	6,413	14	14
Benefits paid.....	(3,413)	(3,284)	(14)	(14)
Other expense.....	(498)	(593)	—	—
Fair value of plan assets at end of year.....	<u>\$78,883</u>	<u>\$66,460</u>	<u>—</u>	<u>—</u>
Funded Status at End of Year:				
Net accrued benefit cost.....	<u>(\$21,586)</u>	<u>(\$23,801)</u>	<u>(\$1,886)</u>	<u>(\$1,634)</u>
Amounts Recognized in the Consolidated Balance Sheets Consist of:				
Current liabilities.....	(\$86)	(\$86)	(\$41)	(\$38)
Noncurrent liabilities.....	(21,500)	(23,715)	(1,845)	(1,596)
Net amount recognized.....	<u>(\$21,586)</u>	<u>(\$23,801)</u>	<u>(\$1,886)</u>	<u>(\$1,634)</u>

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Net gains or losses recognized in other comprehensive (loss) income for the three years ended December 31 are as follows:

	Pension			Postretirement		
	2020	2019	2018	2020	2019	2018
Net (losses) gains	(\$1,587)	(\$1,514)	(\$1,743)	(\$207)	(\$285)	\$149

In 2020, net losses recognized in other comprehensive income for our pension plan was primarily due to an approximate 80 bps decline in the discount rate (\$11.2 million) and unfavorable demographic experience (\$0.4 million), partially offset by higher than expected return on plan assets (\$9.3 million) and updates to mortality rates (\$0.7 million). Net losses recognized in other comprehensive income for our postretirement plan was primarily due to an approximate 74 bps decline in the discount rate (\$0.2 million).

Net gains or losses reclassified from other comprehensive income and recognized as a component of pension and postretirement expense for the three years ended December 31 are as follows:

	Pension			Postretirement		
	2020	2019	2018	2020	2019	2018
Amortization of losses (gains).....	\$861	\$449	\$673	\$8	—	\$2

Net losses that have not yet been included in pension and postretirement expense for the two years ended December 31, but have been recognized as a component of AOCI are as follows:

	Pension		Postretirement	
	2020	2019	2020	2019
Net losses.....	(\$25,043)	(\$24,317)	(\$491)	(\$292)
Deferred income tax benefit	1,216	1,216	6	6
AOCI.....	<u>(\$23,827)</u>	<u>(\$23,101)</u>	<u>(\$485)</u>	<u>(\$286)</u>

For pension and postretirement plans with accumulated benefit obligations in excess of plan assets, the following table sets forth the projected and accumulated benefit obligations and the fair value of plan assets for the two years ended December 31:

	2020	2019
Projected benefit obligation.....	\$100,469	\$90,261
Accumulated benefit obligation.....	100,469	90,261
Fair value of plan assets.....	78,883	66,460

The following tables set forth the components of net pension and postretirement benefit cost (credit) that have been recognized during the three years ended December 31:

	Pension			Postretirement		
	2020	2019	2018	2020	2019	2018
Components of Net Periodic Benefit Cost (Credit)						
Service cost.....	—	—	—	\$6	\$6	\$7
Interest cost.....	2,706	3,197	3,021	51	54	38
Expected return on plan assets.....	(3,504)	(3,107)	(3,934)	—	—	—
Amortization of losses (gains).....	861	449	673	8	—	2
Net periodic benefit cost (credit).....	<u>\$63</u>	<u>\$539</u>	<u>(\$240)</u>	<u>\$65</u>	<u>\$60</u>	<u>\$47</u>

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The following table sets forth the principal assumptions inherent in the determination of benefit obligations and net periodic benefit cost of the pension and postretirement benefit plans as of December 31:

	Pension			Postretirement		
	2020	2019	2018	2020	2019	2018
Assumptions used to determine benefit obligations at December 31:						
Discount rate.....	2.26 %	3.06 %	4.11 %	2.42 %	3.16 %	4.18 %
Assumptions used to determine net periodic benefit cost for years ended December 31:						
Discount rate	3.06 %	4.11 %	3.48 %	3.16 %	4.18 %	3.56 %
Expected long-term return on plan assets.....	5.72 %	5.72 %	7.17 %	—	—	—

At December 31, 2020, the pension plan's discount rate was 2.3%, which closely approximates interest rates on high quality, long-term obligations. In 2020, the expected return on plan assets remained flat at 5.7%, which is based on historical and expected long-term rates of return on broad equity and bond indices and consideration of the actual annualized rate of return. We utilize this information in developing assumptions for returns, risks and correlations of asset classes, which are then used to establish the asset allocation ranges.

INVESTMENT OF PLAN ASSETS

Our Pension and Savings Plan Committee and the Audit Committee of the Board of Directors oversee the pension plans' investment program, which is designed to maximize returns and provide sufficient liquidity to meet plan obligations while maintaining acceptable risk levels. The investment approach emphasizes diversification by allocating the plans' assets among asset categories and selecting investment managers whose various investment methodologies will be minimally correlative with each other.

In 2020, we transitioned to a liability-driven investment ("LDI") strategy. An LDI strategy focuses on maintaining a close to fully-funded status over the long-term with minimal funded status risk. This is achieved by investing more of the plan assets in fixed income instruments to more closely match the duration of the plan liability. The investment allocation to fixed income instruments will increase as the plans' funded status increases. Investment target allocation percentages for equity securities can range up to 80 percent.

Our pension plans' asset allocation (excluding short-term investments) at December 31, 2020 and 2019 are as follows:

Asset Category	Percentage of Plan Assets	
	2020	2019
Domestic equity securities.....	44%	41%
International equity securities.....	30%	28%
Domestic fixed income securities.....	21%	25%
International fixed income securities.....	3%	4%
Real estate fund.....	2%	2%
Total.....	<u>100%</u>	<u>100%</u>

Investments within the equity categories may include large capitalization, small capitalization and emerging market securities, while the international fixed income portfolio may include emerging markets debt. Pension assets did not include a direct investment in Rayonier common shares during the years ended December 31, 2020 and 2019.

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NET ASSET VALUE MEASUREMENTS

Separate investment accounts are measured using the unit value calculated based on the Net Asset Value (“NAV”) of the underlying assets. The NAV is based on the fair value of the underlying investments held by each fund less liabilities divided by the units outstanding as of the valuation date. These funds are not publicly traded; however, the unit price calculation is based on observable market inputs of the funds’ underlying assets.

The following table sets forth the net asset value of the plan assets as of December 31, 2020 or 2019.

Asset Category	December 31, 2020	December 31, 2019
Investments at Net Asset Value:		
Separate Investment Accounts.....	\$78,883	\$66,460
Total Investments at Net Asset Value.....	\$78,883	\$66,460

CASH FLOWS

Our expected benefit payments to be made for the next 10 years are as follows:

	Pension Benefits	Postretirement Benefits
2021.....	\$3,774	\$41
2022.....	4,026	45
2023.....	4,135	48
2024.....	4,327	52
2025.....	4,445	55
2026-2030.....	23,200	328

We have no pension contribution requirements in 2021.

DEFINED CONTRIBUTION PLANS

We provide a defined contribution plan to all of our eligible employees. Upon completion of the merger with Pope Resources, former eligible Pope Resource employees were immediately eligible to participate in the Rayonier 401(k) plan. Pope Resources employees’ year of service were credited to the 401(k) plan for vesting purposes. Company match contributions charged to expense for these plans were \$1.1 million, \$1.0 million and \$0.9 million for the years ended December 31, 2020, 2019 and 2018, respectively. The defined contribution plan includes Rayonier common shares with a fair market value of \$8.5 million and \$10.6 million at December 31, 2020 and 2019, respectively. As of June 1, 2016, the Rayonier Inc. Common Stock Fund was closed to new contributions. Transfers out of the fund will continue to be permitted, but no new investments or transfers into the fund are allowed.

As discussed above, the defined benefit pension plan is currently frozen. In lieu of the pension plan, employees are eligible to receive an enhanced match contribution. Company enhanced match contributions charged to expense for the years ended December 31, 2020, 2019 and 2018 were \$1.0 million, \$0.9 million and \$0.8 million, respectively.

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19. INCENTIVE STOCK PLANS

The Rayonier Incentive Stock Plan (the “Stock Plan”) provides up to 15.8 million shares to be granted for incentive stock options, non-qualified stock options, stock appreciation rights, performance shares, restricted stock and restricted stock units, subject to certain limitations. At December 31, 2020, a total of 2.8 million shares were available for future grants under the Stock Plan. Under the Stock Plan, shares available for issuance are reduced by 1 share for each option or right granted and by 2.27 shares for each performance share, restricted share or restricted stock unit granted. We issue new shares of stock upon the exercise of stock options, the granting of restricted stock, and the vesting of performance shares and restricted stock units.

A summary of our stock-based compensation cost is presented below:

	2020	2019	2018
Selling and general expenses.....	\$6,839	\$6,416	\$5,623
Cost of sales.....	693	378	704
Timber and Timberlands, net (a).....	170	110	101
Other operating expense, net (b).....	324	—	—
Total stock-based compensation.....	<u>\$8,026</u>	<u>\$6,904</u>	<u>\$6,428</u>
Tax benefit recognized related to stock-based compensation expense (c).	\$421	\$362	\$338

(a) Represents amounts capitalized as part of the overhead allocation of timber-related costs.

(b) Represents expense associated with the acceleration of share-based compensation on Pope replacement awards related to qualifying terminations. See Note 21 - Charges for Integration and Restructuring for additional details.

(c) A valuation allowance is recorded against the tax benefit recognized as we do not expect to be able to realize the benefit in the future.

FAIR VALUE CALCULATIONS BY AWARD

RESTRICTED STOCK

Restricted stock granted to employees under the Stock Plan generally vests in fourths on the first, second, third and fourth anniversary of the grant date. Restricted stock granted to senior management generally vests in thirds on the third, fourth, and fifth anniversary of the grant date. Periodically, other one-time restricted stock grants are issued to employees for special purposes, such as new hire, promotion or retention, and can vest ratably over, or upon completion of, a defined period of time. Generally, holders of restricted stock receive dividend equivalent payments on outstanding restricted shares. Restricted stock granted to members of the board of directors generally vests immediately upon issuance and is subject to certain holding requirements. The fair value of each share granted is equal to the share price of the the Company’s stock on the date of grant. We have elected to value each grant in total and recognize the expense on a straight-line basis from the grant date of the award to the latest vesting date. As permitted, we do not estimate a forfeiture rate for non-vested shares. Accordingly, unexpected forfeitures will lower stock-based compensation during the period in which they occur.

REPLACEMENT RESTRICTED STOCK AWARDS FROM THE MERGERS

As a result of the Mergers, Rayonier issued 69,176 shares of restricted stock awards (“replacement awards”) in connection with unvested Pope Resources restricted units. Eligible outstanding Pope Resources restricted units were canceled and exchanged for replacement awards, pursuant to an exchange ratio in the merger agreement designed to maintain the intrinsic value of the awards immediately prior to the exchange.

In accordance with ASC 805, these awards are considered to be replacement awards. Exchanges of share-based payment awards in conjunction with a business combination are modifications in accordance with ASC 718, *Compensation — Stock Compensation* (“ASC 718”). As a result, the portion of the fair-value of replacement awards attributable to pre-merger services were included in measuring the consideration transferred in the business combination. The fair value of the replacement awards was estimated to be approximately \$1.7 million of which

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\$0.2 million was attributable to pre-merger services. See Note 2 — Merger with Pope Resources for additional information.

REPLACEMENT AWARD EXPENSE

The replacement awards issued have similar vesting provisions as the terms of existing Rayonier restricted stock. Expense for the replacement awards that were not fully vested prior to the date of the merger will continue to be recognized over a weighted average remaining service period of approximately 21 months unless a qualifying termination occurs.

A qualifying termination of an awardee will result in the acceleration of vesting and expense recognition in the period that the qualifying termination occurs. Qualifying terminations during the year ended December 31, 2020 resulted in the accelerated vesting of 15,049 of the replacement awards and recognition of approximately \$0.3 million of expense. This accelerated vesting expense is included in merger-related integration costs as described in Note 21 — Charges for Integration and Restructuring.

As of December 31, 2020, there was \$2.0 million of unrecognized compensation cost attributable to our restricted stock. We expect to recognize this cost over a weighted average period of 1.7 years.

A summary of our restricted stock is presented below:

	2020	2019	2018
Restricted shares granted (a).....	100,452	24,592	87,924
Weighted average price of restricted shares granted.....	\$23.15	\$30.90	\$35.44
Intrinsic value of restricted stock outstanding (b).....	4,666	5,540	8,792
Grant date fair value of restricted stock vested.....	2,755	5,339	1,582
Cash used to purchase common shares from current and former employees to pay withholding tax requirements on restricted shares vested.....	566	1,610	334

(a) The year ended December 31, 2020 includes 69,176 replacement awards issued as a result of the merger with Pope Resources.

(b) Intrinsic value of restricted stock outstanding is based on the market price of the Company's stock at December 31, 2020.

	2020	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested Restricted Shares at January 1,.....	169,114	\$29.45
Granted (a).....	100,452	23.15
Vested (b).....	(109,764)	25.10
Cancelled.....	(982)	30.46
Non-vested Restricted Shares at December 31,.....	158,820	\$28.47

(a) The year ended December 31, 2020 includes 69,176 replacement awards issued as a result of the merger with Pope Resources.

(b) The year ended December 31, 2020 includes 15,049 replacement awards vested as a result of acceleration due to qualifying terminations.

RESTRICTED STOCK UNITS

In April 2019, we began granting restricted stock units instead of restricted stock to employees. All attributes of our restricted stock described herein, including vesting characteristics, dividend payments, fair value measurement and expense recognition, apply equally to restricted stock units granted under the Stock Plan.

As of December 31, 2020, there was \$5.2 million of unrecognized compensation cost attributable to our restricted stock units. We expect to recognize this cost over a weighted average period of 3.5 years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollar amounts in thousands unless otherwise stated)

A summary of our restricted stock units is presented below:

	2020	2019	2018
Restricted stock units granted.....	171,409	103,634	—
Weighted average price of restricted stock units granted.....	\$22.58	\$31.51	—
Intrinsic value of restricted stock units outstanding (a).....	7,801	3,351	—
Grant date fair value of restricted stock units vested.....	\$218	\$2	—
Cash used to purchase common shares from current and former employees to pay withholding tax requirements on restricted stock units vested.....	\$47	\$1	—

(a) Intrinsic value of restricted stock units outstanding is based on the market price of the Company's stock at December 31, 2020.

	2020	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested Restricted Stock Units at January 1,.....	102,297	\$31.50
Granted.....	171,409	22.58
Vested.....	(6,868)	31.71
Cancelled.....	(1,316)	28.35
Non-vested Restricted Stock Units at December 31,.....	<u>265,522</u>	<u>\$25.75</u>

PERFORMANCE SHARE UNITS

Our performance share units generally vest upon completion of a three-year period. The number of shares, if any, that are ultimately awarded is contingent upon our total shareholder return versus selected peer group companies. The performance share payout is based on a market condition, and as such, the awards are valued using a Monte Carlo simulation model. The model generates the fair value of the award at the grant date, which is then recognized as expense on a straight-line basis over the vesting period. Additionally, we do not estimate a forfeiture rate for non-vested units. As such, unexpected forfeitures will lower stock-based compensation during the period in which they occur.

The Stock Plan allows for the cash settlement of the required withholding tax on performance share unit awards. As of December 31, 2020, there was \$6.3 million of unrecognized compensation cost related to our performance share unit awards, which is attributable to awards granted in 2018, 2019 and 2020. This cost is expected to be recognized over a weighted average period of 1.9 years.

A summary of our performance share units is presented below:

	2020	2019	2018
Common shares reserved for performance shares granted during year	361,870	232,684	213,154
Weighted average fair value of performance share units granted.....	\$29.59	\$35.99	\$40.27
Intrinsic value of outstanding performance share units (a).....	11,711	10,758	9,229
Fair value of performance shares vested.....	3,522	6,387	5,670
Cash used to purchase common shares from current and former employees to pay withholding tax requirements on performance shares vested.....	992	2,639	2,651

(a) Intrinsic value of outstanding performance share units is based on the market price of the Company's stock at December 31, 2020.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollar amounts in thousands unless otherwise stated)

	2020	
	Number of Units	Weighted Average Grant Date Fair Value
Outstanding Performance Share units at January 1,.....	328,386	\$36.06
Granted.....	180,935	29.59
Units Distributed.....	(109,470)	32.17
Other Cancellations/Adjustments.....	(1,244)	38.04
Outstanding Performance Share units at December 31,.....	<u>398,607</u>	<u>\$34.17</u>

Expected volatility was estimated using daily returns on the Company's common shares for the three-year period ending on the grant date. The risk-free rate was based on the 3-year U.S. treasury rate on the date of the award. The dividend yield was not used to calculate fair value as awards granted receive dividend equivalents. The following table provides an overview of the assumptions used in calculating the fair value of the awards granted for the three years ended December 31, 2020:

	2020	2019	2018
Expected volatility.....	32.6%	18.4%	20.8%
Risk-free rate.....	0.3%	2.3%	2.4%

NON-QUALIFIED EMPLOYEE STOCK OPTIONS

The exercise price of each non-qualified stock option granted under the Stock Plan is equal to the closing market price of the Company's stock on the grant date. Under the Stock Plan, the maximum term is 10 years from the grant date.

A summary of the status of our stock options as of and for the year ended December 31, 2020 is presented below:

	2020			
	Number of Shares	Weighted Average Exercise Price (per common share)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1,.....	414,402	\$33.30		
Granted.....	—	—		
Exercised.....	(50,228)	27.23		
Cancelled or expired.....	(23,189)	35.08		
Options outstanding at December 31,.....	<u>340,985</u>	<u>34.07</u>	<u>2.2</u>	<u>\$5</u>
Options exercisable at December 31,.....	<u>340,985</u>	<u>\$34.07</u>	<u>2.2</u>	<u>\$5</u>

A summary of additional information pertaining to our stock options is presented below:

	2020	2019	2018
Intrinsic value of options exercised (a).....	\$108	\$475	\$2,618
Cash received from exercise of options.....	1,368	1,260	8,591

(a) Intrinsic value of options exercised is the amount by which the fair value of the stock on the exercise date exceeded the exercise price of the option.

As of December 31, 2020, compensation cost related to stock options was fully recognized.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollar amounts in thousands unless otherwise stated)

20. OTHER OPERATING (EXPENSE) INCOME, NET

The following table provides the composition of Other operating (expense) income, net for the three years ended December 31:

	2020	2019	2018
(Loss) gain on foreign currency remeasurement, net of cash flow hedges.....	(\$3,503)	(\$3,077)	\$370
Gain on sale or disposal of property plant & equipment.....	121	56	7
Income from sale of unused Internet Protocol addresses.....	—	—	646
Log trading marketing fees.....	56	314	286
Cost related to the merger with Pope Resources (a).....	(17,166)	—	—
Equity loss related to Ferncliff Investors joint venture (b).....	(721)	—	—
Miscellaneous expense, net.....	(472)	(1,826)	(169)
Total.....	<u>(\$21,685)</u>	<u>(\$4,533)</u>	<u>\$1,140</u>

(a) Includes legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources. See Note 2 - Merger with Pope Resources and Note 21 - Charges for Integration and Restructuring for additional information.

(b) See Note 6 - Noncontrolling Interests and Note 27 - Variable Interest Entities for additional information on Ferncliff Investors.

21. CHARGES FOR INTEGRATION AND RESTRUCTURING

During 2020, we have incurred and accrued for termination benefits (primarily severance) and accelerated share-based payment costs based upon actual and expected qualifying terminations of certain employees as a result of restructuring decisions made concurrent with and subsequent to the Mergers. We have also incurred non-recurring professional services costs for investment banking, legal, consulting, accounting and certain other fees directly attributable to the Mergers.

A summary of the charges for integration and restructuring related to the Mergers is presented below:

	2020
Termination benefits.....	\$625
Acceleration of share-based compensation related to qualifying terminations (Note 19).....	324
Professional services.....	14,314
Other integration and restructuring costs.....	1,903
Total integration and restructuring charges related to the Mergers.....	<u>\$17,166</u>

Changes in accrued severance related to restructuring during 2020 were as follows:

	2020
Accrued severance as of January 1, 2020.....	—
Charges.....	625
Payments.....	(513)
Accrued severance as of December 31, 2020.....	<u>\$112</u>

Accrued severance is recorded within "Accrued Payroll and Benefits" in our Consolidated Balance Sheets. The accrued severance balance as of December 31, 2020 is expected to be paid within one year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollar amounts in thousands unless otherwise stated)

22. INVENTORY

As of December 31, 2020 and 2019, our inventory was solely comprised of finished goods, as follows:

	2020	2019
Finished goods inventory.....		
Real estate inventory (a).....	\$6,756	\$12,663
Log inventory.....	3,838	1,855
Total inventory.....	<u>\$10,594</u>	<u>\$14,518</u>

(a) Represents the cost of HBU real estate (including capitalized development investments) under contract to be sold. See Note 9 — Higher and Better Use Timberlands and Real Estate Development Investments for additional information.

23. 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 that the LKE purchases are not completed, the proceeds are returned to us after 180 days and reclassified as available cash. As of December 31, 2020 and 2019, we had \$3.0 million and \$1.2 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 real estate development obligations.

The following table contains the amount of restricted cash recorded in the Consolidated Balance Sheets and Consolidated Statements of Cash Flows for the years ended December 31:

	2020	2019
Restricted cash deposited with LKE intermediary.....	—	\$758
Restricted cash held in escrow.....	2,975	475
Total restricted cash shown in the Consolidated Balance Sheets.....	2,975	1,233
Cash and cash equivalents.....	84,507	68,735
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows.....	<u>\$87,482</u>	<u>\$69,968</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollar amounts in thousands unless otherwise stated)

24. OTHER ASSETS

Included in Other Assets are derivatives, goodwill in the New Zealand subsidiary, long-term prepaid roads, patronage equity, marketable equity securities and other deferred expenses including deferred financing costs related to revolving debt and capitalized software costs.

See Note 16 — Derivative Financial Instruments and Hedging Activities for further information on derivatives including their classification on the Consolidated Balance Sheets.

Changes in goodwill for the years ended December 31, 2020 and 2019 were:

	2020	2019
Balance, January 1 (net of \$0 of accumulated impairment).....	\$8,611	\$8,307
Changes to carrying amount		
Acquisitions.....	—	—
Impairment.....	—	—
Foreign currency adjustment.....	332	304
Balance, December 31 (net of \$0 of accumulated impairment).....	<u>\$8,943</u>	<u>\$8,611</u>

See Note 1 — Summary of Significant Accounting Policies for additional information on goodwill.

As of December 31, 2020 and 2019, Rayonier's prepaid logging and secondary roads follows:

	2020	2019
Long-term and prepaid and secondary roads		
Pacific Northwest long-term prepaid roads.....	\$4,087	\$4,198
New Zealand long-term secondary roads.....	5,767	4,265
Total long-term prepaid and secondary roads.....	<u>\$9,854</u>	<u>\$8,463</u>

See Note 1 — Summary of Significant Accounting Policies for additional information on prepaid logging roads.

As of December 31, 2020 and 2019, Rayonier's patronage equity follows:

	2020	2019
Patronage Equity	\$6,685	\$5,217

See Note 1 — Summary of Significant Accounting Policies for additional information on patronage equity.

As of December 31, 2020 and 2019, Rayonier's deferred financing costs related to revolving debt follows:

	2020	2019
Deferred financing costs related to revolving debt.....	\$1,040	\$102

See Note 1 — Summary of Significant Accounting Policies for additional information on deferred financing costs related to revolving debt.

As of December 31, 2020 and 2019, Rayonier's capitalized software costs follows:

	2020	2019
Capitalized software costs.....	\$3,651	\$3,605

See Note 1 — Summary of Significant Accounting Policies for additional information on capitalized software costs.

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As of December 31, 2020 and 2019, Rayonier's investments in marketable equity securities follows:

	2020	2019
Investments in marketable equity securities.....	—	\$10,582

See Note 1 — Summary of Significant Accounting Policies for additional information on investments in marketable equity securities. As of December 31, 2019, our investments in marketable equity securities consisted entirely of 114,400 limited partnership units of Pope Resources, originally purchased in an open-market transaction at \$65.90 per unit. These units were included as consideration transferred in the merger with Pope Resources. See Note 2 — Merger with Pope Resources for additional information.

25. ASSETS HELD FOR SALE

Assets held for sale is composed of properties not included in inventory under contract and expected to be sold within the next 12 months that also meet the other relevant held-for-sale criteria in accordance with ASC 360-10-45-9. As of December 31, 2020, the basis in properties meeting this classification was \$3.4 million. Since the basis in these properties was less than the fair value, including costs to sell, no impairment was recognized. As of December 31, 2019, there were no properties classified as assets held for sale.

26. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in AOCI by component for the years ended December 31, 2020 and 2019. All amounts are presented net of tax effect and exclude portions attributable to noncontrolling interest.

	Foreign currency translation gains/ (losses)	Net investment hedges of New Zealand subsidiary	Cash flow hedges	Employee benefit plans	Total Rayonier, L.P.	Allocation of Operating Partnership	Total Rayonier Inc.
Balance as of December 31, 2018.....	(\$1,010)	\$1,321	\$21,965	(\$22,037)	\$239	—	\$239
Other comprehensive (loss) income before reclassifications.....	784	—	(29,251)	(1,799)	(30,266)	—	(30,266)
Amounts reclassified from accumulated other comprehensive (loss) income.....	—	—	(1,624)	449 (b)	(1,175)	—	(1,175)
Net other comprehensive (loss) income.....	784	—	(30,875)	(1,350)	(31,441)	—	(31,441)
Balance as of December 31, 2019.....	(\$226)	\$1,321	(\$8,910)	(\$23,387)	(\$31,202)	—	(\$31,202)
Other comprehensive (loss) income before reclassifications.....	22,928	—	(71,644) (a)	(1,794)	(50,510)	—	(50,510)
Amounts reclassified from accumulated other comprehensive (loss) income.....	—	—	9,498	869 (b)	10,367	(2,540)	7,827
Net other comprehensive (loss) income.....	22,928	—	(62,146)	(925)	(40,143)	(2,540)	(42,683)
Balance as of December 31, 2020.....	<u>\$22,702</u>	<u>\$1,321</u>	<u>(\$71,056)</u>	<u>(\$24,312)</u>	<u>(\$71,345)</u>	<u>(\$2,540)</u>	<u>(\$73,885)</u>

(a) Includes \$76.6 million of other comprehensive loss related to interest rate swaps. See Note 16 — Derivative Financial Instruments and Hedging Activities for additional information.

(b) This component of other comprehensive (loss) income is included in the computation of net periodic pension cost. See Note 18 — Employee Benefit Plans for additional information.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollar amounts in thousands unless otherwise stated)

The following table presents details of the amounts reclassified in their entirety from AOCI for the years ended December 31, 2020 and 2019:

Details about accumulated other comprehensive (loss) income components	Amount reclassified from accumulated other comprehensive (loss) income		Affected line item in the income statement
	2020	2019	
Realized (gain) loss on foreign currency exchange contracts.....	(\$2,324)	\$1,246	Other operating income, net
Realized (gain) loss on foreign currency option contracts.....	30	(33)	Other operating income, net
Noncontrolling interest.....	528	(279)	Comprehensive income (loss) attributable to noncontrolling interest
Realized loss (gain) on interest rate contracts.....	10,769	(2,296)	Interest expense
Income tax expense (benefit) from foreign currency contracts.....	495	(262)	Income tax expense (Note 11)
Net loss (gain) on cash flow hedges reclassified from accumulated other comprehensive income.....	<u>\$9,498</u>	<u>(\$1,624)</u>	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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27. VARIABLE INTEREST ENTITIES

ORM Timber Fund II, Inc. (Fund II), ORM Timber Fund III LLC (Fund III), and ORM Timber Fund IV LLC. (Fund IV) (Collectively, the "Funds")

In the Mergers, we became manager of three private equity timber funds, Fund II, Fund III, and Fund IV, and obtained ownership interests in the Funds of 20%, 5%, and 15%, respectively. We determined, based upon an analysis under the variable interest entity guidance, that we have the power to direct the activities that most significantly impact the Funds' economic success. Therefore, we are considered the primary beneficiary and are required under ASC 810 — *Consolidation* to consolidate the Funds. For further information on the Funds, see Note 6 — Noncontrolling Interests.

The assets, liabilities and equity of the Funds as of December 31, 2020, were as follows:

Timber Funds	2020
Assets:	
Cash and cash equivalents	\$4,053
Accounts receivable	3,620
Prepaid expenses	132
Other current assets	41
Total current assets	7,846
Timber and timberlands, net of depletion and amortization	410,884
Total assets	\$418,730
Liabilities and Equity:	
Accounts payable	\$939
Intercompany payable (a)	1,319
Accrued taxes	314
Accrued interest	513
Deferred revenue	323
Other current liabilities	732
Total current liabilities	4,140
Long-term debt, net of deferred financing costs	60,179
Funds' equity	354,411
Total liabilities and equity	\$418,730

(a) Includes management fees and other expenses payable to the Operating Partnership. These amounts are eliminated in the Consolidated Balance Sheets.

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(Dollar amounts in thousands unless otherwise stated)

Fernclyff Investors

We also acquired in the Mergers an ownership interest in a real estate joint venture entity. We determined, based upon an analysis under the variable interest entity guidance, that we have the power to direct the activities that most significantly impact the joint venture investment's economic success. Therefore, we are considered the primary beneficiary and are required under ASC 810 — *Consolidation* to consolidate Fernclyff Investors. For further information on Fernclyff Investors, see Note 6 — Noncontrolling Interests.

The assets, liabilities and equity of Fernclyff Investors as of December 31, 2020, were as follows:

Ferenclyff Investors	2020
Assets:	
Cash and cash equivalents	\$4,503
Intercompany receivable	111
Total current assets	4,614
Investment in real estate joint venture entity	2,112
Advances to real estate joint venture entity	1,000
Total assets	<u>\$7,726</u>
Liabilities and equity:	
Other accrued and deferred liabilities	\$3,447
Total current liabilities	3,447
Ferenclyff Investors' equity	4,279
Total liabilities and equity	<u>\$7,726</u>

28. RELATED PARTY

In January 2020, we entered into an agreement to sell developed lots to Mattamy Jacksonville LLC, a wholly owned subsidiary of Mattamy Homes, for an aggregate base purchase price of \$4.45 million (subject to multiple takedowns over a 2 year period), plus additional consideration as to each lot to the extent the ultimate sales price of each finished home exceeds agreed price thresholds (the "Mattamy Contract"). The Mattamy contract also includes marketing fee revenue based on 1.25% of the sales price of each finished home.

In September 2020, Keith Bass, a member of our Board of Directors, was named the Chief Executive Officer of Mattamy Homes US. Following this development, the Mattamy Contract and the ongoing obligations therein, were reviewed by the Nominating and Corporate Governance Committee in accordance with established policies and procedures regarding the authorization and approval of transactions with related parties.

The following table demonstrates the impact, gross of tax, of our related party transactions on the Consolidated Statements of Income and Comprehensive Income for the three years ended December 31:

Related Party Transaction	Location on Statement of Income and Comprehensive Income	2020	2019	2018
Mattamy Contract	Sales	\$1,354	—	—

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

None.

Item 9A. CONTROLS AND PROCEDURES

Rayonier Inc.

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 that information required to be disclosed by the Company in reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is (1) recorded, processed, summarized and reported 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 Annual Report on Form 10-K, 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 December 31, 2020.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

In the year ended December 31, 2020, based upon the evaluation required by paragraph (d) of 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.

Rayonier, L.P.

DISCLOSURE CONTROLS AND PROCEDURES

The Operating Partnership 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 that information required to be disclosed by Rayonier, L.P. in reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is (1) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including Rayonier’s 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 Annual Report on Form 10-K, our management, including Rayonier’s Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of December 31, 2020.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

In the year ended December 31, 2020, based upon the evaluation required by paragraph (d) of 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.

Item 9B. OTHER INFORMATION

Not applicable.

PART III

Certain information required by Part III is incorporated by reference from the Company's Definitive Proxy Statement to be filed with the SEC in connection with the solicitation of proxies for the Company's 2021 Annual Meeting of Shareholders (the "Proxy Statement"). We will make the Proxy Statement available on our website at www.rayonier.com as soon as it is filed with the SEC.

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

A list of our executive officers and their biographical information are found in Item 1 in this Annual Report on Form 10-K. Additional information required by this Item with respect to directors and other governance matters is incorporated herein by reference from the sections and subsections entitled "Proposal No. 1 - Election of Directors," "Corporate Governance," "Named Executive Officers" and "Report of the Audit Committee" in the Proxy Statement.

Our Standard of Ethics and Code of Corporate Conduct, which is applicable to our principal executive, financial and accounting officers, is available on our website, www.rayonier.com. Any amendments to or waivers of the Standard of Ethics and Code of Corporate Conduct will also be disclosed on our website.

Item 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference from the section and subsections entitled "Compensation Discussion and Analysis," "Summary Compensation Table," "CEO Pay Ratio," "Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested," "Pension Benefits," "Nonqualified Deferred Compensation," "Potential Payments Upon Termination or Change in Control," "Director Compensation," "Compensation Committee Interlocks and Insider Participation; Processes and Procedures" and "Report of the Compensation and Management Development Committee" in the Proxy Statement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by Item 12 is incorporated herein by reference from the section and subsections entitled "Ownership of and Trading in our Shares," "Share Ownership of Certain Beneficial Owners," "Share Ownership of Directors and Executive Officers" and "Equity Compensation Plan Information" in the Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by Item 13 is incorporated herein by reference from the section and subsections entitled "Proposal No. 1 - Election of Directors," "Director Independence" and "Related Person Transactions" in the Proxy Statement.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by Item 14 is incorporated herein by reference from the subsection entitled "Information Regarding Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) Documents filed as a part of this report:
- (i) See *Index to Financial Statements* on page 60 for a list of the financial statements filed as part of this report.
 - (ii) Financial Statement Schedules:

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS Years Ended December 31, 2020, 2019, and 2018 (In Thousands)

Description	Balance at Beginning of Year	Additions Charged to Cost and Expenses	Deductions	Balance at End of Year
Allowance for doubtful accounts:				
Year ended December 31, 2020.....	\$24	\$1	—	\$25
Year ended December 31, 2019.....	8	16	—	24
Year ended December 31, 2018.....	23	—	(15)	8
Deferred tax asset valuation allowance:				
Year ended December 31, 2020.....	\$39,320	\$6,695 (a)	—	\$46,015
Year ended December 31, 2019.....	38,839	481 (a)	—	39,320
Year ended December 31, 2018.....	34,889	3,950 (a)	—	38,839

(a) The 2020, 2019 and 2018 increase is comprised of valuation allowance against the TRS deferred tax assets.

All other financial statement schedules have been omitted because they are not applicable, the required matter is not present or the required information has otherwise been supplied in the financial statements or the notes thereto.

- (i) See Exhibit Index for a list of the exhibits filed or incorporated herein as part of this report. Exhibits that are incorporated by reference to documents filed previously by the Company under the Securities Exchange Act of 1934, as amended, are filed with the SEC under File No. 1-6780.

Item 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

The following is a list of exhibits filed as part of the Form 10-K. As permitted by the rules of the SEC, the Company has not filed certain instruments defining the rights of holders of long-term debt of the Company or its consolidated subsidiaries under which the total amount of securities authorized does not exceed 10 percent of the total assets of the Company and its consolidated subsidiaries. The Company agrees to furnish to the SEC, upon request, a copy of any omitted instrument.

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
1.1	Distribution Agreement, dated September 10, 2020, by and among Rayonier Inc., Rayonier, L.P., Citigroup Global Markets Inc., Credit Suisse Securities (USA), LLC, Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and Raymond James & Associates, Inc.	Incorporated by reference to Exhibit 1.1 to the Registrant's September 10, 2020 Form 8-K
2.1	Contribution, Conveyance and Assumption Agreement dated December 18, 2003 by and among Rayonier Inc., Rayonier Timberlands Operating Company, L.P., Rayonier Timberlands, L.P., Rayonier Timberlands Management, LLC, Rayonier Forest Resources, LLC, Rayland, LLC, Rayonier TRS Holdings Inc., Rayonier Minerals, LLC, Rayonier Forest Properties, LLC, Rayonier Wood Products, LLC, Rayonier Wood Procurement, LLC, Rayonier International Wood Products, LLC, Rayonier Forest Operations, LLC, Rayonier Properties, LLC and Rayonier Performance Fibers, LLC	Incorporated by reference to Exhibit 10.1 to the Registrant's January 15, 2004 Form 8-K
2.2	Contribution, Conveyance and Assumption Agreement, dated July 29, 2010, between Rayonier Inc. and Rayonier Operating Company LLC	Incorporated by reference to Exhibit 10.7 to the Registrant's June 30, 2010 Form 10-Q
2.3	Separation and Distribution Agreement, dated May 28, 2014, by and between Rayonier Inc. and Rayonier Advanced Materials Inc.**	Incorporated by reference to Exhibit 2.1 to the Registrant's May 30, 2014 Form 8-K
2.4	Agreement and Plan of Merger, dated as of January 14, 2020, by and among Rayonier Inc., Rayonier Operating Company LLC, Pacific GP Merger Sub I, LLC, Pacific GP Merger Sub II, LLC, Pacific LP Merger Sub III, LLC, Pope Resources, a Delaware limited partnership, Pope MGP, Inc. and Pope EGP, Inc.	Incorporated by reference to Exhibit 2.1 to the Registrant's January 15, 2020 Form 8-K
2.5	Amendment No. 1, dated as of April 1, 2020, to the Agreement and Plan of Merger, by and among Rayonier Inc., Rayonier, L.P., Rayonier Operating Company LLC, Rayonier Operating Holdings, LLC, Pacific GP Merger Sub I, LLC, Pacific GP Merger Sub II, LLC, Pacific LP Merger Sub III, LLC, Pope Resources, a Delaware limited partnership, Pope MGP, Inc. and Pope EGP, Inc.	Incorporated by reference to Exhibit 2.1 to the Registrant's April 1, 2020 Form 8-K
3.1	Amended and Restated Articles of Incorporation	Incorporated by reference to Exhibit 3.1 to the Registrant's May 23, 2012 Form 8-K
3.2	By-Laws	Incorporated by reference to Exhibit 3.2 to the Registrant's October 21, 2009 Form 8-K
3.3	Limited Liability Company Agreement of Rayonier Operating Company LLC	Incorporated by reference to Exhibit 3.3 to the Registrant's June 30, 2010 Form 10-Q
3.4	Amended and Restated Agreement of Limited Partnership of Rayonier, L.P., dated as of May 8, 2020	Incorporated by reference to Exhibit 3.1 to the Registrant's May 13, 2020 Form 8-K
4.1	Indenture relating to the 3.75% Senior Notes due 2022, dated March 5, 2012, between Rayonier Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee	Incorporated by reference to Exhibit 4.1 to the Registrant's March 5, 2012 Form 8-K

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
4.2	First Supplemental Indenture relating to the 3.75% Senior Notes due 2022, dated March 5, 2012, among Rayonier Inc., as issuer, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee	Incorporated by reference to Exhibit 4.2 to the Registrant's March 5, 2012 Form 8-K
4.3	Second Supplemental Indenture relating to the 3.75% Senior Notes due 2022, dated March 5, 2012, among Rayonier Inc., as issuer, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee	Incorporated by reference to Exhibit 4.1 to the Registrant's October 17, 2012 Form 8-K
4.4	Third Supplemental Indenture relating to the 3.750% Senior Notes due 2022, dated as of May 7, 2020, by and among Rayonier Inc., the subsidiary guarantors party thereto, Rayonier, L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee	Incorporated by reference to Exhibit 4.1 to the Registrant's May 13, 2020 Form 8-K
4.5	Form of Note for 3.75% Senior Notes due 2022 (contained in Exhibit A to Exhibit 4.5)	Incorporated by reference to Exhibit 4.2 to the Registrant's March 5, 2012 Form 8-K
4.6	Indenture among Rayonier, L.P., Rayonier Inc., the guarantors party thereto from time to time and Wells Fargo Bank, National Association, as Trustee, dated as of September 9, 2020	Incorporated by reference to Exhibit 4.8 to the Registrant's September 10, 2020 Registration Statement on Form S-3
4.7	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Filed herewith
10.1	Rayonier Investment and Savings Plan for Salaried Employees effective March 1, 1994, amended and restated effective April 1, 2015 and further amended effective September 8, 2015*	Incorporated by reference to Exhibit 10.2 to the Registrant's December 31, 2015 Form 10-K
10.2	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of June 1, 2016, executed February 25, 2016*	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 2016 Form 10-Q
10.3	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of June 1, 2016, executed June 13, 2016*	Incorporated by reference to Exhibit 10.3 to the Registrant's December 31, 2019 Form 10-K
10.4	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of January 1, 2017, executed January 17, 2017*	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 2017 Form 10-Q
10.5	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of January 1, 2017, executed July 20, 2017*	Incorporate by reference to Exhibit 10.1 to the Registrant's June 30, 2017 Form 10-Q
10.6	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of April 1, 2017, executed December 7, 2016*	Incorporated by reference to Exhibit 10.6 to the Registrant's December 31, 2019 Form 10-K
10.7	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of October 1 2017, executed November 9, 2017*	Incorporated by reference to Exhibit 10.6 to the Registrant's December 31, 2017 Form 10-K
10.8	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of November 1, 2018, executed December 21, 2018	Incorporated by reference to Exhibit 10.7 to the Registrant's December 31, 2018 Form 10-K
10.9	Amended and Restated Retirement Plan for Salaried Employees of Rayonier Inc. effective January 1, 2014*	Incorporated by reference to Exhibit 10.9 to the Registrant's December 31, 2015 Form 10-K
10.10	First Amendment to the Retirement Plan for Salaried Employees of Rayonier Inc. effective as of December 31, 2016*	Incorporated by reference to Exhibit 10.2 to the Registrant's September 30, 2016 Form 10-Q

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
10.11	Rayonier Inc. Excess Benefit Plan, as amended*	Incorporated by reference to Exhibit 10.2 to the Registrant's June 30, 2010 Form 10-Q
10.12	Form of Rayonier Outside Directors Compensation Program/ Cash Deferral Option Agreement*	Incorporated by reference to Exhibit 10.24 to the Registrant's December 31, 2006 Form 10-K
10.13	Trust Agreement for the Rayonier Inc. Legal Resources Trust*	Incorporated by reference to Exhibit 10.1 to the Registrant's September 30, 2014 Form 10-Q
10.14	Amended and Restated Master Shareholder Agreement in Relation to Matariki Forests Australia PTY Limited, Matariki Forestry Group and Matariki Forests, dated February, 2010, by and among SAS Trustee Corporation, Deutsche Asset Management (Australia) Limited, Rayonier Canterbury LLC, Rayonier New Zealand Limited, Cameron and Company Limited, Matariki Forests Australia Pty Limited, Matariki Forestry Group and Matariki Forests	Incorporated by reference to Exhibit 10.14 to the Registrant's December 31, 2019 Form 10-K
10.15	Deed of Amendment and Restatement of Shareholder Agreement, dated March 31, 2016, by and among Rayonier Canterbury LLC, Waimarie Forests Pty Limited, Matariki Forestry Group, Matariki Forests and Phaunos Timber Fund Limited	Incorporated by reference to Exhibit 10.15 to the Registrant's December 31, 2019 Form 10-K
10.16	Intellectual Property Agreement, dated June 27, 2014, by and between Rayonier Inc. and Rayonier Advanced Materials Inc.	Incorporated by reference to Exhibit 10.4 to the Registrant's June 30, 2014 Form 8-K
10.17	Form of Indemnification Agreement between Rayonier Inc. and its Officers and Directors*	Incorporated by reference to Exhibit 10.8 to the Registrant's June 30, 2014 Form 10-Q
10.18	Form of Indemnification Agreement between Rayonier Inc. and its Officers	Incorporated by reference to Exhibit 10.18 to the Registrant's December 31, 2019 Form 10-K
10.19	Rayonier Incentive Stock Plan, as amended*	Incorporate by reference to Exhibit 10.1 to the Registrant's September 30, 2020 Form 10-Q
10.20	Form of Rayonier Incentive Stock Plan Non-Qualified Stock Option Award Agreement*	Incorporated by reference to Exhibit 10.19 to the Registrant's December 31, 2008 Form 10-K
10.21	Form of Rayonier Incentive Stock Plan Restricted Stock Award Agreement*	Incorporated by reference to Exhibit 10.5 to the Registrant's March 31, 2015 Form 10-Q
10.22	2018 Performance Share Award Program*	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 2018 Form 10-Q
10.23	2019 Performance Share Award Program*	Incorporated by reference to Exhibit 10.18 to the Registrant's December 31, 2019 Form 10-K
10.24	2020 Performance Share Award Program*	Incorporated by reference to Exhibit 10.3 to the Registrant's March 31, 2020 Form 10-Q
10.25	Rayonier Inc. Supplemental Savings Plan effective March 1, 2016*	Incorporated by reference to Exhibit 10.2 to the Registrant's March 31, 2016 Form 10-Q

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
10.26	Credit Agreement dated as of August 5, 2015 among Rayonier Inc., Rayonier TRS Holdings Inc. and Rayonier Operating Company LLC, as Borrowers, CoBank, ACB as Administrative Agent, Swing Line Lender and Issuing Bank, JPMorgan Chase Bank, N.A. and Farm Credit of Florida, ACA as Co-Syndication Agents, Credit Suisse AG and SunTrust Bank as Co-Documentation Agents and CoBank, ACB as Sole Lead Arranger and Sole Bookrunner	Incorporated by reference to Exhibit 10.3 to the Registrant's March 31, 2016 Form 10-Q
10.27	First Amendment and Incremental Term Loan Agreement dated as of April 28, 2016, by and among Rayonier Inc., Rayonier TRS Holdings Inc., Rayonier Operating Company LLC, as Borrowers, CoBank, ACB, as Administrative Agent and the several banks, financial institutions and other institutional lenders party thereto	Incorporated by reference to Exhibit 10.1 to the Registrant's May 2, 2016 Form 8-K
10.28	2016 Guarantee Agreement dated as of April 28, 2016 among Rayonier Inc., Rayonier TRS Holdings Inc. and COBANK, ACB, as Administrative Agent	Incorporated by reference to Exhibit 10.2 to the Registrant's May 2, 2016 Form 8-K
10.29	Amended and Restated Executive Severance Pay Plan effective as of October 2020*	Incorporated by reference to Exhibit 10.2 to the Registrant's September 30, 2020 Form 10-Q
10.30	LTI Supplemental Terms Vesting in Event of Retirement	Incorporated by reference to Exhibit 10.30 to the Registrant's December 31, 2019 Form 10-K
10.31	Rayonier Incentive Stock Plan Restricted Stock Unit Award Agreement, dated 2019*	Incorporated by reference to Exhibit 10.31 to the Registrant's December 31, 2019 Form 10-K
10.32	Rayonier Non-Equity Incentive Plan, as amended, Effective as of January 1, 2020*	Incorporated by reference to Exhibit 10.32 to the Registrant's December 31, 2019 Form 10-K
10.33	Voting and Support Agreement, dated as of January 14, 2020 by and among Rayonier Inc, PT Pope Properties LLC, PMG Family Limited Partnership and Maria M. Pope.	Incorporated by reference to Exhibit 10.1 to the Registrant's January 15, 2020 Form 8-K
10.34	Voting and Support Agreement, dated as of January 14, 2020 by and among Rayonier Inc, Emily T. Andrews 1987 Revocable Trust, Gordon Andrews and Gordon Pope Andrews Separate Property Revocable Trust U/T/D 5/9/2013.	Incorporated by reference to Exhibit 10.2 to the Registrant's January 15, 2020 Form 8-K
10.35	Rayonier Incentive Stock Plan Performance Share Award Agreement	Filed herewith
10.36	Second Amendment to Credit Agreement, dated as of April 1, 2020, by and among Rayonier Inc., Rayonier TRS Holdings Inc. and Rayonier Operating Company LLC, as borrowers, the several banks, financial institutions and other institutional lenders party thereto and CoBank, ACB as administrative agent, swing line lender and issuing bank	Incorporated by reference to Exhibit 10.4 to the Registrant's March 31, 2020 Form 10-Q
10.37	Annex A to Second Amendment to Credit Agreement	Incorporated by reference to Exhibit 10.5 to the Registrant's March 31, 2020 Form 10-Q
10.38	Accordion Increase Agreement, dated as of April 13, 2020, by and among Rayonier Inc., Rayonier TRS Holdings Inc., and Rayonier Operating Company LLC, as borrowers, the several banks, financial institutions and other institutional lenders party thereto and CoBank, ACB as administrative agent, swing line lender and issuing bank	Incorporated by reference to Exhibit 10.6 to the Registrant's March 31, 2020 Form 10-Q

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
10.39	Third Amendment and Incremental Term Loan Agreement, dated as of April 16, 2020, by and among Rayonier Inc., Rayonier TRS Holdings Inc., and Rayonier Operating Company LLC, as borrowers, the several banks, financial institutions and other institutional lenders party thereto and CoBank, ACB as administrative agent	Incorporated by reference to Exhibit 10.7 to the Registrant's March 31, 2020 Form 10-Q
10.40	Tax Protection Agreement, dated as of May 8, 2020, by and among Rayonier Inc., Rayonier, L.P. and Pope Resources, A Delaware Limited Partnership	Incorporated by reference to Exhibit 10.1 to the Registrant's May 13, 2020 Form 8-K
10.41	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of April 1, 2020, executed March 23, 2020*	Incorporated by reference to Exhibit 10.7 to the Registrant's June 30, 2020 10-Q
10.42	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of May 8, 2020, executed May 4, 2020*	Incorporated by reference to Exhibit 10.8 to the Registrant's June 30, 2020 10-Q
10.43	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of May 8, 2020, executed May 8, 2020*	Incorporated by reference to Exhibit 10.9 to the Registrant's June 30, 2020 10-Q
10.44	Pope Resources 2005 Unit Incentive Plan*	Incorporated by reference to Exhibit 4.3 to the Registrant's May 8, 2020 Registration Statement on Form S-8
21.1	List of subsidiaries of Rayonier Inc	Filed herewith
21.2	List of subsidiaries of Rayonier, L.P.	Filed herewith
22.1	List of Guarantor Subsidiaries	Incorporated by reference to Exhibit 22.1 to the Registrant's June 30, 2020 10-Q
23.1	Rayonier Inc. - Consent of Ernst & Young LLP	Filed herewith
23.2	Rayonier, L.P. - Consent of Ernst & Young LLP	Filed herewith
24	Powers of attorney	Filed herewith
31.1	Rayonier Inc. - 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	Rayonier Inc. - 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
31.3	Rayonier, L.P. - Chief Executive Officer's Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.4	Rayonier, L.P - 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
32.1	Rayonier Inc. - Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Rayonier, L.P. - Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
101	The following financial information from our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, formatted in Inline Extensible Business Reporting Language (“iXBRL”), includes: (i) the Consolidated Statements of Income and Comprehensive Income for the Years Ended December 31, 2020, 2019 and 2018; (ii) the Consolidated Balance Sheets as of December 31, 2020 and 2019; (iii) the Consolidated Statements of Shareholders’ Equity/Statement of Capital for the Years Ended December 31, 2020, 2019 and 2018; (iv) the Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019 and 2018; and (v) the Notes to the Consolidated Financial Statements.	Filed herewith
104	The cover page from the Company’s Annual Report on Form 10-K from the fiscal year ended December 31, 2020, formatted in Inline XBRL (included as Exhibit 101)	Filed herewith

* Management contract or compensatory plan.

** Certain schedules and similar attachments have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Rayonier will furnish supplemental copies of any such schedules or attachments to the U.S. Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RAYONIER INC.

By: /s/ MARK MCHUGH

Mark McHugh
*Senior Vice President and Chief Financial Officer
 (Duly Authorized Officer, Principal Financial Officer)*

RAYONIER, L.P.

By: /s/ MARK MCHUGH

Mark McHugh
*Senior Vice President and Chief Financial Officer
 (Duly Authorized Officer, Principal Financial Officer)*

February 22, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Rayonier Inc., for itself and in its capacity as General Partner of Rayonier, L.P. and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ DAVID L. NUNES David L. Nunes (Principal Executive Officer)	President and Chief Executive Officer	February 22, 2021
/s/ MARK MCHUGH Mark McHugh (Principal Financial Officer)	Senior Vice President and Chief Financial Officer	February 22, 2021
/s/ APRIL TICE April Tice (Principal Accounting Officer)	Vice President, Financial Services and Corporate Controller	February 22, 2021
*	Chairman of the Board	
Dod A. Fraser	Director	
*	Director	
Keith E. Bass	Director	
*	Director	
Ann Nelson	Director	
*	Director	
Scott R. Jones	Director	
*	Director	
V. Larkin Martin	Director	
*	Director	
Meridee A. Moore	Director	
*	Director	
Matthew J. Rivers	Director	
*	Director	
Andrew G. Wiltshire		

*By: /s/ MARK R. BRIDWELL

Mark R. Bridwell
 Attorney-In-Fact

February 22, 2021

SUBSIDIARIES OF RAYONIER INC.
As of December 31, 2020

<u>Name of Subsidiary</u>	<u>State/Country of Incorporation/ Organization</u>
Matariki Forests	New Zealand
Matariki Forestry Group	New Zealand
Pope Resources, L.P.	Delaware
Rayonier Forest Resources, L.P.	Delaware
Rayonier, L.P.	Delaware
Rayonier Operating Company Holding LLC	Delaware
Rayonier Operating Company, LLC	Delaware
Rayonier TRS Forest Operations, LLC	Delaware
Rayonier TRS Holdings Inc.	Delaware
Raydient LLC	Delaware

In accordance with Item 601(b)(21) of Regulation S–K, we have omitted some subsidiaries that, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2020 under Rule 1–02(w) of Regulation S–X.

SUBSIDIARIES OF RAYONIER, L.P.
As of December 31, 2020

<u>Name of Subsidiary</u>	<u>State/Country of Incorporation/ Organization</u>
Matariki Forests	New Zealand
Matariki Forestry Group	New Zealand
Pope Resources, L.P.	Delaware
Rayonier Forest Resources, L.P.	Delaware
Rayonier Operating Company, LLC	Delaware
Rayonier TRS Forest Operations, LLC	Delaware
Rayonier TRS Holdings Inc.	Delaware
Raydient LLC	Delaware

In accordance with Item 601(b)(21) of Regulation S-K, we have omitted some subsidiaries that, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2020 under Rule 1-02(w) of Regulation S-X.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Form S-3 No. 333-248702) of Rayonier, Inc.,
- 2) Registration Statement (Form S-4 No. 333-114858) of Rayonier Inc.,
- 3) Registration Statement (Form S-8 No. 333-129175) pertaining to the Rayonier 1994 Incentive Stock Plan,
- 4) Registration Statement (Form S-8 No. 333-129176) pertaining to the 2004 Rayonier Incentive Stock and Management Bonus Plan,
- 5) Registration Statement (Form S-8 No. 333-152505) pertaining to the Rayonier Investment and Savings Plan for Salaried Employees,
- 6) Registration Statement (Form S-4 No. 333-237246) pertaining to the registration of Rayonier shares and Rayonier L.P. units issued to Pope unitholders, and
- 7) Registration Statement (Form S-8 No. 333-238097) pertaining to the Pope Resources 2005 Unit Incentive Plan;

of our reports dated February 22, 2021, with respect to the consolidated financial statements and schedule of Rayonier Inc. and the effectiveness of internal control over financial reporting of Rayonier Inc. included in this Annual Report (Form 10-K) of Rayonier Inc. for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Jacksonville, Florida
February 22, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Form S-3 No. 333-248702) of Rayonier, Inc.,
- 2) Registration Statement (Form S-4 No. 333-114858) of Rayonier Inc.,
- 3) Registration Statement (Form S-8 No. 333-129175) pertaining to the Rayonier 1994 Incentive Stock Plan,
- 4) Registration Statement (Form S-8 No. 333-129176) pertaining to the 2004 Rayonier Incentive Stock and Management Bonus Plan,
- 5) Registration Statement (Form S-8 No. 333-152505) pertaining to the Rayonier Investment and Savings Plan for Salaried Employees,
- 6) Registration Statement (Form S-4 No. 333-237246) pertaining to the registration of Rayonier shares and Rayonier L.P. units issued to Pope unitholders, and
- 7) Registration Statement (Form S-8 No. 333-238097) pertaining to the Pope Resources 2005 Unit Incentive Plan;

of our report dated February 22, 2021, with respect to the consolidated financial statements and schedule of Rayonier, L.P. included in this Annual Report (Form 10-K) of Rayonier, L.P. for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Jacksonville, Florida
February 22, 2021

CERTIFICATION

I, David L. Nunes, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 22, 2021

/s/ DAVID L. NUNES

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

CERTIFICATION

I, Mark McHugh, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 22, 2021

/s/ MARK MCHUGH

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

CERTIFICATION

I, David L. Nunes, certify that:

1. I have reviewed this annual report on Form 10-K of Rayonier L.P.;
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: February 22, 2021

/s/ DAVID L. NUNES

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

CERTIFICATION

I, Mark McHugh, certify that:

1. I have reviewed this annual report on Form 10-K of Rayonier L.P.;
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: February 22, 2021

/s/ MARK MCHUGH

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

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 Annual Report on Form 10-K of Rayonier Inc. (the “Company”) for the period ended December 31, 2020 (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.

February 22, 2021

/s/ DAVID L. NUNES

David L. Nunes

*President and Chief Executive Officer,
Rayonier Inc.*

/s/ MARK MCHUGH

Mark McHugh

*Senior Vice President and
Chief Financial Officer, Rayonier Inc.*

A signed original of this written statement required by Section 906 has been provided to Rayonier and will be retained by Rayonier and furnished to the Securities and Exchange Commission or its staff upon request.

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 Annual Report on Form 10-K of Rayonier, L.P. (the “Rayonier Operating Partnership”) for the period ended December 31, 2020 (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.

February 22, 2021

/s/ DAVID L. NUNES

David L. Nunes

*President and Chief Executive Officer,
Rayonier Inc.*

/s/ MARK MCHUGH

Mark McHugh

*Senior Vice President and
Chief Financial Officer, Rayonier Inc.*

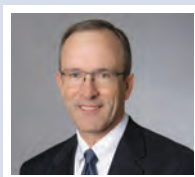
A signed original of this written statement required by Section 906 has been provided to Rayonier and will be retained by Rayonier and furnished to the Securities and Exchange Commission or its staff upon request.

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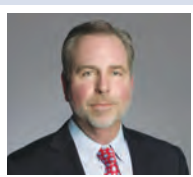
Board of Directors



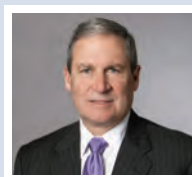
Dod A. Fraser [A, N]
Chairman of the Board
President,
Sackett Partners



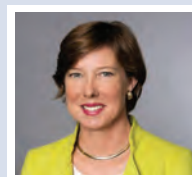
David L. Nunes
President and
Chief Executive Officer,
Rayonier Inc.



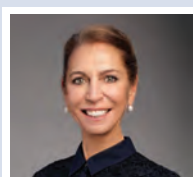
Keith E. Bass [A, C]
CEO, Mattamy Homes US;
Managing Partner,
Mill Creek Capital LLC



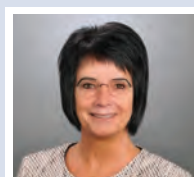
Scott R. Jones [C]
Retired, President,
Forest Capital Partners



V. Larkin Martin [C, N]
Managing Partner,
Martin Farm;
Vice President,
The Albemarle Corporation



Meridee A. Moore [C, N]
Senior Managing
Member and Chief
Investment Officer,
Watershed Asset
Management, LLC



Ann C. Nelson [A, N]
Retired, Lead Audit
Partner, KPMG LLP



Matthew J. Rivers [A, N]
Part-time Director
Alternative Fuel
Origination, Drax Group



Andrew G. Wiltshire [A, N]
Founding Partner,
Folium Capital LLC;
Management and
Governance of private
orchard and farming companies

BOARD COMMITTEES: [A] Audit [C] Compensation and Management Development [N] Nominating and Corporate Governance

Executive Officers

David L. Nunes
President and
Chief Executive Officer

Mark D. McHugh
Senior Vice President and
Chief Financial Officer

Douglas M. Long
Senior Vice President,
Forest Resources

Christopher T. Corr
Senior Vice President,
Real Estate Development

Mark R. Bridwell
Vice President,
General Counsel and
Corporate Secretary

Shelby L. Pyatt
Vice President,
Human Resources and
Information Technology

W. Rhett Rogers
Vice President,
Portfolio Management

April J. Tice
Vice President,
Financial Services and
Corporate Controller

Corporate Information

Corporate Headquarters

Rayonier Inc.
1 Rayonier Way
Wildlight, FL 32097
904.357.9100
www.rayonier.com

Investor and Media Relations

Collin P. Mings
Vice President, Capital
Markets & Strategic Planning

Form 10-K

Additional copies of this report and Rayonier's
report on Form 10-K are available without
charge upon written request to:
Rayonier Inc.
Investor Relations
1 Rayonier Way
Wildlight, FL 32097

Independent Registered Public Accounting Firm

Ernst & Young, LLP
12926 Gran Bay Parkway West
Suite 500
Jacksonville, FL 32258

Stock Information

Listed: New York Stock Exchange
Symbol: RYN
CUSIP: 754 907 103

Transfer Agent and Registrar

Rayonier Inc.
c/o Computershare
P.O. Box 505000
Louisville, KY 40233-5000
800.659.0158 (U.S.)
201.680.6578 (International)
www.computershare.com/investor



Rayonier Inc.
1 Rayonier Way
Wildlight, Florida 32097



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