

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-6780

RAYONIER INC.

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

1177 Summer Street, Stamford, Connecticut 06905-5529
(Principal Executive Office)

Telephone Number: (203) 348-7000

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15(d) of the Securities
Exchange Act of 1934 during the preceding 12 months and (2) has been
subject to such filing requirements for the past 90 days.

YES NO

As of November 3, 1999, there were outstanding 27,464,308 Common Shares of the
Registrant.

RAYONIER INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited financial statements reflect, in the opinion of Rayonier Inc. (Rayonier or the Company), all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results of operations, the financial position and the cash flows for the periods presented. For a full description of accounting policies, please refer to Notes to Consolidated Financial Statements in the 1998 Annual Report on Form 10-K.

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
(UNAUDITED)
(THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
SALES	\$ 255,453	\$ 258,740	\$ 739,872	\$ 738,165
Costs and expenses				
Cost of sales	217,950	223,663	621,829	618,143
Selling and general expenses	6,771	7,960	26,021	25,719
Other operating (income) expense, net	(1,381)	1,749	(3,286)	(394)
	223,340	233,372	644,564	643,468
OPERATING INCOME	32,113	25,368	95,308	94,697
Interest expense	(7,306)	(9,092)	(22,693)	(26,076)
Interest and miscellaneous income (expense), net	114	64	595	561
Income before income taxes	24,921	16,340	73,210	69,182
Provision for income taxes	(7,787)	(3,499)	(23,869)	(19,705)
NET INCOME	\$ 17,134	\$12,841	\$ 49,341	\$ 49,477
NET INCOME PER COMMON SHARE				
Basic EPS	\$ 0.62	\$ 0.46	\$ 1.78	\$ 1.75
Diluted EPS	\$ 0.61	\$ 0.45	\$ 1.75	\$ 1.72

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(THOUSANDS OF DOLLARS)

ASSETS

	September 30, 1999	December 31, 1998
	-----	-----
CURRENT ASSETS		
Cash and short-term investments	\$ 3,666	\$ 6,635
Accounts receivable, less allowance for doubtful accounts of \$5,066 and \$4,843	106,308	118,762
Inventories		
Finished goods	63,080	47,109
Work in process	14,845	15,762
Raw materials	12,787	13,212
Manufacturing and maintenance supplies	24,601	22,827
	-----	-----
Total inventories	115,313	98,910
Timber purchase agreements	31,135	35,776
Other current assets	11,256	13,192
Deferred income taxes	7,398	8,559
	-----	-----
Total current assets	275,076	281,834
OTHER ASSETS	57,858	65,988
TIMBER PURCHASE AGREEMENTS	18,974	20,922
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION	543,431	544,190
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment	1,340,527	1,304,188
Less - accumulated depreciation	664,915	616,266
	-----	-----
	675,612	687,922
	-----	-----
	\$ 1,570,951	\$ 1,600,856
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 68,014	\$ 65,844
Bank loans and current maturities	6,504	4,094
Accrued taxes	14,722	8,728
Accrued payroll and benefits	23,058	21,460
Accrued interest	11,001	6,182
Other current accrued liabilities	40,348	44,279
Current reserves for dispositions and discontinued operations	18,483	22,167
	-----	-----
Total current liabilities	182,130	172,754
DEFERRED INCOME TAXES	126,006	115,405
LONG-TERM DEBT	432,544	485,850
NON-CURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS	151,987	159,198
OTHER NON-CURRENT LIABILITIES	28,279	28,690
SHAREHOLDERS' EQUITY		
Common Shares, 60,000,000 shares authorized, 27,558,308 and 27,767,309 shares issued and outstanding	67,118	79,561
Retained earnings	582,887	559,398
	-----	-----
	650,005	638,959
	-----	-----
	\$ 1,570,951	\$ 1,600,856
	=====	=====

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
(UNAUDITED)
(THOUSANDS OF DOLLARS)

	Nine Months Ended September 30,	
	1999	1998
	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 49,341	\$ 49,477
Non-cash items included in income		
Depreciation, depletion and amortization	77,313	74,601
Deferred income taxes	7,772	7,427
Decrease in other non-current liabilities	(411)	(1,226)
Change in accounts receivable, inventories and accounts payable	(1,779)	(3,242)
Decrease (increase) in current timber purchase agreements	4,641	(5,706)
Decrease in other current assets	1,936	213
Change in accrued liabilities	8,480	(17,938)
	-----	-----
CASH FROM OPERATING ACTIVITIES	147,293	103,606
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures, net of sales and retirements of \$442 and \$4,714	(64,244)	(64,836)
Acquisition of Rayonier Timberlands, L.P. Class A Units	-	(48,821)
Expenditures for dispositions and discontinued operations, net of tax benefits of \$3,990 and \$4,234	(6,905)	(7,308)
Change in timber purchase agreements and other assets	10,078	(4,118)
	-----	-----
CASH USED FOR INVESTING ACTIVITIES	(61,071)	(125,083)
	-----	-----
FINANCING ACTIVITIES		
Issuance of debt	116,879	204,877
Repayments of debt	(167,775)	(122,480)
Dividends paid	(25,852)	(26,193)
Repurchase of Common Shares	(16,438)	(21,890)
Issuance of Common Shares	3,995	2,252
Buyout of minority interest	-	(16,959)
	-----	-----
CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(89,191)	19,607
	-----	-----
CASH AND SHORT-TERM INVESTMENTS		
Decrease in cash and short-term investments	(2,969)	(1,870)
Balance, beginning of period	6,635	10,661
	-----	-----
Balance, end of period	\$ 3,666	\$ 8,791
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	\$ 18,188	\$ 21,519
	=====	=====
Income taxes	\$ 12,094	\$ 12,547
	=====	=====

RAYONIER INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)
 (THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA)

1. EARNINGS PER COMMON SHARE

The following table provides details of the calculation of basic and diluted EPS in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share" for the three months and nine months ended September 30, 1999 and 1998.

	Three Months Ended September 30, -----		Nine Months Ended September 30, -----	
	1999 ----	1998 ----	1999 ----	1998 ----
Net Income	\$ 17,134 =====	\$ 12,841 =====	\$ 49,341 =====	\$ 49,477 =====
Shares used for determining basic EPS	27,698,598	28,079,736	27,763,251	28,219,896
Dilutive effect of:				
Stock options	270,402	241,123	269,705	283,410
Contingent shares	240,000 -----	231,084 -----	240,000 -----	231,084 -----
Shares used for determining diluted EPS	28,209,000 =====	28,551,943 =====	28,272,956 =====	28,734,390 =====
Basic EPS	\$ 0.62 =====	\$ 0.46 =====	\$ 1.78 =====	\$ 1.75 =====
Diluted EPS	\$ 0.61 =====	\$ 0.45 =====	\$ 1.75 =====	\$ 1.72 =====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SEGMENT INFORMATION

Rayonier operates in two major business segments: Timber and Wood Products, and Specialty Pulp Products. The Timber and Wood Products segment includes two reportable business units: Forest Resources and Trading, and Wood Products. Chemical Cellulose, and Fluff and Specialty Paper Pulps are product lines within the Specialty Pulp Products segment.

The amounts and relative contributions to sales and operating income attributable to each of Rayonier's reportable business units for the three months and nine months ended September 30, 1999 and 1998 were as follows (thousands of dollars):

	Three Months Ended September 30, -----		Nine Months Ended September 30, -----	
	1999 -----	1998 -----	1999 -----	1998 -----
SALES				
Timber and Wood Products				
Forest Resources and Trading	\$ 111,255	\$ 105,828(a)	\$ 330,399	\$ 289,902(a)
Wood Products	31,995	32,079	89,409	93,562
Total Timber and Wood Products	143,250	137,907	419,808	383,464
Specialty Pulp Products				
Chemical Cellulose	67,072	74,848	199,857	218,379
Fluff and Specialty Paper Pulps	45,442	46,293	120,767	138,191
Total Specialty Pulp Products	112,514	121,141	320,624	356,570
Intersegment Eliminations	(311)	(308)	(560)	(1,869)
TOTAL SALES	\$ 255,453 =====	\$ 258,740 =====	\$ 739,872 =====	\$ 738,165 =====
OPERATING INCOME				
Timber and Wood Products				
Forest Resources and Trading	\$ 20,517	\$ 17,411(b)	\$ 78,926	\$87,117(b)
Wood Products	1,745	(2,163)	2,808	(11,393)
Total Timber and Wood Products	22,262	15,248	81,734	75,724
Specialty Pulp Products	10,394	12,585	22,416	28,170
Corporate and Other	(543)	(2,465)	(8,842)	(9,197)
TOTAL OPERATING INCOME	\$ 32,113 =====	\$ 25,368 =====	\$ 95,308 =====	\$ 94,697 =====

(a) Includes salvage timber sales of \$1.7 million.

(b) Operating income was reduced by \$6.7 million resulting from Southeast U.S. forest fires during the third quarter of 1998, including \$4.0 million on lower pricing for salvage timber and \$2.7 million on the write-off of destroyed timber assets and other fire related expenses.

RESULTS OF OPERATIONS

SALES AND OPERATING INCOME

Sales for the third quarter of 1999 were \$255 million, \$3 million lower than the third quarter of 1998, while sales for the nine months ended September 30, 1999 of \$740 million were \$2 million higher than the prior year. Third quarter sales decreased in the Specialty Pulp Products segment, as a result of reduced chemical cellulose prices and lower pulp volume, and were partly offset by improved sales in Timber and Wood Products due to higher Southeast U.S. timber volume and prices. Year-to-date September sales increased

due to higher Forest Resources and Trading activity, partially offset by weaker U.S. timber prices and reduced sales in the Specialty Pulp Products segment due to lower chemical cellulose prices and pulp volume.

Operating income for the third quarter of 1999 of \$32 million was \$7 million above prior year while operating income for the nine-month period ended September 30, 1999 of \$95 million was \$1 million above prior year. Wood Products improved over prior year, as a result of a strong domestic lumber market and higher medium-density fiberboard (MDF) margins. This was partially offset by the decline in Specialty Pulp Products, due to reduced chemical cellulose prices and lower pulp volume, weaker Forest Resources and Trading results, due to lower U.S. timber prices, and the negative impact from weather-related disruptions caused by Hurricane Floyd of \$1 million.

The 1998 results for Forest Resources and Trading include the negative impact of last summer's Southeast U.S. forest fires which reduced sales and operating income by \$4.0 million and \$6.7 million, respectively.

TIMBER AND WOOD PRODUCTS

Timber and Wood Products' sales for the third quarter were \$143 million, \$5 million higher than prior year due to higher timber sales volumes and log trading activity. Sales for the nine-month period were \$420 million, \$36 million higher than the prior year, resulting from higher trading activity partially offset by lower timber prices and Wood Products sales. Operating income for the third quarter of \$22 million was \$7 million above prior year due to stronger Southeast U.S. timber sales volumes and prices, higher U.S. lumber prices and improved margins for MDF. Year-to-date operating income of \$82 million increased \$6 million from last year due to higher Wood Products results partially offset by lower income from Forest Resources and Trading.

FOREST RESOURCES AND TRADING

Forest Resources and Trading sales for the third quarter were \$111 million, \$5 million above prior year resulting from growth of wood products trading activities and higher U.S. timber volume. For the nine month period ending September 30, 1999 sales were \$330 million, \$40 million above 1998 principally due to the higher wood products trading activity and improved log trading volume in Asian and U.S. domestic markets, partially offset by lower U.S. timber prices and Southeast U.S. land sales.

Operating income for the third quarter was \$21 million, \$3 million above 1998, resulting from higher Southeast U.S. sales volume. Third quarter 1998 operating income included the \$6.7 million adverse impact associated with the Southeast U.S. forest fires. Operating income for the nine-month period of 1999 of \$79 million was \$8 million below prior year due to reduced timber prices partially offsetting an increase in Northwest U.S. sales volume. Timber prices were unusually high in Southeast U.S. markets during the first half of 1998 due to unusually wet weather that led to restricted supply because of difficult logging conditions. In 1999, prices declined in the Northwest U.S. due to the impact of the Asian economic crisis on export products and in the Southeast U.S. due to reduced pulpwood demand resulting from pulp and paper mill closures and downtime in the region.

WOOD PRODUCTS

Wood Products sales for the third quarter were \$32 million, relatively unchanged from the prior year, and for the nine month period were \$89 million, \$4 million below 1998. The decrease was due to reduced lumber volume resulting from the absence of sales from the Company's Plummer, ID mill. This lumber mill was closed in July 1998, after the facility was damaged by fire, and subsequently sold in September 1999. This sales decline was partly offset by a strong Southeast U.S. lumber market and improved volume and sales prices for the Company's MDF plant.

Operating income for the third quarter was \$2 million, \$4 million higher than prior year. Operating income for the nine months was \$3 million, \$14 million above prior year. The improvement resulted from higher prices for both lumber and MDF and lower operating costs for MDF. During the third quarter of 1999, the MDF margin contribution increased \$2 million over the prior year.

SPECIALTY PULP PRODUCTS

Sales of Specialty Pulp Products for the third quarter were \$113 million, \$9 million below prior year due to reduced volume and lower chemical cellulose prices. For the nine-month period sales were \$321 million, \$36 million lower than 1998. The decline was primarily due to weaker demand for both fluff and chemical cellulose pulps and lower chemical cellulose pricing.

Operating income of \$10 million and \$22 million for the third quarter and the nine-month period of 1999, respectively, were \$2 million and \$6 million below prior year. The decline resulted from lower fluff and chemical cellulose pulp volumes, lower chemical cellulose pricing and market related shutdown costs for the Fernandina Beach, FL pulp mill, partially offset by lower wood, chemical and maintenance costs.

CORPORATE AND OTHER

Corporate and other costs for the third quarter were below 1998 levels reflecting lower management incentive compensation expense related to share performance plans. On a year-to-date basis, Corporate and other costs were comparable to the prior year.

OTHER INCOME / EXPENSE

Interest expense of \$23 million for the nine-month period of 1999 was \$3 million below 1998 due to lower average interest rates and debt balances.

The effective tax rate of 32.6 percent for the nine-month period of 1999 compared to 28.5 percent in 1998. The lower 1998 rate reflects increased tax benefits from foreign operations and higher prior years' research and development tax credits.

NET INCOME

Net income for the third quarter of 1999 was \$17.1 million or \$0.61 per Common Share, compared to \$12.8 million or \$0.45 per Common Share in 1998. Net income for the nine months ended September 30, 1999 was \$49.3 million or \$1.75 per share compared to \$49.5 million or \$1.72 per share last year.

Third quarter 1999 earnings reflect a two cent per share negative impact from weather related disruptions caused by Hurricane Floyd. Third quarter 1998 earnings were reduced by approximately 15 cents per share due to the forest fires in the Southeast U.S. in early July. The impact of the forest fires included a charge of 5 cents per share to reflect the loss of pre-merchantable timber and a reduction in earnings of 10 cents per share from the sale of fire-damaged timber.

OTHER ITEMS

In its third quarter earnings release on October 18, the Company indicated that it is optimistic about market conditions in the coming months as the improving Asian markets are benefiting most aspects of its business, both in the U.S. and New Zealand. Specialty Pulp results are expected to improve as fluff and specialty paper demand and pricing continue to strengthen and because of the Company's continuous focus on cost reduction. However, the Company expects to take some downtime at its Fernandina Beach, FL pulp mill due to softness in chemical cellulose markets, which typically lag the recovery in fluff and paper. In the fourth quarter, strengthening U.S. timber and log sales may be offset somewhat by lower lumber prices.

On October 29th, the Company completed the previously announced sale of a non-strategic marine terminal and related assets for \$9.5 million, resulting in a one-time after tax gain of \$5.8 million, or 20 cents per share. This gain will be essentially offset by a fourth quarter non-cash charge for an unrelated contract dispute of \$2.9 million, or 10 cents per share, and \$2.4 million, or 8 cents per share, related to expenses of the previously announced corporate headquarters relocation to Jacksonville, FL.

In an October 25 press release, the Company announced the completion of the 969,000-acre timberland asset purchase from Smurfit-Stone Container Corporation for \$710 million. The Company expects EBITDA and free cash flow per share from the acquisition to be accretive to the Company's results in the year 2000, on a pro forma basis, by approximately \$2.65 per share and 37 cents per share, respectively. Quarterly earnings will be reduced next year by approximately 18 cents per share due to higher interest expense and timber depletion costs.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities of \$147 million for the nine-month period of 1999 increased \$44 million from 1998 principally as a result of decreased working capital requirements. EBITDA for the nine-month period of 1999 of \$173 million increased \$3 million from 1998 results primarily due to higher cash operating income. Cash from operating activities helped to finance capital expenditures of \$65 million, dividends of \$26 million and the repurchase of Common Shares for \$16 million and also reduce debt by \$51 million. In 1999, third quarter ending debt was \$439 million and the debt-to-capital-ratio was 40.3 percent compared to debt of \$490 million and a debt-to-capital ratio of 43.4 percent at December 31, 1998.

The Company repurchased 373,300 of its shares during the nine-month period of 1999 at an average cost of \$44.03 for a total cost of \$16 million. Over the same period of 1998, the Company repurchased 516,079 shares, at an average cost of \$42.42 per share for a total cost of \$22 million.

The Company has unsecured credit facilities totaling \$300 million, which were used as support for \$95 million of outstanding commercial paper. At September 30, 1999, the Company had \$205 million available under its revolving credit facilities. In addition, the Company has on file with the Securities and Exchange Commission shelf registration statements to offer \$150 million of new

public debt securities. The Company believes that internally generated funds, combined with available external financing, will enable Rayonier to fund capital expenditures, share repurchases, working capital and other liquidity needs for the foreseeable future.

YEAR 2000 COMPLIANCE

Rayonier began its company-wide Year 2000 Project in 1996. The Project was designed to identify Year 2000 problems and take corrective action covering business and process control systems, networking communications, personal computer applications, embedded microprocessors and third party supplier and customer risks. As of the end of the third quarter of 1999, all internal systems are compliant. All third party supplier and customer risks have been evaluated and contingency plans have been developed as needed. We will continue to monitor supplier Y2K status through the turn of the century. The Company has engaged outside consultants to advise on, assist in and monitor compliance. The project team reports directly to the Company's senior executive officers and regularly provides program updates to the Audit Committee of the Board of Directors.

The total amount expended on the Year 2000 Project through the third quarter of 1999 was approximately \$3.5 million. Many of the Company's systems were upgraded or replaced in the ordinary course of business during the last five years, and costs related to those upgrades and replacements are not included in the Year 2000 Project expenses.

The Company believes that the risks have been minimized and the possibility of significant interruptions of operations reduced. However, if the Company and its third party suppliers and customers do not complete in a timely manner, their assessment, remediation and testing for Year 2000 compliance, there can be no assurance that Year 2000 problems will not materially adversely affect the Company's results of operations or its relationships with its suppliers and customers. The Company has prepared contingency plans for critical systems to deal with any areas where risks of non-compliance are significant. The Company has identified its hypercritical systems, the failure of which could constitute a worst case scenario, and has finalized contingency plans to deal with any Year 2000 related failures.

SAFE HARBOR

Comments about market trends, anticipated earnings and future activities, including disclosures about the Company's Year 2000 project, are forward-looking and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Changes in factors referred to in such disclosures, and changes in the following additional important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements: failure of the Asian markets to recover as expected; fluctuations in demand for specialty chemical cellulose and fluff pulps, export and domestic logs, and wood products; the impact of such market factors on the Company's timber sales in the U.S. and New Zealand; production costs for wood products and for specialty pulps, particularly for raw materials such as wood and chemicals; failure to realize operation efficiencies; actual costs of relocation varying significantly from cost estimates; adverse weather conditions in the Company's operating areas; the possibility of forest fires; governmental policies and regulations affecting the environment, import and export controls, and taxes; and stock market, interest rate and currency movements.

ITEM 3. SELECTED OPERATING DATA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
TIMBER AND WOOD PRODUCTS				
Log trading sales volume				
North America, in millions of board feet	57	61	132	130
New Zealand, in thousands of cubic meters	306	174	897	550
Other, in thousands of cubic meters	157	47	429	136
Timber sales volume				
Northwest U.S., in millions of board feet	33	30	165	154
Southeast U.S., in thousands of short green tons	664	558(a)	1,795	1,788
New Zealand, in thousands of cubic meters	324	280	915	650
Lumber sales volume, in millions of board feet	65	84 (b)	189	241(b)
Medium-density fiberboard sales volume, in thousands of cubic meters	33	24	91	61
Intercompany timber sales volume				
Northwest U.S., in millions of board feet	3	3	21	8
Southeast U.S., in thousands of short green tons	15	12	26	62
New Zealand, in thousands of cubic meters	159	103	428	257
SPECIALTY PULP PRODUCTS				
Pulp sales volume				
Chemical cellulose, in thousands of metric tons	80	82	235	245
Fluff and specialty paper pulp, in thousands of metric tons	85	87	231	262
Production as a percent of capacity	95.4%	98.6%	94.7%	98.6%

(a) Includes salvage timber sales of 177 resulting from the Southeast U.S. forest fires.

(b) Includes sales for the three months and for the nine months ended September 30, 1998 of 11 and 48, respectively, by the Plummer, ID lumber mill. This mill was closed in July 1998 after fire damaged the facility, and subsequently sold in September 1999.

SELECTED SUPPLEMENTAL FINANCIAL DATA (thousands of dollars, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
GEOGRAPHICAL DATA (NON-U.S.)				
Sales				
New Zealand	\$ 20,678	\$ 15,349	\$ 60,483	\$ 42,960
Other	9,662	2,981	30,745	11,094
Total	<u>\$ 30,340</u>	<u>\$ 18,330</u>	<u>\$ 91,228</u>	<u>\$ 54,054</u>
Operating Income				
New Zealand	\$ (2,462)	\$ (3,361)	\$ (5,165)	\$ (11,863)
Other	(352)	(363)	(620)	(2,530)
Total	<u>\$ (2,814)</u>	<u>\$ (3,724)</u>	<u>\$ (5,785)</u>	<u>\$ (14,393)</u>
FOREST RESOURCES				
Sales				
Northwest U.S.	\$ 11,488	\$ 11,609	\$ 59,070	\$ 59,032
Southeast U.S.	19,701	15,139(a)	51,397	60,274(a)
New Zealand	6,035	7,058	18,827	16,392
Total	<u>\$ 37,224</u>	<u>\$ 33,806</u>	<u>\$ 129,294</u>	<u>\$ 135,698</u>
Operating Income				
Northwest U.S.	\$ 6,576	\$ 7,486	\$ 43,846	\$ 42,961
Southeast U.S.	14,597	7,218(b)	37,592	41,560(b)
New Zealand	1,277	1,616	4,742	4,717
Total	<u>\$ 22,450</u>	<u>\$ 16,320</u>	<u>\$ 86,180</u>	<u>\$ 89,238</u>
EBITDA per Share				
Northwest U.S.	\$ 0.26	\$ 0.30	\$ 1.65	\$ 1.60
Southeast U.S.	0.62	0.37	1.61	1.74
New Zealand	0.16	0.15	0.51	0.41
Total	<u>\$ 1.04</u>	<u>\$ 0.82</u>	<u>\$ 3.77</u>	<u>\$ 3.75</u>

(a) Includes salvage timber sales of \$1.7 million.

(b) Operating income was reduced by \$6.7 million resulting from the Southeast U.S. forest fires during the third quarter of 1998, including \$4.0 million on lower pricing for salvage timber and \$2.7 million on the write-off of destroyed timber assets and other fire related expenses.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Rayonier's 10-K for 1998 reported that the U.S. Court of Appeals for the Eleventh Circuit on March 10, 1999 affirmed summary judgment in favor of Rayonier in an action brought by Powell-Duffryn Terminals. Subsequently, on March 31, 1999, Powell-Duffryn filed a motion for rehearing by the same court. This motion was denied on May 11, 1999.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Exhibit Index.

(b) Rayonier Inc. filed current reports on Form 8-K dated July 29, 1999 and August 23, 1999 including press releases issued on each of those dates. Rayonier Inc. also filed a Form 8-K on November 9, 1999 and a Form 8-K/A, Amendment No. 1 on November 12, 1999.

SIGNATURE

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

RAYONIER INC. (Registrant)

BY GEORGE C. KAY

George C. Kay
Vice President and
Corporate Controller
(Chief Accounting Officer)

November 15, 1999

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	LOCATION -----
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
3.1	Amended and restated articles of incorporation	No amendments
3.2	By-laws	No amendments
4.1	Credit Agreement dated as of October 25, 1999 between Rayonier Timberlands Operating Company, L.P. and Credit Suisse First Boston , Morgan Stanley Senior Funding, Inc. and Citibank, N.A.,.	Filed herewith
4.2	Note Purchase Agreement dated as of October 25, 1999 between Rayonier Timberlands Operating Company , L.P. and Timber Capital Holdings LLC.	Filed herewith
10	Material Contracts	None
11	Statement re computation of per share earnings	Not required to be filed
12	Statement re computation of ratios	Filed herewith
15	Letter re unaudited interim financial information	None
18	Letter re change in accounting principles	None
19	Report furnished to security holders	None
22	Published report regarding matters submitted to vote of security holders	None
23	Consents of experts and counsel	None
24	Power of attorney	None
27	Financial data schedule	Filed herewith
99	Additional exhibits	None

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CREDIT AGREEMENT

Dated as of October 25, 1999

among

RAYONIER TIMBERLANDS OPERATING COMPANY, L.P.,

THE LENDERS NAMED HEREIN

and

CREDIT SUISSE FIRST BOSTON,
as Administrative Agent

MORGAN STANLEY SENIOR FUNDING, INC.
CITIBANK, N.A.,
as Co-Syndication Agents

CREDIT SUISSE FIRST BOSTON
Lead Arranger

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CREDIT AGREEMENT dated as of October 25, 1999 (this "Agreement"), among RAYONIER TIMBERLANDS OPERATING COMPANY, L.P., a Delaware limited partnership (the "Borrower"); the Lenders (as defined in Article I); MORGAN STANLEY SENIOR FUNDING, INC. and CITIBANK, N.A., as Co-Syndication Agents; and CREDIT SUISSE FIRST BOSTON, a bank organized under the laws of Switzerland, acting through its New York Branch ("CSFB"), as administrative agent (in such capacity, the "Administrative Agent").

The Borrower, a wholly owned subsidiary of Rayonier Inc. ("Rayonier"), intends to acquire (the "Acquisition") all the Fernandina and Brewton timberlands assets located in Georgia, Florida and Alabama owned by Jefferson Smurfit Corporation (U.S.) (the "Seller") pursuant to the Acquisition Agreement (such term and each other capitalized term used and not otherwise defined herein being used with the meaning assigned to it in Section 1.01). The consideration payable in connection with the Acquisition will consist of \$225,000,000 in cash and the Installment Notes in an aggregate principal amount of \$500,000,000.

The Borrower has requested the Lenders to extend credit in the form of (a) Term Loans on the Closing Date in an aggregate principal amount not in excess of \$200,000,000 and (b) Revolving Loans at any time and from time to time on and after the Closing Date and prior to the Revolving Credit Maturity Date in an aggregate principal amount at any time outstanding not in excess of \$75,000,000. The proceeds of the Term Loans and of Revolving Loans (the amount of which Revolving Loans shall not exceed \$36,000,000) made on the Closing Date are to be used by the Borrower solely (i) to finance the Acquisition, (ii) to fund a distribution of \$142,000,000 to Rayonier Timberlands, L.P. and ultimately to Rayonier, which will purchase the New Rayonier Subordinated Indebtedness for a like amount and (iii) to pay related fees and expenses. The proceeds of the remaining Revolving Loans are to be used by the Borrower for general partnership purposes.

The Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, including in the preamble hereto, the following terms shall have the meanings specified below:

"ABR Loan" shall mean any ABR Term Loan or ABR Revolving Loan.

"ABR Revolving Loan" shall mean any Revolving Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"ABR Term Loan" shall mean any Term Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"Acquired Indebtedness" shall mean, with respect to any specified person (a) Indebtedness of any other person existing at the time such other person merged with or into or became a subsidiary of such specified person, including Indebtedness incurred in connection with, or in contemplation of, such other person merging with or into or becoming a subsidiary of such specified person and (b) Indebtedness encumbering any asset acquired by such specified person.

"Acquisition" shall have the meaning assigned to such term in the preamble to this Agreement.

"Acquisition Agreement" shall mean the Purchase and Sale Agreement made as of July 28, 1999, between the Seller and Rayonier, as amended by the letter agreement dated October 21, 1999 between the Seller and Rayonier.

"Additional Rayonier Subordinated Indebtedness" shall mean Indebtedness of the Borrower to Rayonier incurred after the Closing Date that (a) is not by its terms required to be repaid, prepaid, redeemed, purchased or defeased prior to the Term Maturity Date, (b) is subordinated to the Obligations on terms at least as favorable to the Lenders as the terms of the Existing Rayonier Subordinated Indebtedness and the New Rayonier Subordinated Indebtedness and (c) contains covenants, events of default and other provisions not less favorable to the Borrower and the Lenders than those in the Existing Rayonier Subordinated Indebtedness and the New Rayonier Subordinated Indebtedness.

"Adjusted Asset Sales Amount" means \$100,000,000 as increased by 10% of the purchase price of Asset Acquisitions (other than like-kind exchanges) subsequent to the Closing Date.

"Adjusted LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum equal to the product of (a) the LIBO Rate in effect for such Interest Period and (b) Statutory Reserves.

"Administrative Agent" shall have the meaning assigned to such term in the preamble to this Agreement.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit A.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Aggregate Revolving Credit Exposure" shall mean the aggregate amount of the Lenders' Revolving Credit Exposures.

"Alternate Base Rate" shall mean, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the sum of (i) the Federal Funds Effective Rate in effect on such day and (ii) 1/2 of 1%. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability of the Administrative Agent to obtain sufficient quotations in accordance with the terms of the definition thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" shall mean, for any day, (a) with respect to any Eurodollar Loan or ABR Loan, the applicable percentage set forth below under the caption "ABR Spread" or "Eurodollar Spread", respectively, and (b) with respect to the Commitment Fee, the applicable percentage set forth below under the caption "Commitment Fee", in each case determined by reference to the highest Level applicable based upon the ratings by S&P and Moody's in effect on such date for the Designated Indebtedness:

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
RATINGS (S&P/MOODY'S)	[]BBB/[]Baa3 OR []BBB-/[]Baa2	[]BBB- AND []Baa3	[]BBB-/[]Ba1 OR []BB+/[]Baa3	[]BB+ AND []Ba1	[]BB+ OR []Ba1
ABR Spread -----	0.25%	0.50%	0.75%	1.25%	1.75%
Eurodollar Spread -----	1.25%	1.50%	1.75%	2.25%	2.75%
Commitment Fee -----	0.25%	0.325%	0.375%	0.50%	0.50%

provided that for the period of six months commencing on the Closing Date, the Applicable Percentage shall be determined by reference to Level 2. For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Designated Indebtedness (other than by reason of the circumstances referred to in the last sentence of this paragraph), then such rating agency shall be deemed to have established a rating below BB+ or Ba1, as the case may be; and (ii) if the ratings established or deemed to have been established by Moody's or S&P for the Designated Indebtedness shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Percentage shall apply for purposes of determining interest on the outstanding Loans and the Commitment Fee during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the absence of ratings from such rating agency and, pending the effectiveness of such amendment, the Applicable Percentage shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Arranger and Agent Fees" shall have the meaning assigned to such term in Section 2.05(b).

"Arranger" shall mean CSFB.

"Asset Acquisition" shall mean (a) an Investment by the Borrower or any Subsidiary in any other person pursuant to which such person shall become a Subsidiary or shall be merged with or into the Borrower or any Subsidiary, (b) the acquisition by the Borrower or any Subsidiary of the assets of any person (other than a Subsidiary) which constitute all or substantially all of the assets of such person, (c) the acquisition by the Borrower or any Subsidiary of merchantable Timber or Timberlands outside the ordinary course of business, or (d) the acquisition by the Borrower or any Subsidiary of any division or line of business of any person (other than a Subsidiary).

"Asset Sale" shall have the meaning assigned to such term in Section 6.10(a).

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit B or such other form as shall be approved by the Administrative Agent.

"Attributable Debt" shall mean, with respect to any sale and leaseback transaction not giving rise to Capital Lease Obligations, as of any date of determination, the total obligation (discounted to present value at the rate of interest implicit in the lease included in such transaction) of the lessee for rental payments (other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items which do not constitute payments for property rights) during the remaining portion of the term (including extensions which are at the sole option of the lessor) of the lease included in such transaction (and in the case of any lease which is terminable by the lessee upon the payment of a penalty, such rental obligation shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated).

"Available Cash" shall mean, on any date,

(a) the sum of (i) all cash and cash equivalents of the Borrower and the Subsidiaries at the most recent fiscal quarter end and (ii) all additional cash and cash equivalents of the Borrower and the Subsidiaries on such date representing the proceeds of working capital borrowings permitted hereby after the most recent fiscal quarter end; provided that the amounts under clauses (i) and (ii) shall be reduced in determining Available Cash on any date to the extent the aggregate amount of unused Revolving Credit Commitments on such date are less than the aggregate amount of all interest payments anticipated to become due in respect of Indebtedness of the Borrower or any of the Subsidiaries (other than the Rayonier Subordinated Indebtedness) during the period of three calendar months following such date (determined on the assumption that any floating rate Indebtedness will continue to bear interest at the rate or rates in effect on such date), minus

(b) the aggregate amount of all Restricted Payments made by the Borrower and the Subsidiaries after the most recent fiscal quarter end, minus

(c) any cash or cash equivalents of the Borrower and the Subsidiaries that are subject to Liens or other arrangements that in either case would prevent the Borrower and the Subsidiaries from applying such assets to the payment of their liabilities and obligations, and any cash or cash equivalents of Subsidiaries that, by reason of legal or contractual restrictions, could not be distributed to the Borrower, or that would be subject to withholding in the event of any such distribution under applicable tax laws or regulations, minus

(d) the amount of Net Cash Proceeds of Asset Sales and Excess Harvests that the Borrower and the Subsidiaries have not yet applied for a purpose permitted under Section 6.10 or 6.11, minus

(e) the amount of cash reserves (other than for items referred to in the preceding clauses) reasonably determined by the Board of Directors of the Managing General Partner to be necessary or appropriate (i) to provide for the proper conduct of the business of the Borrower and the Subsidiaries (including reserves for future capital expenditures, for amounts by which cash operating expenses are expected to exceed cash receipts from operations during the period of three calendar months following such date and for anticipated future credit needs of the Borrower and the Subsidiaries) or (ii) to comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Borrower or any Subsidiary is a party or by or to which it is bound or its assets are subject.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" shall have the meaning assigned to such term in the preamble to this Agreement.

"Borrower's Environmental Disclosure Report" shall mean the Environmental Disclosure Report prepared by the Borrower regarding certain environmental matters and delivered to the Administrative Agent prior to the date hereof.

"Borrowing" shall mean a group of Loans of a single Type made, converted or continued by the Lenders on a single date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Borrowing Request" shall mean a request by the Borrower in accordance with the terms of Section 2.03 and substantially in the form of Exhibit C.

"Business Day" shall mean any day other than a Saturday, Sunday or day on which banks in New York, New York are authorized or required by law to close; provided, however, that when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Acquisition" shall mean any transaction in which the Borrower or a Subsidiary of the Borrower acquires (through an asset acquisition, merger, stock acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person for the purpose of increasing (through an increase in acreage or increase in inventory of Timber) the operating capacity of the Borrower or a Subsidiary of the Borrower over the operating capacity immediately prior to such transaction. Where Capital Expenditures are made in part for a Capital Acquisition and in part for other purposes, the portion applicable to the Capital Acquisition will be determined based on the Managing General Partner's reasonable allocation.

"Capital Expenditures" shall mean, for any period, additions to property, plant and equipment and other expenditures of the Borrower and the Subsidiaries, required to be capitalized in accordance with GAAP, that are (or would be) set forth in a consolidated statement of cash flows of the Borrower for such period prepared in accordance with GAAP.

"Capital Lease Obligations" of any person shall mean the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

A "Change in Control" shall be deemed to have occurred if (a) one of (i) Rayonier Timberlands Management, Inc., (ii) Rayonier or (iii) a subsidiary of Rayonier in which Rayonier owns a majority of the voting Equity Interests, shall fail to be the sole managing general partner of the Borrower or shall fail to Control the Borrower; (b) Rayonier shall fail to Control the Managing General Partner; (c) if Rayonier Timberlands Management, Inc. is the Managing General Partner, Rayonier fails to own at least 33% of the voting Equity Interests of Rayonier Timberlands Management, Inc. and a greater percentage of such voting Equity Interests than any other person or group; (d) the Borrower ceases to be a consolidated subsidiary of Rayonier for purposes of Rayonier's GAAP financial statements; or (e) Rayonier fails to own, directly or indirectly, Equity Interests representing at least 33% of the equity of the Borrower.

"Closing Date" shall mean October 25, 1999, the date of the initial borrowing hereunder.

"Closing Date Transactions" shall mean the Acquisition, the issuance of the Installment Notes, the Borrowings hereunder on the Closing Date and the execution and delivery of the Subsidiary Guarantee Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Commitments" shall mean, with respect to any Lender, such Lender's Revolving Credit Commitment and Term Loan Commitment.

"Commitment Fee" shall have the meaning assigned to such term in Section 2.05(a).

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated September 1999.

"Consolidated Cash Flow Available for Fixed Charges" shall mean, with respect to the Borrower and the Subsidiaries for any period, the sum of, without duplication, the amounts for such period, taken as a single accounting period, of (a) Consolidated Net Income, (b) Consolidated Non-Cash Charges, (c) Consolidated Interest Expense, (d) interest on the Rayonier Subordinated Indebtedness (to the extent such interest is deducted in the determination of Consolidated Net Income) and (e) Consolidated Income Tax Expense.

"Consolidated Fixed Charge Coverage Ratio" shall mean, with respect to the Borrower and the Subsidiaries, the ratio of the aggregate amount of Consolidated Cash Flow Available for Fixed Charges for the most recent four full fiscal quarters for which financial information in respect thereof is available immediately preceding the date of the transaction (the "Transaction Date") giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio (such most recent four full fiscal quarter period being referred to herein as the "Four Quarter Period") to the aggregate amount of Consolidated Fixed Charges for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, "Consolidated Cash Flow Available for Fixed Charges" and "Consolidated Fixed Charges" shall be calculated after giving effect on a pro forma basis for the period of such calculation to, without duplication (a) the incurrence or repayment of any Indebtedness of the Borrower or any of the Subsidiaries (and, in the case of any incurrence, the application of the net proceeds thereof) during the period commencing on the first day of the Four Quarter Period to and including the Transaction Date (the "Reference Period"), including, without limitation, the incurrence of the Indebtedness giving rise to the need to make such calculation (and the application of the net proceeds thereof), as if such incurrence (and application) occurred on the first day of the Reference Period (including any actual interest payments made with respect to Indebtedness under this Agreement, and (b) any Asset Sales or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Borrower or one of the Subsidiaries (including any Person who becomes a Subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired Indebtedness) occurring during the Reference Period, as if such Asset Sale or Asset Acquisition occurred on the first day of the Reference Period; provided, however, that (i) Consolidated Fixed Charges shall be reduced by amounts attributable to businesses or assets that are so disposed of or discontinued only to the extent that the obligations giving rise to such Consolidated Fixed Charges would no longer be obligations contributing to the Consolidated Fixed Charges subsequent to the date of determination of the Consolidated Fixed Charge Coverage Ratio and (ii) Consolidated Cash Flow Available for Fixed Charges generated by an acquired business or asset shall be determined (x) in the case of an Asset Acquisition of Timber or Timberlands by the Borrower or a Subsidiary (which for purposes of this definition shall include the acquisition pursuant to the Acquisition Agreement of the limited liability

company member interests referred to therein) during such period, by using the projected net cash flow of the Timber or Timberlands so acquired, based on the harvest plan prepared in the ordinary course of business and in good faith by the Managing General Partner, for the first 12 full months of operations of the acquired Timber or Timberlands following the date of the Asset Acquisition; provided that such harvest plan shall not assume the harvesting or sale of more than 10% of the total merchantable Timber so acquired in the first 12 full months following the date of the Asset Acquisition; and provided further, in determining projected cash flow from acquired Timber or Timberlands, prices shall be assumed to equal the average prices realized by the Borrower for comparable Timber sold during such prior period, and (y) in the case of all other Asset Acquisitions during such period, by using the actual gross profit (revenues minus cost of goods sold) of such acquired business or asset during the Four Quarter Period minus the pro forma expenses that would have been incurred by the Borrower and the Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of personnel expenses for employees retained or to be retained by the Borrower and the Subsidiaries in the operation of the acquired business or asset and non-personnel costs and expenses incurred by the Borrower and the Subsidiaries in the operation of the Borrower's business at similarly situated facilities. If the applicable Reference Period for any calculation of the Consolidated Fixed Charge Coverage Ratio shall include a portion prior to the Closing Date, then such Consolidated Fixed Charge Coverage Ratio shall be calculated based upon the Consolidated Cash Flow Available for Fixed Charges and the Consolidated Fixed Charges of the Borrower on a pro forma basis for such portion of the Reference Period prior to the Closing Date, giving effect to the transactions occurring on the Closing Date, and the Consolidated Cash Flow Available for Fixed Charges and the Consolidated Fixed Charges for the remaining portion of the Reference Period on and after the Closing Date, giving pro forma effect, as described in the two foregoing sentences, to all applicable transactions occurring on the Closing Date or otherwise. Furthermore, in calculating "Consolidated Fixed Charges" for purposes of determining the "Consolidated Fixed Charge Coverage Ratio" (i) interest on outstanding Indebtedness (other than Indebtedness referred to in clause (ii) below) determined on a fluctuating basis as of the last day of the Four Quarter Period and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on such date; (ii) only actual interest payments associated with Indebtedness consisting of revolving credit borrowings or commercial paper during the Four Quarter Period shall be included in such calculation; and (iii) if interest of any Indebtedness actually incurred on such date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the last day of the Four Quarter Period will be deemed to have been in effect during such period.

"Consolidated Fixed Charges" shall mean, for any period, the sum of (i) Consolidated Interest Expense for such period and (ii) Capital Expenditures during such period, other than (x) Capital Acquisitions and (y) Capital Expenditures made from the reinvestment of the proceeds of Asset Sales.

"Consolidated Income Tax Expense" shall mean, with respect to any period, all provisions for Federal, state, local and foreign income taxes of the Borrower and the Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" shall mean, with respect to the Borrower and the Subsidiaries for any period, without duplication, the sum of (a) the interest expense (not including any amounts paid or accrued in respect of any Preferred Stock or Redeemable Equity Interests) of the Borrower and the Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP, including, without limitation, (i) any amortization of debt discount, (ii) the net cost under Hedging Agreements designed to protect the Borrower or any Subsidiary from fluctuation in interest rates, (iii) the interest portion of any deferred payment obligation, (iii) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financings that

constitute Indebtedness, and (iv) all accrued interest and (b) the interest component of Capital Lease Obligations paid or scheduled to be paid or accrued by the Borrower and the Subsidiaries during such period, determined on a consolidated basis in accordance with GAAP. Consolidated Interest Expense shall not include interest on the Rayonier Subordinated Indebtedness.

"Consolidated Leverage Ratio" shall mean, at any time, the ratio of (a) Consolidated Total Debt at such time to (b) Consolidated Cash Flow Available for Fixed Charges for the most recently ended period of four fiscal quarters, all as determined on a consolidated basis in accordance with GAAP. Solely for purposes of this definition, if, at any time the Consolidated Leverage Ratio is being determined, the Borrower or any Subsidiary shall have completed a Material Acquisition (including the Acquisition) or Material Disposition since the beginning of the relevant four fiscal quarter period, the Consolidated Leverage Ratio shall be determined on a pro forma basis as if such Material Acquisition or Material Disposition, and any related incurrence or repayment of Indebtedness, had occurred at the beginning of such period (and such pro forma determination, insofar as it relates to Consolidated Cash Flow Available for Fixed Charges, will be made in accordance with subclause (ii) of the proviso of the definition of Consolidated Fixed Charge Coverage Ratio).

"Consolidated Net Income" shall mean, for any period, the net income of the Borrower and the Subsidiaries, determined on a consolidated basis in accordance with GAAP and adjusted to exclude (a) net after-tax extraordinary gains or losses, (b) net after-tax gains or losses attributable to Asset Sales, (c) the net income or loss of any person which is not a Subsidiary and which is accounted for by the equity method of accounting, provided that Consolidated Net Income shall include the amount of dividends or distributions actually paid to the Borrower or any Subsidiary by any such person, (d) the net income or loss of any person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Borrower or any Subsidiary or the date that such person's assets are acquired by the Borrower or any Subsidiary, (e) the net income of any Subsidiary to the extent that dividends or distributions of such net income are not at the date of determination permitted by the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or other regulation, and (f) the cumulative effect of any changes in accounting principles.

"Consolidated Non-Cash Charges" shall mean, with respect to the Borrower and the Subsidiaries for any period, the aggregate depreciation, depletion, amortization and any other non-cash charges, in each case reducing Consolidated Net Income of the Borrower and the Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Assets" shall mean, at any time, the total assets and properties of the Borrower and the Subsidiaries which would be shown as assets on a consolidated balance sheet of the Borrower and the Subsidiaries as of such time prepared in accordance with GAAP.

"Consolidated Total Debt" shall mean, as of any date of determination, without duplication, the aggregate principal amount of Indebtedness of the Borrower and the Subsidiaries outstanding as of such date, determined on a consolidated basis in accordance with GAAP.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" shall have meanings correlative thereto.

"CSFB" shall have the meaning assigned to such term in the preamble to this Agreement.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Designated Indebtedness" shall mean the Borrower's senior, unsecured, non-credit enhanced long term Indebtedness for borrowed money.

"dollars" or "\$" shall mean lawful money of the United States of America.

"Domestic Subsidiary" shall mean a Subsidiary incorporated or organized under the laws of the United States of America, any State thereof or the District of Columbia.

"environment" shall mean ambient air, surface water and groundwater (including potable water, navigable water and wetlands), the land surface or subsurface strata, the workplace or as otherwise defined in any Environmental Law.

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

"Environmental Claim" shall mean any written accusation, allegation, notice of violation, claim, demand, order, directive, cost recovery action or other cause of action by, or on behalf of, any Governmental Authority or any person for damages, injunctive or equitable relief, personal injury (including sickness, disease or death), Remedial Action costs, tangible or intangible property damage, natural resource damages, nuisance, pollution, any adverse effect on the environment caused by any Hazardous Material, or for fines, penalties or restrictions, resulting from or based upon (a) the existence, or the continuation of the existence, of a Release (including sudden or non-sudden, accidental or non-accidental Releases), (b) exposure to any Hazardous Material, (c) the presence, use, handling, transportation, storage, treatment or disposal of any Hazardous Material or (d) the violation or alleged violation of any Environmental Law or Environmental Permit.

"Environmental Law" shall mean any and all applicable present and future treaties, laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, Release or threatened Release of any Hazardous Material or to health and safety matters, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Sections 9601 et seq. (collectively "CERCLA"), the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. Sections 6901 et seq., the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. Sections 1251 et seq., the Clean Air Act of 1970, as amended 42 U.S.C. Sections 7401 et seq., the Toxic Substances Control Act of 1976, 15 U.S.C. Sections 2601 et seq., the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. Sections 651 et seq., the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Sections 11001 et seq., the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. Sections 300(f) et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Sections 5101 et seq., and any similar or implementing state or local law, and all amendments or regulations promulgated under any of the foregoing.

"Environmental Permit" shall mean any permit, approval, authorization, certificate, license, variance, filing or permission required by or from any Governmental Authority pursuant to any Environmental Law.

"Equity Interests" shall mean, with respect to any person, shares of the capital stock, partnership interests or other equity interests in such person or any warrants, options or other rights to acquire Equity Interests.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (b) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (c) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (d) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (f) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (g) the receipt by the Borrower or any ERISA Affiliate of any notice concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (h) the occurrence of a "prohibited transaction" with respect to which the Borrower or any of the Subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) or with respect to which the Borrower or any such Subsidiary could otherwise be liable; and (i) any other event or condition with respect to a Plan or Multiemployer Plan that could reasonably be expected to result in material liability of the Borrower.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Loan" shall mean any Eurodollar Revolving Loan or Eurodollar Term Loan.

"Eurodollar Revolving Loan" shall mean any Revolving Loan bearing interest at a rate determined by reference to the Adjusted LIBO Rate in accordance with the provisions of Article II.

"Eurodollar Term Loan" shall mean any Term Loan bearing interest at a rate determined by reference to the Adjusted LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VII.

"Excess Harvest" means a harvest of Timber (including timber deed, bulk, pay-as-cut and stumpage sales), to the extent in excess in the aggregate of the following limitations: (a) 140% of the Planned Volume during any fiscal year of the Borrower, (b) 135% of the Planned Volume during any period of two consecutive fiscal years of the Borrower, (c) 130% of the Planned Volume during any period of three consecutive fiscal years of the Borrower, (d) 125% of the Planned Volume during any

period of four consecutive fiscal years of the Borrower, and (e) 120% of the Planned Volume during any period of five consecutive fiscal years of the Borrower. In the event that the Borrower or any Subsidiary sells Timber pursuant to a timber deed, bulk, pay-as-cut or stumpage contract, the Timber shall be deemed harvested in equal monthly amounts over the life of the contract, regardless of when the purchaser actually severs the Timber.

"Excluded Taxes" shall mean, with respect to the Administrative Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income or that of its holding company by the United States of America or by the jurisdiction under the laws of which such recipient or such holding company is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction described in clause (a) above and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.20(a)), any withholding tax that (i) is in effect and would apply to amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that the prior lending office or the assignor, as applicable, of such Foreign Lender was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to any withholding tax pursuant to Section 2.19(a), or (ii) is attributable to such Foreign Lender's failure to comply with Section 2.19(e).

"Existing Rayonier Subordinated Indebtedness" shall mean \$285,000,000 aggregate principal amount of subordinated indebtedness of the Borrower owed to Rayonier and its Affiliates evidenced by the Existing Rayonier Subordinated Notes.

"Existing Rayonier Subordinated Notes" shall mean promissory notes of the Borrower in the form of Exhibit G-1 hereto evidencing the Existing Rayonier Subordinated Indebtedness.

"Existing Rayonier Subordinated Indebtedness Indemnity Agreement" shall mean the indemnity agreement dated as of October 19, 1999, among Rayonier Forest Resources Co., a Delaware corporation, Rayonier Forest Resources Company, a Delaware corporation, Rayonier Timberlands Management, Inc., Rayonier and the Borrower.

"Fair Market Value" means, at any time and with respect to any property, the sale value of such property that would be realized in an arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for the day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Payment Date" shall have the meaning assigned to such term in Section 2.05(a).

"Fees" shall mean the Commitment Fees and the Arranger and Agent Fees.

"Financial Officer" of any person shall mean the chief financial officer, principal accounting officer, treasurer or controller of such person.

"Foreign Lender" shall mean any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" shall mean any Subsidiary that is not a Domestic Subsidiary.

"GAAP" shall mean United States generally accepted accounting principles applied on a consistent basis.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" as applied to any person, means any direct or indirect liability, contingent or otherwise, of such person with respect to any Indebtedness, lease, cash dividend or other obligation of another, including, without limitation (a) any such obligation directly or indirectly guaranteed or endorsed (otherwise than for collection or deposit in the ordinary course of business) by such person, or in respect of which such person is otherwise directly or indirectly liable, (b) any other obligation under any contract which, in economic effect, is substantially equivalent to a guarantee, including, without limitation, any such obligation of a partnership in which such person is a general partner or of a joint venture in which such person is a joint venturer, or (c) any obligation in effect guaranteed by such person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation, or to make payment for any products, materials or supplies or for any transportation or services regardless of the non-delivery or nonfurnishing thereof, in any such case if the purpose or intent of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected against loss in respect thereof.

"Guarantee Requirement" shall mean, at any time, that the Subsidiary Guarantee Agreement (or a supplement referred to in Section 20 thereof) shall have been executed by each Material Subsidiary (other than any Foreign Subsidiary, to the extent and for so long as the execution of the Subsidiary Guarantee Agreement by such Foreign Subsidiary would result in adverse tax consequences for the Borrower or any of its Affiliates) existing at such time, shall have been delivered to the Administrative Agent and shall be in full force and effect.

"Hazardous Materials" shall mean all explosive or radioactive substances or wastes, hazardous or toxic substances or wastes, pollutants, solid, liquid or gaseous wastes, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls ("PCBs") or PCB-containing materials or equipment, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" shall mean any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or similar agreement or arrangement designed to protect the Borrower or any Subsidiary from fluctuations in interest rates, currency exchange rates or commodity prices.

"Indebtedness" shall mean as applied to any person (without duplication):

(a) any indebtedness for borrowed money and all obligations evidenced by any bond, note, debenture or other similar instrument or letter of credit (or reimbursement agreements in respect

thereof) which such person has directly or indirectly created, incurred or assumed (other than obligations with respect to letters of credit securing obligations (other than obligations described in paragraphs (a) through (c) of this definition) entered into in the ordinary course of business of such person to the extent such letters of credit are not drawn upon, or, if and to the extent drawn upon, such drawing is reimbursed no later than the fifth Business Day following receipt by such person of a demand for reimbursement following payment on the letter of credit);

(b) any indebtedness for borrowed money and all obligations evidenced by any bond, note, debenture or other similar instrument secured by any Lien in respect of property owned by such person, whether or not such person has assumed or become liable for the payment of such indebtedness; provided that the amount of such indebtedness, if such person has not assumed the same or become liable therefor, shall in no event be deemed to be greater than the Fair Market Value from time to time (as determined in good faith by such person) of the property subject to such Lien;

(c) any indebtedness, whether or not for borrowed money (excluding trade payables and accrued expenses arising in the ordinary course of business), with respect to which such person has become directly or indirectly liable and which represents the deferred purchase price (or a portion thereof) or has been incurred to finance the purchase price (or a portion thereof) of any property or service or business acquired by such person, whether by purchase, consolidation, merger or otherwise;

(d) Capital Lease Obligations to the extent such obligations would, in accordance with GAAP, appear on a balance sheet of such person;

(e) All Attributable Debt of such person in respect of sale and leaseback transactions not giving rise to Capital Lease Obligations;

(f) any indebtedness of any other person of the character referred to in clause (a), (b), (c), (d) or (e) of this definition with respect to which the person whose Indebtedness is being determined has become liable by way of a Guarantee;

(g) all Redeemable Equity Interests of any subsidiary of such person valued at the greater of its voluntary or involuntary maximum fixed repurchase price;

(h) any Preferred Stock (other than Redeemable Equity Interests) of any subsidiary of such person that is not a Subsidiary Guarantor valued at the liquidation preference thereof or any mandatory redemption payment obligations in respect thereof;

(i) all net obligations of such person in respect of Hedging Agreements; and

(j) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) through (i) above

For purposes hereof, the "maximum fixed repurchase price" of any Redeemable Equity Interests which do not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Equity Interests as if such Redeemable Equity Interests were purchased on any date as of which Indebtedness shall be required to be determined, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Equity Interests, such Fair Market Value shall be determined in good faith by the board of directors of the issuer of such Redeemable Equity Interests.

"Indemnified Taxes" shall mean Taxes other than Excluded Taxes.

"Indemnitee" shall have the meaning assigned to such term in Section 9.05(b).

"Indemnity, Subrogation and Contribution Agreement" shall mean an Indemnity, Subrogation and Contribution Agreement substantially in the form of Exhibit E among the Borrower, the Subsidiary Guarantors and the Administrative Agent.

"Installment Note Agreement" shall mean the Note Purchase Agreement dated as of October 25, 1999, between the Borrower and the Seller, in the form heretofore delivered to the Lenders.

"Installment Notes" shall mean (a) \$112,500,000 aggregate principal amount of the Borrower's Series A Senior Notes due December 31, 2007, (b) \$162,500,000 aggregate principal amount of the Borrower's Series B Senior Notes due December 31, 2009, (c) \$112,500,000 aggregate principal amount of the Borrower's Series C Senior Notes due December 31, 2011, and (d) \$112,500,000 aggregate principal amount of the Borrower's Series D Senior Notes due December 31, 2014, all issued pursuant to the Installment Note Agreement.

"Interest Payment Date" shall mean (a) with respect to any ABR Borrowing, the last Business Day of each March, June, September and December, and (b) with respect to any Eurodollar Borrowing, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing, and, in addition, the date of any prepayment of a Eurodollar Borrowing or conversion of a Eurodollar Borrowing to an ABR Borrowing.

"Interest Period" shall mean, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Borrower may elect; provided, however, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the succeeding Business Day unless, such succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Investment" shall mean, as applied to any person, any direct or indirect purchase or other acquisition by such person of Equity Interests or other securities of any other person, or any direct or indirect loan, advance or capital contribution by such person to any other person, and any other item which would be classified as an "investment" on a balance sheet of such person prepared in accordance with GAAP, including, without limitation, any direct or indirect contribution by such person of property or assets to a joint venture, partnership or other business entity in which such person retains an interest (it being understood that a direct or indirect purchase or other acquisition by such person of assets of any other person (other than stock or other securities) shall not constitute an "Investment." The amount of Investments made during any period shall be the aggregate cost to the Borrower and the Subsidiaries of all such Investments made during such period, determined in accordance with GAAP, but without regard to unrealized increases or decreases in value, or write-ups, write-downs or write-offs, of such Investments and without regard to the existence of any undistributed earnings or accrued interest with respect thereto accrued after the respective dates on which such Investments were made, less any net return of capital realized during such period upon the sale, repayment or other liquidation of such Investments (determined in accordance with GAAP, but without regard to any amounts received during such period as earnings (in the form of dividends not constituting a return of capital, interest or otherwise) on such Investments or as loans from any person in whom such Investments have been made).

"Lenders" shall mean (a) the financial institutions listed on Schedule 2.01 and (b) any financial institution that has become a party hereto pursuant to an Assignment and Acceptance (in either case other than any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Acceptance).

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, the rate per annum determined by the Administrative Agent at approximately 11:00 a.m., London time, on the date which is two Business Days prior to the beginning of such Interest Period by reference to the British Bankers' Association Interest Settlement Rates for deposits in dollars (as set forth by any service selected by the Administrative Agent which has been nominated by the British Bankers' Association as an authorized information vendor for the purpose of displaying rates) for a period equal to such Interest Period, provided that, to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, the "LIBO Rate" shall be the interest rate per annum determined by the Administrative Agent equal to the rate per annum at which deposits in dollars are offered for such Interest Period by the Administrative Agent in the London interbank market in London, England at approximately 11:00 a.m., London time, on the date which is two Business Days prior to the beginning of such Interest Period.

"Lien" shall mean, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities. The term "Lien" shall not include a negative pledge agreement.

"Loan Documents" shall mean this Agreement, the Subsidiary Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement.

"Loan Parties" shall mean the Borrower and each Subsidiary that is party to the Subsidiary Guarantee Agreement.

"Loans" shall mean the Revolving Loans and the Term Loans.

"Managing General Partner" shall mean the managing general partner of the Borrower, which on the date hereof is Rayonier Timberlands Management, Inc.

"Margin Stock" shall have the meaning assigned to such term in Regulation U.

"Material Acquisition" shall mean the acquisition by the Borrower or any Subsidiary, including through a merger or consolidation or a purchase of capital stock, of any other person or any division or business unit of any other person or any assets, in which the consolidated total assets of such person, division, business unit or assets exceeds 1% of the Consolidated Total Assets of the Borrower and the Subsidiaries, each as of the beginning of the Borrower's fiscal year.

"Material Adverse Effect" shall mean one or more events, changes or effects which, individually or in the aggregate, could reasonably be expected to have a materially adverse effect on (a) the business, assets, results of operations or condition (financial or otherwise) of the Borrower and the Subsidiaries, taken as a whole, or on the ability of the Borrower and the Subsidiary Guarantors to perform their obligations under the Loan Documents, or (b) the validity or enforceability of any material provision of any Loan Document or any other document entered into in connection with the Transactions or the other transactions contemplated hereby or the material rights, remedies or benefits available to the parties thereunder.

"Material Disposition" shall mean the sale or transfer by the Borrower or any Subsidiary, including through a merger or consolidation or a sale of capital stock, of any subsidiary, division or business unit of the Company or such Subsidiary or any assets (other than inventory sold in the ordinary course of business), in which the consolidated total assets of such person, division, business unit or assets exceeds 1% of the Consolidated Total Assets of the Borrower and the Subsidiaries, each as of the beginning of the Borrower's fiscal year.

"Material Indebtedness" shall mean Indebtedness (other than the Loans), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and the Subsidiaries in an aggregate principal amount for all such Indebtedness and obligations of \$10,000,000 or more. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Material Subsidiary" shall mean any Subsidiary (a) the consolidated net revenues of which for the most recent period of four fiscal quarters of the Borrower for which financial statements have been delivered pursuant to Section 5.03 were greater than 1% of the Borrower's consolidated net revenues for such period or (b) the Consolidated Total Assets of which as of the end of such period were greater than 1% of the Borrower's Consolidated Total Assets as of the end of such period; provided that (i) if at any time the aggregate amount of the consolidated net revenues or Consolidated Total Assets of all Subsidiaries that are not Material Subsidiaries exceeds 5% of the Borrower's consolidated net revenues for any such period or 5% of the Borrower's Consolidated Total Assets as of the end of any such period, the Borrower (or, in the event the Borrower has failed to do so within 10 days, the Administrative Agent) shall designate sufficient Subsidiaries (which shall be Domestic Subsidiaries to the extent there are Domestic Subsidiaries that have not been so designated) as "Material Subsidiaries" to eliminate such excess, and such designated Subsidiaries shall for all purposes of this Agreement constitute Material Subsidiaries and (ii) any Subsidiary that Guarantees the Installment Notes or any other Indebtedness of the Borrower shall in any event be deemed to be a Material Subsidiary. For purposes of making the determinations required by this definition, revenues and assets of Foreign Subsidiaries shall be converted into dollars at the rates used in preparing the consolidated balance sheet of the Borrower included in the applicable financial statements. The Material Subsidiaries on the date hereof are identified in Schedule 1.01 hereto.

"Merchantable Timber" shall be defined (a) with respect to pine, hardwood and cypress located in the Southeastern United States, as trees aged 15 years or more with minimum diameters at breast-height ("D.B.H.") of 5 inches, (b) with respect to Western hemlock, Douglas fir, Western red cedar, Sitka spruce and hardwoods located in the Northwestern United States, as trees aged 21 years or more that contain a minimum of 10 board feet, Scribner log scale, and (c) with respect to other species and geographic locations, in accordance with industry norms.

"Merchantable Timber Ratio" shall mean, at any time, the ratio of (a) the number of tons of Merchantable Timber owned by the Borrower and the Subsidiaries to (b) the amount of Consolidated Total Debt (excluding the Rayonier Subordinated Indebtedness) of the Borrower.

"Moody's" shall mean Moody's Investors Service, Inc. and its successors.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" shall mean, with respect to any Asset Sale or Excess Harvest, the proceeds thereof in the form of cash or cash equivalents, including payments in respect of deferred payment obligations when received in the form of cash or cash equivalents (except to the extent that

such deferred payment obligations are financed or sold with recourse to the Borrower or any Subsidiary), and any insurance or condemnation proceeds, net of (a) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel and accountants and fees, expenses, discounts or commissions of underwriters, placement agents and investment bankers) related to such Asset Sale or Excess Harvest, (b) provisions for all taxes payable as a result of such Asset Sale or Excess Harvest, (c) amounts required to be paid to any Person (other than the Borrower or any Subsidiary) owning a beneficial interest in the assets subject to such Asset Sale or Excess Harvest, (d) appropriate amounts to be provided by the Borrower or any Subsidiary, as the case may be, as a reserve required in accordance with GAAP against liabilities associated with such Asset Sale or Excess Harvest and retained by the Borrower or a Subsidiary after such Asset Sale or Excess Harvest, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale or Excess Harvest, and (e) amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets sold in such Asset Sale or Excess Harvest.

"New Rayonier Subordinated Indebtedness" shall mean \$142,000,000 subordinated loan to be made to the Borrower on the Closing Date and evidenced by the New Rayonier Subordinated Note.

"New Rayonier Subordinated Note" shall mean a promissory note of the Borrower in the form of Exhibit G-2 hereto evidencing the New Rayonier Subordinated Indebtedness.

"Obligations" shall mean (a) the due and punctual payment by the Borrower or the other Loan Parties, as applicable, of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (ii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties to the Administrative Agent, the Lenders or any other person under this Agreement and the other Loan Documents, whether such amounts shall have accrued prior to, on or after the Closing Date, (b) the due and punctual payment and performance of all covenants, agreements, obligations and liabilities of the Loan Parties, monetary or otherwise, under or pursuant to the Loan Documents, and (c) the due and punctual payment and performance of all obligations of the Borrower or any Subsidiary, monetary or otherwise, under each Hedging Agreement entered into to limit interest rate risk with a counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into.

"Other Taxes" shall mean any and all present or future stamp, recording, documentary, transfer, sales, property or similar taxes, charges or levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Investments" shall mean, at any time, all of the following:

(a) Investments made or owned by the Borrower or any Subsidiary in (i) any evidence of Indebtedness with a maturity of 365 days or less issued by or directly, fully and unconditionally guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof); (ii) deposits, certificates of deposit or acceptances with a

maturity of 365 days or less of any institution that is a member of the Federal Reserve System having combined capital and surplus and undivided profits of not less than \$500,000,000; (iii) commercial paper with a maturity of 365 days or less issued by a corporation (other than an Affiliate of the Borrower) incorporated or organized under the laws of the United States or any state thereof or the District of Columbia and rated at least "A-1" by S&P or "P-1" by Moody's; (iv) repurchase agreements and reverse repurchase agreements relating to marketable direct obligations issued by or directly, fully and unconditionally guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof), in each case maturing within 365 days from the date of acquisition; (v) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and having as at such date the highest rating obtainable from either S&P or Moody's; or (vi) money market mutual or similar funds that invest in obligations referred to in clauses (i) through (v) of this definition, in each case having assets in excess of \$100,000,000;

(b) the acquisition by the Borrower or any Subsidiary, whether in a single transaction or in a series of related transactions, of ownership interests of a person engaged in substantially the same business as the Borrower such that upon the completion of such transaction or series of transactions, such person becomes a Subsidiary;

(c) the making or ownership by the Borrower or any Subsidiary of Investments (in addition to Investments permitted by clauses (a), (b), (d), (e), (f) and (g)) in any person which is engaged in substantially the same business as the Borrower, provided that the aggregate amount of all such Investments made by the Borrower and the Subsidiaries following the date hereof and outstanding pursuant to this clause (c) shall not at any date of determination exceed 5% of Consolidated Total Assets;

(d) the making or ownership by the Borrower or any Subsidiary of Investments (i) arising out of loans and advances to employees incurred in the ordinary course of business, (ii) arising out of extensions of trade credit or advances to third parties in the ordinary course of business and (iii) acquired by reason of the exercise of customary creditors' rights upon default or pursuant to the bankruptcy, insolvency or reorganization of a debtor;

(e) the creation or incurrence of liability by the Borrower or any Subsidiary with respect to any Guarantee constituting an obligation, warranty or indemnity, not guaranteeing Indebtedness of any person, which is undertaken or made in the ordinary course of business;

(f) the creation or incurrence of liability by the Borrower or any Subsidiary with respect to any Hedging Agreements designed to protect the Borrower or any Subsidiary from fluctuations in interest rates;

(g) the guarantees by the Subsidiaries of the Obligations and of the Installment Notes and any assumption of the Obligations guaranteed thereby;

(h) the making by the Borrower or any Subsidiary of Investments in the Borrower or any Subsidiary; and

(i) investments existing on the date hereof and set forth on Schedule 1.01(b).

"person" shall mean any natural person, corporation, limited liability company, business trust, joint venture, association, company, charitable foundation, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 307 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Planned Volume" means 6,700,000 tons for the calendar year 2000 and shall increase 2% per year thereafter. In the event of the acquisition of merchantable Timber or Timberlands (other than in a like-kind exchange of Timber or Timberlands for other Timber or Timberlands and other than Timber or Timberlands acquired with the Net Cash Proceeds of an Excess Harvest) constituting an Asset Acquisition, Planned Volume will be increased for 10 years by 10% of the volume of merchantable Timber so acquired. In the event of a disposition of merchantable Timber or Timberlands constituting an Asset Sale, Planned Volume will be reduced by 10% of the volume of merchantable Timber sold in such Asset Sale. In the event of an Excess Harvest, Planned Volume will be reduced by 10% of the amount of the Excess Harvest. For purposes of this definition, all volumes of Timber harvested that are denominated in board feet shall be converted to tons on the basis of 7.2 tons per thousand board feet.

"Preferred Stock" shall mean, as applied to the Equity Interests of any person, means Equity Interests of any class or classes (however designated), which is preferred as to the payment of distributions, dividends, or upon any voluntary or involuntary liquidation or dissolution of such person, over shares or units of Equity Interests of any other class of such person.

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City, New York; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective.

"Projections" shall mean the projections included in the Confidential Memorandum under the heading "Projected Financial Information".

"Rayonier" shall have the meaning assigned to such term in the preamble to this Agreement.

"Rayonier Timberlands Management, Inc." shall mean Rayonier Timberlands Management, Inc., a Delaware corporation.

"Rayonier Subordinated Indebtedness" shall mean the Existing Rayonier Subordinated Indebtedness, the New Rayonier Subordinated Indebtedness and any Additional Rayonier Subordinated Indebtedness.

"Redeemable Equity Interest" means any Equity Interest, that, either by the terms thereof, by the terms of any security into which it is convertible or exchangeable or which it entitles a holder to purchase, by contract or otherwise, is, or upon the happening of an event or passage of time would be, (i) required to be redeemed prior to the Term Maturity Date, (ii) redeemable at the option of the holder thereof, or (iii) convertible into or exchangeable for Indebtedness.

"Register" shall have the meaning assigned to such term in Section 9.04(d).

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Related Fund" shall mean, with respect to any Lender that is a fund that invests in loans, any other fund that invests in loans and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating of any Hazardous Material in, into, onto or through the environment.

"Remedial Action" shall mean (a) "remedial action" as such term is defined in CERCLA, 42 U.S.C. Section 9601(24), and (b) all other actions required by any Governmental Authority or voluntarily undertaken to: (i) clean up, remove, treat, abate or in any other way address any Hazardous Material in the environment; (ii) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not migrate or endanger or threaten to endanger public health, welfare or the environment; or (iii) perform studies and investigations in connection with, or as a precondition to, clause (i) or (ii) above.

"Required Lenders" shall mean, at any time, Lenders having Loans and unused Revolving Credit Commitments and Term Loan Commitments representing more than 50% of the sum of all Loans outstanding and unused Revolving Credit Commitments and Term Loan Commitments at such time.

"Responsible Officer" of any person shall mean any executive officer or Financial Officer of such person and any other officer or similar official thereof responsible for the administration of the obligations of such person in respect of the relevant portion of this Agreement.

"Restricted Payment" shall have the meaning assigned to such term in Section 6.02.

"Revolving Credit Borrowing" shall mean a Borrowing comprised of Revolving Loans.

"Revolving Credit Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder as set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Revolving Credit Commitment, as applicable, as the same may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04.

"Revolving Credit Exposure" shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Revolving Loans of such Lender.

"Revolving Credit Lender" shall mean a Lender that has a Revolving Credit Commitment (or that had such a Commitment at the time the Revolving Credit Commitments were terminated).

"Revolving Credit Maturity Date" shall mean the fifth anniversary of the Closing Date.

"Revolving Loans" shall mean the revolving loans made by the Lenders to the Borrower pursuant to clause (b) of Section 2.01. Each Revolving Loan shall be a Eurodollar Revolving Loan or an ABR Revolving Loan.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. and its successors.

"Seller" shall have the meaning assigned to such term in the preamble to this Agreement.

"Senior Indebtedness" means Indebtedness of the Borrower or any Subsidiary which is not Subordinated Indebtedness.

"Statutory Reserves" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board for Eurocurrency Liabilities (as defined in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute Eurocurrency Liabilities and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Indebtedness" means Indebtedness of the Borrower or any Subsidiary which is expressly subordinated in right of payment to any of the Obligations.

"Subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held, (b) that is, at the time any determination is made, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent or (c) in which such person, one or more Subsidiaries thereof or such person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, manager, general partners or trustees thereof (or other person performing similar functions) or, if such persons are not elected, to vote on any matter that is submitted to the vote of all persons holding ownership interests in such entity.

"Subsidiary" shall mean any subsidiary of the Borrower.

"Subsidiary Guarantee Agreement" shall mean a Subsidiary Guarantee Agreement substantially in the form of Exhibit D.

"Subsidiary Guarantors" shall mean each person listed on Schedule 1.01 and designated as such and each other person that becomes party to the Subsidiary Guarantee Agreement as a Subsidiary Guarantor, and the permitted successors and assigns of each such person.

"Taxes" shall mean any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Term Borrowing" shall mean a Borrowing comprised of Term Loans.

"Term Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Term Loans as set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Term Commitment, as applicable, as the same

may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04.

"Term Lender" shall mean a Lender with a Term Commitment or with outstanding Term Loans.

"Term Maturity Date" shall mean the fifth anniversary of the Closing Date.

"Term Loans" shall mean the term loans made by the Lenders to the Borrower pursuant to clause (a) of Section 2.01. Each Term Loan shall be either a Eurodollar Term Loan or an ABR Term Loan.

"Timber" means all crops and all trees, timber (whether severed or unsevered and including standing and down timber, stumps and cut timber), logs, wood chips and other forest products, whether now located on or hereafter planted or growing in or on the Timberlands or otherwise or now or hereafter removed from the Timberlands or otherwise for sale or other disposition.

"Timberlands" means, at any date of determination, all real property owned by or leased to the Borrower or any Subsidiary that is suitable for Timber production.

"Total Revolving Credit Commitment" shall mean, at any time, the aggregate amount of the Revolving Credit Commitments, as in effect at such time.

"Transactions" shall mean the execution, delivery and performance by each Loan Party of each of the Loan Documents, the Closing Date Transactions and the Borrowings hereunder after the Closing Date.

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, the term "Rate" shall include the Adjusted LIBO Rate and the Alternate Base Rate.

"Wholly Owned Subsidiary" shall mean, as to any person, a subsidiary of such person of which securities (except for directors' qualifying shares) or other ownership interests representing at least 99% of the equity or at least 99% of the ordinary voting power or at least 99% of the general partnership interests are, at the time any determination is being made, owned, controlled or held, directly or indirectly, by such person or one or more of its wholly owned subsidiaries.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, any reference in this Agreement to any Loan Document shall mean such document as amended, restated, supplemented or otherwise modified from time to time.

SECTION 1.03. Accounting and Financial Terms. (a) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with

GAAP, as in effect from time to time; provided, however, that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. References herein to the computation of balance sheet or income statement items in accordance with GAAP shall be construed as if all Subsidiaries, including any the accounts of which would not under GAAP be consolidated with those of the Borrower, were required to be so consolidated under GAAP.

(b) All computations required to be made hereunder to demonstrate pro forma compliance with any covenant after giving effect to any acquisition, investment, sale, disposition or similar event shall reflect on a pro forma basis such event and, to the extent applicable, the historical earnings and cash flows associated with the assets acquired or disposed of and any related incurrence or reduction of Indebtedness, but shall not take into account any projected synergies or similar benefits expected to be realized as a result of such event except to the extent such benefits would be permitted to be taken into account in the preparation of pro forma financial statements complying with Regulation S-X of the Securities and Exchange Commission and are approved by the Borrower's independent certified public accountants.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, (a) to make a Term Loan to the Borrower on the Closing Date in a principal amount equal to its Term Commitment and (b) to make Revolving Loans to the Borrower, at any time and from time to time on or after the Closing Date and until the earlier of the Revolving Credit Maturity Date and the termination of the Revolving Credit Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Revolving Credit Commitment. Within the limits set forth in clause (b) of the preceding sentence and subject to the terms, conditions and limitations set forth herein, the Borrower may borrow, pay or prepay and reborrow Revolving Loans. Amounts paid or prepaid in respect of Term Loans may not be reborrowed.

SECTION 2.02. Loans. (a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their applicable Commitments; provided, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). The Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of \$1,000,000 and not less than \$5,000,000 or (ii) equal to the remaining available balance of the applicable Commitments.

(b) Subject to Sections 2.08 and 2.14, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of

the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than ten Eurodollar Borrowings outstanding hereunder at any time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate not later than 12:00 (noon) in the case of a Eurodollar Borrowing and 2:00 pm in the case of an ABR Borrowing, in each case New York City time, and the Administrative Agent shall promptly transfer the amounts so received to an account in the name of the Borrower designated by the Borrower in the applicable Borrowing Request or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Revolving Credit Borrowing if the Interest Period requested with respect thereto would end after the Revolving Credit Maturity Date.

SECTION 2.03. Borrowing Procedure. In order to request a Borrowing, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Borrowing Request (a) in the case of a Eurodollar Borrowing, not later than 12:00 (noon), New York City time, three Business Days before a proposed Borrowing, and (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the Business Day of a proposed Borrowing. Each Borrowing Request shall be irrevocable, shall be signed by or on behalf of the Borrower and shall specify the following information: (i) whether the Borrowing then being requested is to be a Term Borrowing or a Revolving Credit Borrowing, and, subject to the third sentence of Section 2.02(b), whether such Borrowing is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day), (iii) the number and location of the account to which funds are to be disbursed; (iv) the amount of such Borrowing; and (v) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto; provided, however, that, notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing shall comply with the requirements set forth in Section 2.02. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be

deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the applicable Lenders of any notice given pursuant to this Section 2.03 (and the contents thereof), and of each Lender's portion of the requested Borrowing.

SECTION 2.04. Evidence of Debt; Repayment of Loans. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender (i) the then unpaid principal amount of each Revolving Loan on the Revolving Credit Maturity Date and (ii) the then unpaid principal amount of each Term Loan on the Term Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower or any Guarantor and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) above shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with their terms.

(e) Notwithstanding any other provision of this Agreement, in the event any Lender shall request and receive a promissory note payable to such Lender and its registered assigns, the interests represented by such note shall at all times (including after any assignment of all or part of such interests pursuant to Section 9.04) be represented by one or more promissory notes payable to the payee named therein or its registered assigns.

SECTION 2.05. Fees. The Borrower agrees to pay to each Lender, through the Administrative Agent, on the last day of each calendar quarter commencing with the first such day after the date hereof (or, if any such day shall not be a Business Day, the next preceding Business Day), and on the date on which the last of the Commitments of such Lender shall expire or be terminated as provided herein (each such day being called a "Fee Payment Date"), a commitment fee (a "Commitment Fee") which shall accrue at the Applicable Percentage on the average daily unused amount of the Commitments of such Lender during the preceding quarter (or other period commencing with the date hereof or ending with the date on which the last of the Commitments of such Lender shall expire or be terminated). All Commitment Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Commitment Fee due to each Lender shall commence to accrue on the date hereof and shall cease to accrue on the date on which the last of the Commitments of such Lender shall expire or be terminated as provided herein.

(b) The Borrower agrees to pay to the Arranger and to the Administrative Agent, for their own accounts, the fees separately agreed upon by the Borrower, the Arranger and the Administrative Agent (the "Arranger and Agent Fees").

(c) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders. Once paid, none of the Fees shall be refundable to the Borrower.

SECTION 2.06. Interest on Loans. (a) Subject to the provisions of Section 2.07, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when the Alternate Base Rate is determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate plus the Applicable Percentage in effect for such Loans from time to time.

(b) Subject to the provisions of Section 2.07, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Percentage in effect for such Loans from time to time.

(c) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. The applicable Alternate Base Rate or Adjusted LIBO Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.07. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, by acceleration or otherwise, or under any other Loan Document, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount to but excluding the date of actual payment (after as well as before judgment) (a) in the case of overdue principal, at the rate otherwise applicable to such Loan pursuant to Section 2.06 plus 2% per annum and (b) in all other cases, at the rate per annum applicable at such time to ABR Loans comprising Term Borrowings plus 2% per annum.

SECTION 2.8. Alternate Rate of Interest. In the event and on each occasion that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined that dollar deposits in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market, or that the rates at which such dollar deposits are being offered will not adequately reflect the cost to any Lender of making or maintaining its Eurodollar Loan during such Interest Period, or that reasonable means do not exist for ascertaining the Adjusted LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopy notice of such determination to the Borrower and the Lenders. In the event of any such determination, until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a Eurodollar Borrowing pursuant to Section 2.03 or 2.10 shall be deemed to be a request for an ABR Borrowing. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.09. Termination and Reduction of Commitments. (a) The Term Loan Commitments shall automatically terminate at 5:00 p.m., New York City time, on the Closing Date. The Revolving Credit Commitments shall automatically terminate at 5:00 p.m., New York City time, on the Revolving Credit Maturity Date. Notwithstanding the foregoing, all the Commitments shall automatically terminate at 5:00 p.m., New York City time, on October 29, 1999, if the conditions set forth in Section 4.02 shall not have been met by such time.

(b) Upon at least three Business Days' prior irrevocable written or telecopy notice to the Administrative Agent, the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Term Commitments or the Revolving Credit Commitments; provided, however, that (i) each partial reduction of the Term Commitments or the Revolving Credit Commitments shall be in an integral multiple of \$1,000,000 and in a minimum amount of \$1,000,000

and (ii) the Total Revolving Credit Commitment shall not be reduced to an amount that is less than the Aggregate Revolving Credit Exposure at the time.

(c) Each reduction in the Term Commitments or the Revolving Credit Commitments hereunder shall be made ratably among the Lenders in accordance with their respective applicable Commitments. The Borrower shall pay to the Administrative Agent for the accounts of the Revolving Credit Lenders, on the date of each termination or reduction, the Commitment Fees due on the amount of the Revolving Credit Commitments so terminated or reduced accrued to but excluding the date of such termination or reduction.

SECTION 2.10. Conversion and Continuation of Borrowings. The Borrower shall have the right (subject to the limitations specified in Section 2.02) at any time upon prior irrevocable notice to the Administrative Agent (a) not later than 11:00 am, New York City time, on the Business Day of conversion, to convert any Eurodollar Borrowing into an ABR Borrowing, (b) not later than 12:00 (noon), New York City time, three Business Days prior to conversion or continuation, to convert any ABR Borrowing into a Eurodollar Borrowing or to continue any Eurodollar Borrowing as a Eurodollar Borrowing for an additional Interest Period, and (c) not later than 12:00 (noon), New York City time, three Business Days prior to conversion, to convert the Interest Period with respect to any Eurodollar Borrowing to another permissible Interest Period, subject in each case to the following:

(i) each conversion or continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the converted or continued Borrowing;

(ii) if less than all the outstanding principal amount of any Borrowing shall be converted or continued, then each resulting Borrowing shall satisfy the limitations specified in Sections 2.02(a) and (b) regarding the principal amount and maximum number of Borrowings of the relevant Type;

(iii) each conversion shall be effected by each Lender and the Administrative Agent by recording for the account of such Lender the new Loan of such Lender resulting from such conversion and reducing the Loan (or portion thereof) of such Lender being converted by an equivalent principal amount; accrued interest on any Eurodollar Loan (or portion thereof) being converted shall be paid by the Borrower at the time of conversion;

(iv) if any Eurodollar Borrowing is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Lenders pursuant to Section 2.15;

(v) any portion of a Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Eurodollar Borrowing;

(vi) any portion of a Eurodollar Borrowing that cannot be converted into or continued as a Eurodollar Borrowing by reason of the immediately preceding clause shall be automatically converted at the end of the Interest Period in effect for such Borrowing into an ABR Borrowing;

(vii) no Interest Period may be selected for any Term Borrowing that is a Eurodollar Borrowing that would end later than a Term Loan Repayment Date occurring on or after the first day of such Interest Period if, after giving effect to such selection, the aggregate outstanding amount of (A) the Term Borrowings that are Eurodollar Borrowings with Interest Periods ending on or prior to such Term Loan Repayment Date and (B) the Term Borrowings

that are ABR Borrowings would not be at least equal to the principal amount of Term Borrowings to be paid on such Term Loan Repayment Date; and

(viii) upon notice to the Borrower from the Administrative Agent given at the request of the Required Lenders, after the occurrence and during the continuance of a Default or Event of Default, no outstanding Loan may be converted into, or continued as, a Eurodollar Loan. The foregoing is without prejudice to the other rights and remedies available hereunder upon an Event of Default.

Each notice pursuant to this Section 2.10 shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Borrowing that the Borrower requests be converted or continued, (ii) whether such Borrowing is to be continued as a Eurodollar Borrowing or converted to a Eurodollar Borrowing or an ABR Borrowing, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Borrowing is to be converted to or continued as a Eurodollar Borrowing, the Interest Period with respect thereto. If no Interest Period is specified in any such notice with respect to any conversion to or continuation as a Eurodollar Borrowing, the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall advise the Lenders of any notice given pursuant to this Section 2.10 and of each Lender's portion of any converted or continued Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.10 to continue any Eurodollar Borrowing into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section 2.10 to convert such Borrowing into an ABR Borrowing), such Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued as an ABR Borrowing.

SECTION 2.11. Optional Prepayments. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, upon at least three Business Days' prior written or teletype notice (or telephone notice promptly confirmed by written or teletype notice) to the Administrative Agent before 12:00 noon, New York City time; provided, however, that each partial prepayment shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000.

(b) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments of Borrowings under this Section 2.11 shall be subject to Section 2.15, but otherwise without premium or penalty. All prepayments under this Section 2.11 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.12. Mandatory Prepayments. (a) In the event of any termination of all the Revolving Credit Commitments, the Borrower shall repay or prepay all the outstanding Revolving Credit Borrowings on the date of such termination. In the event of any partial reduction of the Revolving Credit Commitments, then (i) at or prior to the effective date of such reduction, the Administrative Agent shall notify the Borrower and the Revolving Credit Lenders of the Aggregate Revolving Credit Exposure after giving effect thereto and (ii) if the Total Revolving Credit Commitment after giving effect to such reduction or termination would be less than the Aggregate Revolving Credit Exposure at the time, then the Borrower shall, on the date of such reduction or termination, repay or prepay Revolving Credit Borrowings in an amount sufficient to eliminate such deficiency.

(b) In the event that the Borrower shall be required to offer to apply the Excess Proceeds or Excess Harvest Proceeds pursuant to Section 6.10(b) or 6.11 to the prepayment of Term Loans (other than pursuant to the penultimate sentence of Section 6.10(b) or 6.11), the Borrower will give prompt

written notice (a "Borrower Notice") of such election to all Term Lenders, with a copy to the Administrative Agent. The Borrower Notice shall (i) describe in reasonable detail the facts and circumstances giving rise to such Borrower Notice, (ii) set forth the aggregate amount of such Excess Proceeds which it intends to offer to apply to the prepayment of Term Loans, (iii) contain an offer by the Borrower to prepay on a stated date (the "Prepayment Date"), which shall be a Business Day not more than 60 days and not less than 45 days after such Borrower Notice, a principal amount of the Term Loans, ratably in proportion to the unpaid principal amounts thereof held by each such Term Lender which bears the same relationship to the aggregate amount of such Excess Proceeds available to prepay the Term Loans as the aggregate principal amount of all Term Loans held by such Term Lender bears to the aggregate principal amount of all then outstanding Term Loans, together with interest on the principal amount of Term Loans to be prepaid to the Prepayment Date (showing in such offer the amount of interest which would be paid on such Prepayment Date), and (iv) request each Term Lender to notify the Borrower in writing by a stated date, which date shall be not less than 30 days after such Term Lender's receipt of the Borrower Notice, of its acceptance or rejection of such prepayment offer, it being understood that such prepayment offer may be accepted in part and rejected in part. If a Term Lender does not notify the Borrower as provided in clause (iv) above, then such holder shall be deemed to have rejected such offer. The Borrower shall prepay on the date specified in the Borrower Notice an amount equal to the lesser of (i) the amount of the Excess Proceeds or Excess Harvest Proceeds required to be offered to the Lenders and (ii) the aggregate amount of the outstanding Term Loans of the Term Lenders as to which such offer shall have been accepted. In the event that the Borrower shall be required to offer to apply any of such Excess Proceeds or Excess Harvest Proceeds pursuant to the penultimate sentence of Section 6.10(b) or 6.11, the Borrower will give prompt written notice (a "Subsequent Borrower Notice") of such election to all Term Lenders that have accepted the initial prepayment offer made with respect to the applicable Excess Proceeds or Excess Harvest Proceeds (with a copy of such Subsequent Borrower Notice to the Administrative Agent), and will promptly prepay the Term Loans of each such Lender that shall have accepted within 10 days of the Subsequent Borrower Notice the offer contained therein in an amount equal to the lesser of (i) the amount of the Excess Proceeds or Excess Harvest Proceeds required to be offered to such Lenders pursuant to such penultimate sentence of Section 6.10(b) or 6.11 and (ii) the aggregate amount of the outstanding Term Loans of such Lenders as to which such offer shall have been accepted. The Borrower shall be required to provide the Administrative Agent with written copies of all information received from Term Lenders pursuant to this paragraph (b) as such information is received.

(c) The Borrower shall deliver to the Administrative Agent, at the time of each prepayment made under this Section 2.12, a certificate signed by a Financial Officer of the Borrower or the Managing General Partner setting forth in reasonable detail the calculation of the amount of such prepayment. Each notice of prepayment shall specify the prepayment date and the Type and principal amount of each Loan (or portion thereof) to be prepaid. All prepayments under this Section 2.12 shall be subject to Section 2.15, but shall otherwise be without premium or penalty.

(d) Amounts to be applied pursuant to this Section 2.12 to the prepayment of Term Loans of any Lender shall be applied first to reduce outstanding ABR Term Loans of such Lender and then to prepay Eurodollar Term Loans of such Lender. In the event the amount of any prepayment required to be made pursuant to this Section shall exceed the aggregate principal amount of the ABR Term Loans outstanding (the amount of any such excess being called the "Excess Amount"), the Borrower shall have the right, in lieu of making such prepayment in full, to prepay all the outstanding applicable ABR Loans of the applicable class and to deposit an amount equal to the Excess Amount with the Administrative Agent in a cash collateral account maintained (pursuant to documentation reasonably satisfactory to the Administrative Agent) by and in the sole dominion and control of the Administrative Agent. Any amounts so deposited shall be held by the Administrative Agent as collateral for the Obligations and applied to the prepayment of the applicable Eurodollar Loans at the ends of the current Interest Periods applicable thereto. At the request of the Borrower, amounts so

deposited shall be invested by the Administrative Agent in Permitted Investments maturing prior to the date or dates on which it is anticipated that such amounts will be applied to prepay Eurodollar Loans; any interest earned on such Permitted Investments will be for the account of the Borrower, and the Borrower will deposit with the Administrative Agent the amount of any loss on any such Permitted Investment to the extent necessary in order that the amount of the prepayment to be made with the deposited amounts may not be reduced.

SECTION 2.13. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision of this Agreement, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) (i) shall change the basis of taxation of payments to any Lender of the principal of or interest on any Eurodollar Loan made by such Lender or any Fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of such Lender or such Lender's holding company by the jurisdiction in which such Lender or such Lender's holding company has its principal office or applicable lending office or by any political subdivision or taxing authority therein), (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender (except any such reserve requirement which is reflected in the Adjusted LIBO Rate) or (iii) shall impose on such Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender, and the result of any of the foregoing changes shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower will pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that the adoption after the date hereof of any law, rule, regulation, agreement or guideline regarding capital adequacy, or any change after the date hereof in any such law, rule, regulation, agreement or guideline (whether such law, rule, regulation, agreement or guideline has been adopted) or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive issued after the date hereof regarding capital adequacy (whether or not having the force of law) of any Governmental Authority has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as applicable, as specified in paragraph (a) or (b), together with supporting documentation or computations, above shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same.

(d) The failure or delay on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section 2.13 for any increased costs or

reductions incurred more than 180 days prior to the date that such Lender notifies the Borrower of the change in law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the change in law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof. The protection of this Section 2.13 shall be available to each Lender regardless of any possible contention of invalidity or inapplicability of law, regulation or condition which shall have been imposed. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, agreement, guideline or other change or condition that shall have occurred or been imposed.

SECTION 2.14. Change in Legality (a) Notwithstanding any other provision of this Agreement, if, after the date hereof, any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or, for such duration, be continued for additional Interest Periods and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans), whereupon any request for a Eurodollar Borrowing (or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing for an additional Interest Period) shall, as to such Lender only, be deemed a request for an ABR Loan (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as the case may be), unless such declaration shall be subsequently withdrawn; and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.14, a notice to the Borrower (with a copy to the Administrative Agent) by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

SECTION 2.15. Indemnity. The Borrower shall indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of (a) any event, other than a default by such Lender in the performance of its obligations hereunder, which results in (i) such Lender receiving any amount on account of the principal of any Eurodollar Loan prior to the end of the Interest Period in effect therefor (including by reason of any assignment pursuant to Section 2.20), (ii) the conversion of any Eurodollar Loan to an ABR Loan, or the conversion of the Interest Period with respect to any Eurodollar Loan, in each case other than on the last day of the Interest Period in effect therefor, or (iii) any Eurodollar Loan to be made by such Lender (including any Eurodollar Loan to be made pursuant to a conversion or continuation under Section 2.10) not being made after notice of such

Loan shall have been given by the Borrower hereunder (any of the events referred to in this clause (a) being called a "Breakage Event") or (b) any default in the making of any payment or prepayment required to be made hereunder. In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the Eurodollar Loan that is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan (which shall be deemed to be equal to the LIBO Rate) over (ii) the amount of interest that such Lender determines in good faith it will realize in redeploying the funds released or not utilized by reason of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section 2.15, together with supporting documentation or computations, shall be delivered to the Borrower and shall be conclusive absent manifest error.

SECTION 2.16. Pro Rata Treatment. Except as required under Sections 2.12 and 2.14, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Commitment Fees, each reduction of the Term Commitments or the Revolving Credit Commitments and each conversion of any Borrowing to or continuation of any Borrowing as a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective applicable Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their applicable outstanding Loans), and the Borrower and each Lender agrees to take all such actions as shall be necessary to give effect to such requirement. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole dollar amount.

SECTION 2.17. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower or any other Loan Party, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law, or by any other means, obtain payment, voluntary or involuntary, in respect of any Loan or Loans as a result of which the unpaid principal portion of its Term Loans and Revolving Loans shall be proportionately less than the unpaid principal portion of the Term Loans and Revolving Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Term Loans or Revolving Loans, as the case may be, of such other Lender, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate unpaid principal amount of the Term Loans and Revolving Loans and participations in Term Loans and Revolving Loans held by the Lenders; provided, however, that (i) if any such participations are purchased pursuant to this Section 2.17 and the payment giving rise thereto shall thereafter be recovered, such participations shall be rescinded to the extent of such recovery and the purchase price restored without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any of the Subsidiaries or any Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Term Loan or Revolving Loan deemed to have been so purchased may, to the extent permitted by law, exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason of such participation as fully as if such Lender had made a Loan directly to the Borrower in the amount of such participation.

SECTION 2.18. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder and under any other Loan Document not later than 1:00 p.m., New York City time, on the date when due in immediately available dollars, without setoff, defense or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. Each such payment (other than payments pursuant to Sections 2.13, 2.15, 2.19 and 9.05 or pursuant to other Loan Documents, which shall be made directly to the persons entitled thereto) shall be made to the Administrative Agent at its offices at Eleven Madison Avenue, New York, New York 10010, or as otherwise directed.

(b) The Administrative Agent shall distribute any such payments received by it for the account of any other person to the appropriate recipient promptly following receipt thereof. Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, except as otherwise provided in this Agreement, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

(c) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

SECTION 2.19. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such

payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Each Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Borrower (with a copy to the Administrative Agent) two copies of either United States Internal Revenue Service Form 1001 or Form 4224, or, in the case of a Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder of the Borrower (within the meaning of Section 871(h)(3)(B) of the Code) and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. Federal withholding tax on payments by the Borrower under this Agreement or any other Loan Document. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement or designates a new lending office. In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence, expiration or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.19, a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.19(e) that such Non-U.S. Lender is not legally able to deliver.

SECTION 2.20. Assignment of Commitments Under Certain Circumstances; Duty to Mitigate. (a) In the event (i) any Lender delivers a certificate requesting compensation pursuant to Section 2.13, (ii) any Lender delivers a notice described in Section 2.14 or (iii) the Borrower is required to pay any amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.19, the Borrower may, at its sole expense and effort (including with respect to the processing and recordation fee referred to in Section 9.04(b)), upon notice to such Lender and the Administrative Agent, require such Lender to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all of its interests, rights and obligations under this Agreement to an assignee designated by the Borrower that shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (w) such assignment will result in a reduction in the claim for compensation under Section 2.13 or in the withdrawal of the notice under Section 2.14 or in the reduction of payments under Section 2.19, as the case may be, (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, and (z) the Borrower or such assignee shall have paid to the affected Lender in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans of such Lender plus all Fees and other amounts accrued for the account of such Lender hereunder (including any amounts under Section 2.13 and Section 2.19); provided further that, if prior to any such transfer and assignment the circumstances or event that resulted in such Lender's claim for compensation under Section 2.13 or notice under Section 2.14 or the amounts paid pursuant to Section 2.19, as the case may be, cease to cause such Lender to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to have the consequences specified in Section 2.14, or cease to result in amounts being payable under Section 2.19, as the case may be (including as a result of any action taken by such Lender pursuant to paragraph (b) below), or if such Lender shall waive its right to claim further compensation under Section 2.13 in respect of such circumstances or event or shall withdraw its notice under Section 2.14 or shall waive its right to further payments under Section 2.19 in respect of such circumstances or event, as the case may be, then such Lender shall not thereafter be required to make any such transfer and assignment hereunder.

(b) If (i) any Lender requests compensation under Section 2.13, (ii) any Lender delivers a notice described in Section 2.14 or (iii) the Borrower is required to pay any amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.19, then such Lender shall use reasonable efforts (which shall not require such Lender to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Borrower or (y) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 2.13 or enable it to withdraw its notice pursuant to Section 2.14 or would reduce amounts payable pursuant to Section 2.19, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such filing or assignment, delegation and transfer.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Administrative Agent and each of the Lenders that:

SECTION 3.01. Organization; Powers. The Borrower and each of the Subsidiaries (a) is duly organized or formed, validly existing and in good standing under the laws of the jurisdiction of its organization or formation, (b) has all requisite power and authority, and all material requisite licenses and permits from Governmental Authorities, to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business, and is in good standing, in every jurisdiction where such qualification is required, except where the failure so to qualify could not reasonably be expected to result in a Material Adverse Effect, and (d) has the power and authority to execute, deliver and perform its obligations under each of the Loan Documents and each other agreement or instrument contemplated hereby to which it is or will be a party and, in the case of the Borrower, to borrow hereunder.

SECTION 3.02. Authorization. The Transactions (a) have been duly authorized by all requisite action including member or partnership action and (b) will not (i) violate (A) any material provision of law, statute, rule or regulation, or of the constitutive documents or by-laws of the Borrower or any of the Subsidiaries, (B) any order of any Governmental Authority or (C) any provision of any indenture, or any material agreement or other instrument, to which the Borrower or any of the Subsidiaries is a party or by which any of them or any of their property is or may be bound, (ii) breach or constitute (alone or with notice or lapse of time or both) a default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such indenture, material agreement or other instrument or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Borrower or any of the Subsidiaries except as expressly set forth herein and in the documents executed and delivered in connection with the Transactions.

SECTION 3.03. Enforceability. This Agreement has been duly executed and delivered by the Borrower and constitutes, and each other Loan Document when executed and delivered by each Loan Party thereto will constitute, a legal, valid and binding obligation of the Borrower or such Loan Party enforceable against the Borrower or such Loan Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditor's rights generally from time to time in effect and to general principles of equity.

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except for such as have been made or obtained and are in full force and effect and, as to Transactions other than the Closing Date Transactions, such as are expected to be obtained and in full force and effect at the times required.

SECTION 3.05. Financial Statements. (a) The Borrower has heretofore delivered to the Lenders combined balance sheets for the combined Rayonier timberlands operations (the "Operations") as of December 31, 1997 and December 31, 1998 and combined statements of income and statements of cash flows for the Operations for the years ended December 31, 1996, 1997 and 1998, all audited by Arthur Andersen LLP, independent public accountants. The Borrower has also heretofore delivered to the Lenders unaudited combined balances sheets, statements of income, statements of cash flows and statements of changes in equity for the Operations as at and for the six months ended June 30, 1998 and 1999, certified by a Financial Officer of the Borrower or the Managing General Partner. Such balance sheets and the notes thereto disclose all material liabilities, direct or contingent, of the Operations as of the dates thereof. Such financial statements were prepared in accordance with GAAP applied on a consistent basis.

(b) The Borrower has heretofore delivered to the Lenders unaudited pro forma combined balance sheets for the Operations as at December 31, 1998 and June 30, 1999, unaudited pro forma combined statements of income for the years ended December 31, 1996, 1997 and 1998, and unaudited pro forma combined statements of income for the twelve months and the six months ended June 30, 1999, in each case prepared giving effect to the Closing Date Transactions as if they had occurred on each such date and at the beginning of each such periods. Such financial statements have been prepared in good faith by the Borrower and the Subsidiaries, based on the assumptions used to prepare the pro forma financial information contained in the Confidential Information Memorandum (which assumptions are believed by the Borrower and the Subsidiaries to be reasonable), are based on the best information available to the Borrower and the Subsidiaries as of the date of delivery thereof, accurately reflect all adjustments required to be made to give effect to the Closing Date Transactions and present fairly on a pro forma basis the consolidated financial condition and results of operations of the Operations as of the dates and for the periods set forth therein, assuming that the Closing Date Transactions had actually occurred at such dates and at the beginnings of such periods.

(c) All financial statements, historical or pro forma, referred to in paragraphs (a) and (b) above comply with the requirements of Regulation S-X of the Securities and Exchange Commission for inclusion in a registration statement for a public offering registered under the Securities Act of 1933, except with respect to the presentation of certain periods covered by such pro forma financial statements not permitted under Regulation S-X .

(d) The Borrower and the Subsidiaries do not have any Indebtedness outstanding on the date hereof, except for Indebtedness reflected in the pro forma financial statements referred to in paragraph (b) above.

SECTION 3.06. No Material Adverse Change. Since December 31, 1998, there has occurred or become known no event, condition or change in or affecting the Borrower or the Subsidiaries that, individually or in the aggregate with other such events, conditions or changes, has had or could reasonably be expected to have a Material Adverse Effect.

SECTION 3.07. Title to Properties; Possession Under Leases. (a) The Borrower and each of the Subsidiaries has good and sufficient title to, or valid leasehold interests in, all its material properties and assets, except for minor defects in title that could not reasonably be expected to have a

Material Adverse Effect. All such material properties and assets are free and clear of Liens, other than Liens expressly permitted by Section 6.03.

(b) The Borrower and each Subsidiary has complied with all material obligations under all material leases to which it is a party and all such leases are in full force and effect in all material respects and the Borrower and each Subsidiary enjoys peaceful and undisturbed possession under all such material leases to which it is a party.

SECTION 3.08. Litigation; Compliance with Laws. (a) There are not any actions, including Environmental Actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of the Borrower or, threatened against or affecting the Borrower or any of the Subsidiaries or any business, property or rights of any such person (i) that involve any Loan Document or the Transactions, (ii) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (iii) that could materially and adversely affect the ability of the Loan Parties fully and timely to perform their respective payment and other material obligations under the Loan Documents or the other documents executed in connection with the Transactions or the ability of the parties to consummate the Transactions.

(b) The Borrower and each Subsidiary is in compliance with all laws, regulations, consent decrees and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

(c) None of the Borrower, any Subsidiary or any of their respective material properties or assets is in violation of, nor will the continued operation of their material properties and assets as currently conducted violate, any law, rule or regulation (including any zoning, building, Environmental Law, ordinance, code or approval or any building permit) or any restrictions of record or agreements affecting such material properties or assets, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority, where any such violation or default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.09. Agreements. (a) Neither the Borrower nor any of the Subsidiaries is in default in any manner under any provision of any indenture or other material agreement or instrument evidencing Indebtedness, or any other material agreement or instrument to which it is a party or by which it or any of its properties or assets are or may be bound, where such default could reasonably be expected to result in a Material Adverse Effect.

(b) Schedule 3.09 sets forth each material agreement currently in effect between the Borrower or any Subsidiary on the one hand and Rayonier or any of its Affiliates (other than the Borrower or any Subsidiary) on the other hand that will be in effect on the Closing Date.

SECTION 3.10. Federal Reserve Regulations. (a) Neither the Borrower nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry Margin Stock or to refinance Indebtedness originally incurred for that purpose, or for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation U or X.

SECTION 3.11. Investment Company Act: Public Utility Holding Company Act. Neither the Borrower nor any of the Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.12. Use of Proceeds. The proceeds of the Loans will be used only for the purposes specified in the preamble to this Agreement.

SECTION 3.13. Tax Returns. The Borrower and each Subsidiary has filed or caused to be filed all Federal, state, local and foreign income tax returns and all other material Federal, state, local and foreign tax returns required to have been filed by it and has paid or caused to be paid all taxes due and payable by it and all assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, shall have set aside on its books reserves therefor as required by GAAP.

SECTION 3.14. No Material Misstatements. None of (a) the Confidential Information Memorandum or (b) any other information, report, financial statement, exhibit, schedule or document furnished by or on behalf of the Borrower or the Subsidiaries to the Administrative Agent or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto, contained, contains or will, when delivered (and taken together with all other information then or theretofore so delivered), contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading; provided that to the extent any such information, report, financial statement, exhibit, schedule or document was based upon or constituted a forecast or projection, the Borrower represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

SECTION 3.15. Employee Benefit Plans. Each of the Borrower and each ERISA Affiliate is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in material liability of the Borrower or any ERISA Affiliate. The present value of all benefit liabilities under each Plan (based on those assumptions used to fund such Plan) did not, as of the last annual valuation date applicable thereto, exceed the fair market value of the assets of such Plan, and the present value of all benefit liabilities of all underfunded Plans (based on those assumptions used to fund each such Plan) did not, as of the last annual valuation dates applicable thereto, exceed the fair market value of the assets of all such underfunded Plans. Except as set forth in Schedule 3.15, the Borrower and the Subsidiaries have no material liability with respect to "accumulated post-retirement benefit obligations" within the meaning of Statement of Financial Accounting Standards No. 106.

SECTION 3.16. Environmental Matters. Except as set forth in Schedule 3.16:

(a) Except as set forth in the Borrower's Environmental Disclosure Report, the operations and properties of the Borrower and each of the Subsidiaries comply in all material respects with all Environmental Laws, all material and necessary Environmental Permits have been obtained and are in effect for the operations and properties of the Borrower and each of the Subsidiaries, and the Borrower and each of the Subsidiaries are in compliance in all material respects with all such Environmental Permits.

(b) Except as set forth in the Borrower's Environmental Disclosure Report, to the knowledge of the Borrower, there are no circumstances that are reasonably likely to form the basis of

an Environmental Action against the Borrower or any of the Subsidiaries that could reasonably be expected to result in a Material Adverse Effect.

(c) Except as set forth in the Borrower's Environmental Disclosure Report, none of the properties currently or formerly owned or operated by the Borrower or any of the Subsidiaries is listed or, to the knowledge of the Borrower, proposed for listing on the National Priorities List under CERCLA (the "NPL") or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency ("CERCLIS") or any analogous state list; and no underground storage tanks, as such term is defined in 42 U.S.C. Section 6991, are located on any property currently or formerly owned or operated by the Borrower or any of the Subsidiaries that could reasonably be expected to result in a Material Adverse Effect.

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

SECTION 3.17. Insurance. Schedule 3.17 sets forth a true, complete and correct description of all insurance maintained by the Borrower or the Subsidiaries as of the Closing Date (other than title insurance). As of the Closing Date, such insurance is in full force and effect and all premiums have been duly paid. The Borrower and the Subsidiaries have insurance in such amounts and covering such risks and liabilities as are in accordance with normal industry practice.

SECTION 3.18. Labor Matters. As of the Closing Date, there are no strikes, lockouts or slowdowns against the Borrower or any of the Subsidiaries pending or, to the knowledge of the Borrower or any of the Subsidiaries, threatened which could reasonably be expected to have a Material Adverse Effect.

SECTION 3.19. Solvency. Immediately after the consummation of the Closing Date Transactions, (i) the fair value of the assets of each Loan Party will exceed its debts and liabilities, subordinated, contingent or otherwise; (ii) the present fair saleable value of the property of each Loan Party will be greater than the amount that will be required to pay its probable liability on its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (iii) each Loan Party will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (iv) each Loan Party will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following the Closing Date.

SECTION 3.20. Year 2000. Any reprogramming required to prevent the occurrence of a material adverse effect upon the business or properties of the Borrower and the Subsidiaries taken as a whole or upon the ability of the Borrower to perform its obligations under this Agreement, in and following the year 2000, of (a) the computer systems of the Borrower and the Subsidiaries and (b) equipment containing embedded microchips (including systems and equipment supplied by others or with which the systems of the Borrower or any of the Subsidiaries interface) and the testing of all mission critical systems and equipment, as so reprogrammed, has been completed. The cost to the Borrower of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower and the Subsidiaries (including reprogramming errors and the failure of others' systems or equipment) will not result in a Default or an Event of Default nor could such costs reasonably be expected to have a material adverse effect upon the business or properties of the

Borrower and the Subsidiaries taken as a whole or upon the ability of the Borrower to perform its obligations under this Agreement. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of the Borrower and the Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Borrower and the Subsidiaries to conduct their businesses without a material adverse effect upon the business or properties of the Borrower and the Subsidiaries taken as a whole or upon the ability of the Borrower to perform its obligations under this Agreement.

SECTION 3.21. Acquisition Agreement. The Borrower is not aware of any material inaccuracy of the representations and warranties made by Rayonier or the Seller contained in the Acquisition Agreement.

ARTICLE IV

Conditions of Lending

The obligations of the Lenders to make Loans hereunder are subject to the satisfaction of the following conditions:

SECTION 4.01. All Borrowings. On the date of each borrowing hereunder:

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 (or such notice shall have been deemed given in accordance with Section 2.03).

(b) The representations and warranties set forth in Article III shall be true and correct in all material respects on and as of the date of such borrowing with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) The Borrower and each other Loan Party shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and at the time of and immediately after such borrowing, no Event of Default or Default shall have occurred and be continuing.

Each borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date of such borrowing as to the satisfaction of the conditions set forth in paragraphs (b) and (c) of this Section 4.01.

SECTION 4.02. Initial Borrowing. On the Closing Date:

(a) The Administrative Agent shall have received, on behalf of itself and the Lenders, favorable written opinions of (i) John Canning, Esq., Corporate Secretary and Associate General Counsel of the Borrower, substantially to the effect set forth in Exhibit F-1, and (ii) Andrews & Kurth L.L.P., special counsel for the Borrower and the Subsidiaries, substantially to the effect set forth in Exhibit F-2 satisfactory to the Administrative Agent, in each case dated the Closing Date, addressed to the Administrative Agent and the Lenders, and the Borrower hereby requests such counsel to deliver such opinions.

(b) The Administrative Agent shall have received (i) a copy of such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization or formation, existence and good standing of the Loan Parties; (ii) a certificate of the

Secretary or Assistant Secretary of the Managing General Partner dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Managing General Partner as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Managing General Partner authorizing the execution, delivery and performance of the Loan Documents to which each Loan Party is a party and, in the case of the Borrower, the Borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation of the Managing General Partner has not been amended since the date of the last amendment thereto shown on the certified copy thereof furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer of the Managing General Partner executing any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party; (iii) a certificate of another officer of the Managing General Partner as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or the Administrative Agent may reasonably request.

(c) The Administrative Agent shall have received a certificate, dated the Closing Date and signed by a Financial Officer of the Managing General Partner, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01.

(d) The Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder or under any other Loan Document.

(e) The Administrative Agent shall be reasonably satisfied with the terms and conditions of all agreements of the Borrower existing at the time of or entered into in connection with the Acquisition, including the Acquisition Agreement, the Installment Notes, the Installment Note Agreement, the New Rayonier Subordinated Note and all management or other agreements between the Borrower and Rayonier or its Affiliates.

(f) The Acquisition shall have been, or shall substantially simultaneously with the initial borrowing be, consummated in accordance with the Acquisition Agreement and applicable law and on terms consistent in all material respects with the Projections, without any amendment to or waiver of any material terms or conditions of the Acquisition Agreement not approved by the Lenders. All conditions to the consummation of the Acquisition in the Acquisition Agreement shall have been satisfied. The Lenders shall have received executed copies of the Acquisition Agreement and all certificates, opinions and other documents delivered in connection therewith, all certified by a Financial Officer of the Managing General Partner as complete and correct.

(g) All the assets, properties and interests acquired by Rayonier pursuant to the Acquisition Agreement, all other Timberlands or interests in Timberlands owned directly or indirectly by Rayonier (other than certain of such other timberlands with a market value not to exceed \$50,000,000 that Rayonier will have the right to designate and receive from the Borrower without payment of any consideration) and all related contracts or agreements shall have been transferred by Rayonier to the Borrower.

(h) The Installment Notes and the New Rayonier Subordinated Indebtedness shall have been, or shall substantially simultaneously with the initial borrowing be, issued in accordance with applicable law and, in the case of the Installment Notes, the Installment Note Agreement, without any amendment to or waiver of any material terms or conditions of the Installment Note Agreement or the New Rayonier Subordinated Note, as applicable, not approved by the Lenders, and the Borrower shall

have received cash proceeds from the issuance of the New Rayonier Subordinated Indebtedness in an amount not less than \$142,000,000. The Lenders shall have received copies of the Installment Note Agreement and the New Rayonier Subordinated Note and all other material documents delivered in connection therewith, all certified by a Financial Officer of the Managing General Partner as complete and correct.

(i) The Guarantee Requirement shall be satisfied.

(j) All requisite Governmental Authorities and third parties shall have approved or consented to the Transactions and the other transactions contemplated in connection therewith to the extent required and all required consents, waivers and amendments shall have been obtained under Rayonier's existing credit facilities, and there shall be no action by any Governmental Authority, actual or threatened, that has a reasonable likelihood of restraining, preventing or imposing burdensome conditions on the Transactions or the other transactions contemplated in connection therewith.

(k) The Administrative Agent shall be satisfied with the terms and conditions of the Existing Rayonier Subordinated Indebtedness and of the Existing Rayonier Subordinated Note, and the Existing Rayonier Subordinated Note shall have been executed and delivered by the parties thereto and shall be in full force and effect.

(l) The Administrative Agent shall be reasonably satisfied with all legal, tax and accounting matters related to the Transactions and with the Borrower's legal and capital structure following the Closing Date Transactions.

(m) The Borrower shall have no outstanding Indebtedness other than Obligations and the Indebtedness permitted under this Agreement.

(n) The Administrative Agent and the Lenders shall have received the financial statements described in clauses (a) and (b) of Section 3.05 and each such statement shall comply with the requirements of Regulation S-X of the Securities and Exchange Commission for inclusion in a registration statement for a public offering registered under the Securities Act of 1933.

ARTICLE V

Affirmative Covenants

The Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under any Loan Document have been paid in full, unless the Required Lenders shall otherwise consent in writing, it will, and will cause each of the Subsidiaries to:

SECTION 5.01. Existence; Businesses and Properties, Insurance. (a) At all times preserve and keep in full force and effect and obtain, as applicable, (i) its existence as a limited partnership and (ii) the corporate, limited liability company or partnership existence, as the case may be, of each of the Material Subsidiaries (unless any such Subsidiary is merged or liquidated into the Borrower or a Subsidiary in a transaction permitted under Section 6.07) and (iii) all rights, licenses, permits, franchises, patents, trademarks, copyrights and tradenames of the Borrower and the Material Subsidiaries (unless, in the good faith judgment of the Borrower, the termination of or failure to preserve and keep in full force and effect any such right, license, permit, franchise, patent, trademark, copyright or tradename could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect).

(b) Maintain and keep, or cause to be maintained and kept, its properties and assets in good repair, working order and condition (subject to ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this paragraph shall not prevent the Borrower or any Subsidiary from discontinuing the operation and the maintenance of any of its properties or assets if such discontinuance is desirable in the conduct of its business and the Borrower has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Comply with all applicable laws, ordinances or governmental rules or regulations to which it is subject, except to the extent that noncompliance with such laws, ordinances or governmental rules or regulations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(e) Maintain, with financially sound and reputable insurers, insurance with respect to its properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained on its books with respect thereto in accordance with GAAP) as is customary (with respect to such types, terms, amounts and reserves) in the case of entities of established reputation engaged in the same or a similar business and similarly situated.

SECTION 5.02. Obligations and Taxes. File and cause the Subsidiaries to file all tax returns required to be filed by it in any jurisdiction, pay and discharge and cause the Subsidiaries to pay and discharge all taxes shown to be due and payable on such returns and all other material taxes, assessments, governmental charges, or levies imposed on it or any of its properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent; provided that neither the Borrower nor any Subsidiary need pay any such tax, assessment, governmental charge or levy if (a) the amount, applicability or validity thereof is contested by the Borrower or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Borrower or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Borrower or such Subsidiary or (b) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.03. Financial Statements, Reports, etc. In the case of the Borrower, furnish to the Administrative Agent, with sufficient copies for each Lender:

(a) within 120 days after the end of each fiscal year, a consolidated balance sheet and related consolidated statements of income, changes in partners' equity and cash flows showing the consolidated financial condition of the Borrower and the Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of such Subsidiaries during such year and the immediately preceding year, all audited by Arthur Andersen LLP or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not be qualified in any respect relating to the scope of the audit or the status of the Borrower as a going concern) to the effect that such financial statements present fairly, in all material respects, the financial position of the entities being reported upon and their results of operations and cash flows and have been prepared on a consolidated basis in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such report in the circumstances;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, a consolidated balance sheet and related consolidated statements of income, changes in partners' equity and cash flows showing the consolidated financial condition of the Borrower and the Subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of such Subsidiaries during such fiscal quarter and the then elapsed portion of the fiscal year and during the corresponding periods in the immediately preceding fiscal year, all in reasonable detail, prepared on a consolidated basis in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Financial Officer of the Borrower or the Managing General Partner as fairly presenting, in all material respects, the financial position of the entities being reported on and their results of operations and cash flows, subject to changes resulting from normal, recurring year-end adjustments;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, a consolidated balance sheet and related consolidated statements of income, changes in partners' equity and cash flows showing as of the applicable date or for the applicable period (and the corresponding period in the prior year) the financial condition and the results of operations of each Subsidiary the accounts of which have not been consolidated with those of the Borrower for purposes of preparing such financial statements, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Financial Officer of the Borrower or the Managing General Partner as fairly presenting, in all material respects, the financial position of the Subsidiary being reported on and its results of operations and cash flows, subject, in the case of quarterly statements, to changes resulting from normal, recurring year-end adjustments;

(d) concurrently with any delivery of financial statements under paragraph (a) above, a certificate of the accountants auditing such statements stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any financial condition or event that then constitutes a Default or an Event of Default as it relates to accounting matters, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default);

(e) concurrently with any delivery of financial statements under paragraph (a) or (b) above, a certificate of a Financial Officer of the Borrower or the Managing General Partner (i) certifying that no Default or Event of Default has occurred and is continuing or, if such a Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth computations in reasonable detail satisfactory to the Administrative Agent demonstrating compliance with the financial covenants contained in Sections 6.15 and 6.16;

(f) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any of the Subsidiaries with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange; and

(g) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Borrower or any of the Subsidiaries, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request at the request of any Lender and which is susceptible of being obtained, produced or generated by any of them or of which any of them have knowledge.

SECTION 5.04. Litigation and Other Notices. Furnish to the Administrative Agent prompt written notice of the following promptly after any officer of the Borrower or the Managing General Partner obtains knowledge thereof:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) the filing or commencement of any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Subsidiary as to which there is a reasonable possibility of an adverse determination and which if adversely determined to the Borrower or any Subsidiary could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any development or event or any change in the business, assets, results of operations or financial condition of the Borrower and the Subsidiaries, taken as a whole that has resulted in, or could reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Employee Benefits. (a) Comply in all material respects with the applicable provisions of ERISA except where noncompliance could not reasonably be expected to result in a Material Adverse Effect and (b) furnish to the Administrative Agent (i) as soon as possible, and in any event within 30 days, after any Responsible Officer of the Borrower, the Managing General Partner or any ERISA Affiliate knows or has reason to know that any ERISA Event has occurred that, alone or together with any other ERISA Events that have occurred could reasonably be expected to result in liability of the Borrower and/or the Subsidiaries in an aggregate amount exceeding \$5,000,000 or requiring payments exceeding \$1,000,000 in any year, a statement of a Financial Officer of the Borrower or the Managing General Partner setting forth details as to such ERISA Event and the action, if any, proposed to be taken with respect thereto and (ii) promptly after receipt thereof, a copy of any notice that the Borrower or any Subsidiary may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Plans (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) or to appoint a trustee to administer any Plan or Plans, (iii) within 10 days after the due date for filing by the Borrower or any Subsidiary with the PBGC pursuant to Section 4.12(n) of the Code of a notice of failure to make a required installment or other payment with respect to a Plan, a statement of a Financial Officer of the Borrower or the Managing General Partner setting forth details as to such failure and the action proposed to be taken with respect thereto and (iv) promptly and in any event within 30 days after receipt thereof by the Borrower or any sponsor of a Multiemployer Plan, a copy of each notice concerning (A) the imposition of any Withdrawal Liability in an amount exceed \$5,000,000 or (B) a determination that a Multiemployer Plan is, or is expected to be, terminated or in reorganization, both within the meaning of Title IV of ERISA, which in each case, is expected to result in an increase in annual contributions of the Borrower or any Subsidiary to such Multiemployer Plan in an amount exceeding \$5,000,000.

SECTION 5.06. Maintaining Records; Access to Properties and Inspections. Keep and maintain proper books of record and account and a system of accounting established and administered in accordance with sound business practice and adequate to permit the preparation of the financial statements required to be delivered under Section 5.03, and upon reasonable notice permit representatives of the Lenders to have access to such books of record and account and the premises of the Borrower or any Subsidiary at reasonable times and to make such excerpts from such books of record of account as such representative deem necessary in connection with their evaluation of the ability of the Borrower and the other Loan Parties to repay the Loans and permit any representatives designated by the Administrative Agent or any Lender to discuss the affairs, finances and condition of

the Borrower, the Managing General Partner or any of the Subsidiaries with the officers thereof and independent accountants therefor.

SECTION 5.07. Use of Proceeds. Use the proceeds of the Loans only for the purposes set forth in the preamble to this Agreement.

SECTION 5.08. Compliance with Environmental Laws. Comply in a timely manner with all Environmental Laws, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect, and provide prompt written notice to the Administrative Agent following the receipt of any notice from any Governmental Authority charged with enforcing such Environmental Laws or the receipt of any other information regarding events or conditions, in any such case, which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

SECTION 5.09. Guarantee Requirement. Cause the Guarantee Requirement to be satisfied at all times.

ARTICLE VI

Negative Covenants

The Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under any Loan Document have been paid in full, unless the Required Lenders shall otherwise consent in writing:

SECTION 6.01. Indebtedness. The Borrower will not, and will not permit any Subsidiary to, incur, create, guarantee or in any manner become directly or indirectly liable, contingently or otherwise, for the payment of (in each case, "incur") any Indebtedness (it being understood that the acquisition of any assets or any Subsidiary that shall be subject to or liable for the payment of any Indebtedness will be deemed an incurrence of such Indebtedness), unless after giving effect to such incurrence and to the application of the proceeds thereof the Merchantable Timber Ratio would not be less than 0.1025 to 1.00; provided that the foregoing limitation shall not apply to:

- (a) Indebtedness created hereunder and under the other Loan Documents;
- (b) the Installment Notes and the guarantees thereof and any assumption of the obligations guaranteed thereby;
- (c) (i) the Existing Rayonier Subordinated Indebtedness in an aggregate outstanding principal amount not to exceed \$285,000,000, (ii) the New Rayonier Subordinated Indebtedness in an aggregate outstanding principal amount not to exceed \$142,000,000 and (iii) Additional Rayonier Subordinated Indebtedness;
- (d) Indebtedness of the Borrower to any Guarantor and of any Guarantor to the Borrower or any other Guarantor;
- (e) Indebtedness of the Borrower created under Hedging Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities and not for speculative purposes;

(f) Indebtedness consisting of reimbursement obligations under letters of credit supporting (i) obligations under workers' compensation laws and (ii) the repayment of Indebtedness, the incurrence of which is not prohibited by this Section 6.01;

(g) Surety and appeal bonds required in the ordinary course of business or in connection with the enforcement of rights or claims of the Borrower or any Subsidiary or in connection with judgments that have not resulted in a Default or Event of Default;

(h) Indebtedness incurred to repay, refund or refinance Indebtedness existing prior to the Closing Date or permitted under clause (a), (b), (c) or (f) above if (i) the principal amount of such new Indebtedness does not exceed the principal or accrued amount plus the amount of accrued and unpaid interest (and any required redemption premium) of the Indebtedness so repaid, refunded or refinanced, (ii) such new Indebtedness ranks no more favorably in right of payment with respect to the Obligations than the Indebtedness so repaid, refunded or refinanced, (iii) such new Indebtedness has a weighted average life to maturity and a stated maturity equal to or longer than the Indebtedness so repaid, refunded or refinanced, (iv) no Subsidiary is an obligor in respect of such new Indebtedness that was not an obligor in respect of the Indebtedness so repaid, refunded or refinanced, (v) such new Indebtedness has covenants, events of default and mandatory prepayment, redemption or repurchase requirements not less favorable to the Borrower or the Lenders than those of the Indebtedness being refinanced, and (vi) in the case of any such Indebtedness refinancing Rayonier Subordinated Indebtedness, the obligee in respect thereof shall at all times be Rayonier or an Affiliate of Rayonier; and

(i) up to \$100,000,000 aggregate principal amount of other Indebtedness of the Borrower.

SECTION 6.02. Restricted Payments. The Borrower will not, and will not permit any Subsidiary to, directly or indirectly (a) declare or pay any dividend or make any other distribution or payment on or in respect of Equity Interests of the Borrower or any Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Equity Interests of the Borrower or any Subsidiary (other than (i) dividends or distributions payable solely in Equity Interests of the Borrower or such Subsidiary (other than Redeemable Equity Interests), (ii) the declaration or payment of dividends or other distributions to the extent declared or paid to the Borrower or any Subsidiary, and (iii) the declaration or payment of dividends or other distributions by any Subsidiary to all holders of Equity Interests of such Subsidiary on a pro rata basis; (b) purchase, redeem, defease or otherwise acquire or retire for value any Equity Interests of the Borrower or any Subsidiary (other than any such Equity Interests owned by a Wholly Owned Subsidiary); (c) make any Investment (other than any Permitted Investment) in any person, or (d) make any interest payment on the Rayonier Subordinated Indebtedness (such payments or Investments described in the preceding clauses (a), (b), (c) and (d) being collectively referred to as "Restricted Payments") unless, at the time of and after giving effect to each Restricted Payment (i) no Default or Event of Default shall have occurred and be continuing and (ii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Borrower and the Subsidiaries during the fiscal quarter during which such Restricted Payment is made shall not exceed (A) if the Consolidated Fixed Charge Coverage Ratio of the Borrower shall be greater than 1.75 to 1.00, an amount equal to Available Cash or (B) if the Consolidated Fixed Charge Coverage Ratio of the Borrower shall be equal to or less than 1.75 to 1.00, an amount equal to the sum of (x) \$25,000,000, plus (y) to the extent not theretofore used as the basis for a Restricted Payment pursuant to clauses (ii) or (iii) of the last sentence of this paragraph, the aggregate net cash proceeds of any substantially concurrent (i) capital contribution to the Borrower by any person (other than a Subsidiary) or (ii) issuance and sale of Equity Interests (other than Redeemable Equity Interests) of the Borrower to any person (other than to a Subsidiary), in either case made after the date hereof and not later than substantially concurrently with the making of such

Restricted Payment, minus (z) the aggregate amount of all Restricted Payments (including such Restricted Payment) made pursuant to this clause (B) after the date hereof (other than any Restricted Payment excluded from the restrictions of this Section by clauses (ii), (iii), (iv) or (v) of the last sentence of this Section). The amount of any such Restricted Payment, if other than cash, shall be the Fair Market Value (as determined in good faith by the Board of Directors of the Managing General Partner) on the date of such Restricted Payment of the assets proposed to be transferred by the Borrower or such Subsidiary, as the case may be, pursuant to such Restricted Payment. None of the foregoing provisions of this Section shall prohibit: (i) the payment of any dividend or distribution within 60 days after the date of its declaration, if at the date of declaration such payment would be permitted by the foregoing provisions of this Section; (ii) the redemption, repurchase or other acquisition or retirement of any Equity Interest of the Borrower or any Subsidiary in exchange for, or out of the net cash proceeds of, a substantially concurrent (A) capital contribution to the Borrower from any person (other than a Subsidiary) or (B) issue and sale of other Equity Interests (other than Redeemable Equity Interests of a Subsidiary) of the Borrower to any person (other than to a Subsidiary); provided, that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase or other acquisition or retirement shall be excluded from the calculation of Available Cash; (iii) any refinancing of Rayonier Subordinated Indebtedness permitted under Section 6.01(h), (iv) a one-time extraordinary distribution by the Borrower on the Closing Date to Rayonier Timberlands Holding Corp. and/or its Affiliates in an aggregate amount not exceeding \$142,000,000, or (v) a one-time distribution by the Borrower on the Closing Date to Rayonier or an Affiliate of Rayonier of the right to receive certain Timberlands designated by Rayonier during the period of 90 days following the Closing Date with a Fair Market Value not to exceed \$50,000,000, without payment of any consideration to the Borrower, and the distribution of such Timberlands to Rayonier.

SECTION 6.03. Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or assets (including stock or other securities of any person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect thereof (including any deferred payment obligations received as consideration for asset sales), or assign or transfer any such income or revenues or rights in respect thereof, except:

(a) Liens for taxes, assessments or other governmental charges the payment of which is not yet due or is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and as to which reserves or other appropriate provision, if any, satisfying the requirements of GAAP and adequate in the good faith judgment of the Borrower shall have been made;

(b) Liens of lessors, landlords and carriers, vendors, loggers, warehousemen, mechanics, materialmen, repairmen and other like Liens incurred in the ordinary course of business for sums not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and as to which reserves or other appropriate provision, if any, satisfying the requirements of GAAP and adequate in the good faith judgment of the Borrower shall have been made, to the extent such Liens are not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property, or banker's Liens in the nature of rights of set off arising in the ordinary course of business of the Borrower and the Subsidiaries in connection with Indebtedness permitted by Section 6.01;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety and appeal bonds, bids,

leases, performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money;

(d) other deposits made to secure liabilities to insurance carriers under insurance or self-insurance arrangements;

(e) Liens securing reimbursement obligations under letters of credit, provided in each case that such Liens cover only the title documents and related goods (and any proceeds thereof) covered by the related letter of credit;

(f) any attachment or judgment Lien relating to a judgment that does not constitute an Event of Default;

(g) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances which, in each case, (i) are granted, entered into or created in the ordinary course of the business of the Borrower or any Subsidiary or (ii) do not materially impair the value or intended use of the property covered thereby;

(h) Liens on property or assets of any Subsidiary securing Indebtedness of such Subsidiary owing to the Borrower or another Subsidiary;

(i) Liens (i) existing on any property of any person at the time it becomes a Subsidiary, (ii) existing at the time of acquisition upon any property acquired by the Borrower or any Subsidiary through purchase, merger or consolidation or otherwise, whether or not assumed by the Borrower or such Subsidiary, or (iii) created to secure Indebtedness incurred to pay all or any part of the purchase price or cost of construction or improvement of real property (including Timberlands) or equipment (or Equity Interests of persons owning such real property or equipment) acquired by the Borrower or a Subsidiary (Liens described in this clause (iii) being called "Purchase Money Liens"); provided that (A) any such Lien shall be confined solely to such item or items of property and other property which is an improvement to or is acquired for use specifically in connection with such acquired property, or, in the case of construction, related unimproved land, (B) in the case of a Purchase Money Lien, the principal amount of the Indebtedness secured by such Purchase Money Lien shall at no time exceed 100% of the purchase price or cost of construction or improvement to the Borrower and the Subsidiaries of such property, (C) any such Purchase Money Lien shall be created not later than 180 days after the acquisition of such property, (D) any such Lien shall not have been created or assumed in contemplation of such Person's becoming a Subsidiary or (except in the case of a Purchase Money Lien) such acquisition of property by the Borrower or a Subsidiary and (E) the aggregate amount of (i) the obligations secured by Liens permitted under this clause (i) (or clause (k) of this Section with respect to the renewals or extensions of such Liens) and outstanding at any time, (ii) the obligations secured by Liens permitted under clause (m) of this Section and (iii) the Attributable Debt in respect of all sale and lease-back transactions permitted under Section 6.06 shall in no event exceed \$50,000,000 at any time;

(j) easements, exceptions or reservations in any property of the Borrower or any Subsidiary granted or reserved for the purpose of pipelines, roads, the removal of oil, gas, coal or other minerals and other like purposes, or for the joint or common use of real property, facilities and equipment, which are incidental to, and do not materially interfere with, the ordinary conduct of the business of the Borrower or any Subsidiary;

(k) any Lien renewing or extending any Lien permitted by clause (a) or (i), provided that (i) the principal amount of the Indebtedness secured by any such Lien shall not exceed the principal amount of such Indebtedness outstanding immediately prior to the renewal or

extension of such Lien, and (ii) no assets encumbered by any such Lien other than the assets encumbered immediately prior to such renewal or extension shall be encumbered thereby; and

(l) other Liens, provided that the aggregate amount of (i) the obligations secured by all such other Liens, (ii) the obligations secured by Liens permitted under clause (i) above (or clause (k) above with respect to the renewals or extensions of such Liens) and (iii) the Attributable Debt in respect of all sale and lease-back transactions permitted under Section 6.06 shall not exceed \$50,000,000 at any time.

SECTION 6.04. Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, transfer, disposition, purchase, exchange or lease of assets, property or services) with, or for the benefit of, any Affiliate of the Borrower unless (a) such transaction or series of related transactions is between the Borrower and one or more Subsidiaries or between two or more Subsidiaries or (b) such transaction or series of related transactions is on terms that are no less favorable to the Borrower or Subsidiary, as the case may be, than those which would have been obtained in a comparable transaction at such time from persons who are not Affiliates of the Borrower; provided, however, that this covenant will not apply to (i) any employment agreement, stock option agreement, restricted stock agreement, consulting agreement or similar agreement entered into in the ordinary course of business, (ii) transactions permitted by Section 6.02, (iii) any agreement or other obligation in effect on the Closing Date or any amendment thereto (so long as the agreement, as amended by such amendment, is no less favorable (taken as a whole) to the holders of the Notes than the original agreement as in effect on the Closing Date) and any transactions contemplated thereby, and (iv) the payment of reasonable fees to, and indemnities provided on behalf of, officers, directors, employees or consultants of the Borrower or any Subsidiary or of the Managing General Partner in the ordinary course of business.

SECTION 6.05. Certain Restrictions on Subsidiaries. The Borrower will not permit any Subsidiary to create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of such Subsidiary to (a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Equity Interests, (b) pay any Indebtedness owed to the Borrower or any other Subsidiary, (c) make loans or advances to, or any investment in, the Borrower or any other Subsidiary, or (d) transfer any of its properties or assets to the Borrower or any other Subsidiary (collectively, "Payment Restrictions"), except for such encumbrances or restrictions existing under or by reason of (i) applicable law, rules or regulations, or any order or ruling by any Governmental Authority; (ii) any agreement in effect on the date hereof and described in Schedule 6.05; (iii) customary non-assignment provisions of any contract, license or any lease governing a leasehold interest of any Subsidiary; (iv) customary restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business; (v) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (d) above on the property so acquired; (vi) contracts for the sale of assets, including, without limitation, customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for a sale of all or substantially all the Equity Interests or assets of such Subsidiary, to the extent such sale is permitted by this Agreement; (vii) any agreement or instrument governing Indebtedness, Preferred Stock or Redeemable Equity Interests of a person acquired by the Borrower or any Subsidiary (or of a Subsidiary of such person) in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any person, properties or assets other than the person acquired, its subsidiaries and their properties and assets; (viii) provisions contained in agreements or instruments relating to Indebtedness which prohibit the transfer of all or substantially all the assets of the obligor thereunder unless the transferee shall assume the obligations of the obligor or issuer under such agreement or instrument; or (ix) encumbrances or restrictions contained in any agreement or

instrument governing Indebtedness permitted by Section 6.01(i); provided that the encumbrances or restrictions contained in such agreement or instrument are no more restrictive (taken as a whole) than those contained in the agreement governing the Indebtedness being refinanced.

SECTION 6.06. Sale and Lease-Back Transactions. The Borrower will not, and will not permit any Subsidiary to, enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred, except that the Borrower and the Subsidiaries may enter into such transactions to the extent that the aggregate amount of (a) the Attributable Debt in respect of all such transactions, (b) the obligations secured by Liens permitted under Section 6.03(i) (or Section 6.03(k) with respect to the renewals or extensions of such Liens) and (c) the obligations secured by Liens permitted under Section 6.03(m) shall not exceed \$50,000,000 at any time.

SECTION 6.07. Merger, Consolidation or Sale of Assets. (a) The Borrower will not, and will not permit any Subsidiary to, consolidate or merge with or into any other person (whether or not the Borrower is the surviving person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one transaction or in a series of transactions, unless (i) the Borrower or such Subsidiary is the surviving person, or the person formed by or surviving such consolidation or merger (if other than the Borrower or such Subsidiary) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a limited partnership (or, in the case of a consolidation or merger of a Subsidiary, a corporation or limited liability company) organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the person formed by or surviving any such consolidation or merger (if other than the Borrower or such Subsidiary) or the person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the Obligations of the Borrower or such Subsidiary (and in the case of a transaction or series of transactions whereby the Borrower consolidates or merges with or into any other person, or sells, assigns, transfers, leases, conveys or otherwise disposes of all or substantially all of its properties or assets in one transaction or in a series of transactions, shall be deemed to be the "Borrower" for the purposes of the definition of the term "Change of Control"); and (iii) immediately after such transaction no Default or Event of Default exists.

(b) The Borrower will not, and will not permit any Subsidiary to, sell, assign, transfer, lease, convey or otherwise dispose of any Equity Interest in or Indebtedness of a Subsidiary, or cause or permit any Subsidiary to issue Equity Interests to any person other than the Borrower or a Subsidiary; provided that the Borrower may sell all the Equity Interests in any Subsidiary directly or indirectly owned by it in a single transaction complying with the requirements of Section 6.10.

SECTION 6.08. Business of the Borrower and the Subsidiaries. Engage to any material extent in any business other than (a) the acquisition, ownership, management, harvesting, marketing and selling of Timber and activities reasonably related or reasonably incidental thereto, including but not limited to the ownership, management and sale of properties acquired as part of Timberland acquisitions in the ordinary course of business that have a higher and better use than the growing of timber, and (b) the ownership, operation and sale of facilities used in the processing of timber into products, but only to the extent that acquisitions of any such facilities acquired after the date hereof are merely incidental to acquisitions of Timberlands (and to the extent such facilities acquired after the date hereof and held at any time represent more than 5% of the Borrower's Consolidated Total Assets, the Borrower will use its best efforts to dispose of such facilities as promptly as is commercially reasonable).

SECTION 6.09. Limitation on Non-Guarantor Subsidiaries. The Borrower will not permit any Subsidiary that is not a Subsidiary Guarantor to be liable under any Guarantee of any Indebtedness of the Borrower unless such Subsidiary is a party to and a Subsidiary Guarantor under the Subsidiary Guarantee Agreement, and with respect to any guarantee of Subordinated Indebtedness by a Subsidiary, any such Guarantee shall be subordinated to such Subsidiary's Obligations as a Subsidiary Guarantor at least to the same extent as such Subordinated Indebtedness is subordinated to the Obligations. Further, a pledge of assets to secure any Indebtedness for which the pledgor is not otherwise liable shall not be considered a Guarantee giving rise to any requirement for the execution of the Subsidiary Guarantee Agreement under this Section 6.09.

SECTION 6.10. Asset Sales. (a) The Borrower will not, and will not permit any Subsidiary to, (i) sell, lease, convey or otherwise dispose of any assets other than sales in the ordinary course of business and consistent with past practice (provided, that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Borrower shall be governed by the provisions of Section 6.07 hereof and not by the provisions of this Section 6.10) or (ii) issue or sell Equity Interests of any of the Subsidiaries, in the case of either clause (i) or (ii) above whether in a single transaction or a series of related transactions, that have a Fair Market Value (as determined in good faith by the Board of Directors of the Managing General Partner) in excess of \$10,000,000 or for net cash proceeds in excess of \$10,000,000 (each of the foregoing, an "Asset Sale"), unless at least 75% of the consideration therefor received by the Borrower or such Subsidiary is in the form of cash or cash equivalents; provided, however, that the amount of (A) any liabilities (as shown on the Borrower's or such Subsidiary's most recent audited balance sheet or in the notes thereto) of the Borrower or any Subsidiary that are assumed by the transferee of any such assets and (B) any notes or other obligations received by the Borrower or any such Subsidiary from such transferee that are converted (by means of a sale, non-recourse loan or otherwise) by the Borrower or such Subsidiary into cash (to the extent of the cash received) within 120 days of such Asset Sale, shall be deemed to be cash for purposes of this provision; and provided further, that the 75% limitation set forth above shall not apply to any Asset Sale in which the cash portion of the consideration received therefrom, determined in accordance with the foregoing proviso, is equal to or greater than what the after-tax proceeds would have been had such Asset Sale complied with the aforementioned 75% limitation. Notwithstanding the foregoing, Asset Sales shall not be deemed to include (a) any transfer of assets or Equity Interests by the Borrower or any of the Subsidiaries to a Wholly Owned Subsidiary of the Borrower, (b) any transfer of assets that constitutes the making of a Permitted Investment, (c) the sale of Timberlands in a like-kind exchange for a like interest in other Timberlands having a Fair Market Value (as determined in good faith by the Board of Directors of the Managing General Partner) at least equal to the Fair Market Value (as determined in good faith by the Board of Directors of the Managing General Partner) of the Timberlands sold, (d) the sale of not more than 100,000 acres in the aggregate of Timberlands designated in good faith by the Board of Directors of the Managing General Partner for a higher and better use, (e) a disposition of obsolete equipment in the ordinary course of business, (f) timber deed, bulk, pay-as-cut and stumpage sales in the ordinary course of business and (g) any transaction permitted by Section 6.02.

(b) In the event that the aggregate Net Cash Proceeds received by the Borrower or any of the Subsidiaries from one or more Asset Sales since the Closing Date exceed the Adjusted Asset Sales Amount, the Borrower or any Subsidiary may, within 270 days after the date such aggregate Net Cash Proceeds exceed such amount, apply the amount of such aggregate Net Cash Proceeds in excess of the Adjusted Asset Sales Amount (less the amount of any such Net Cash Proceeds previously applied during such fiscal year for the purposes set forth in clause (i) and/or (ii) below) to (i) reduce Senior Indebtedness of the Borrower secured as permitted under Section 6.03 or Senior Indebtedness of a Subsidiary (with a permanent reduction of availability in the case of any facility that permits amounts repaid or prepaid to be reborrowed) or (ii) make, or commit, pursuant to a binding written contract (provided that the contract is consummated substantially in accordance with the terms thereof within 30 days after the end of the 270-day period), to make, an investment in assets used or useful in the

business of the Borrower or such Subsidiary. Pending the final application of any such Net Cash Proceeds, the Borrower or any Subsidiary may temporarily reduce borrowings under this Agreement or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by this Agreement. Any such Net Cash Proceeds that are not applied or invested as provided in the first sentence of this Section 6.10(b) will be deemed to constitute "Excess Proceeds". When the aggregate amount of Excess Proceeds exceeds \$50,000,000, the Borrower shall make an offer to the Lenders and, to the extent (and only to the extent) required by the terms of the Installment Notes or any other Senior Indebtedness of the Borrower, to the holders of the Installment Notes or such other Senior Indebtedness (an "Asset Sale Offer"), to prepay the maximum principal amount of the Term Loans and, if applicable, the Installment Notes or such other Senior Indebtedness that may be prepaid out of the Excess Proceeds; provided that the amount of the prepayment offered or made to the holders of Installment Notes or such other Senior Indebtedness shall not exceed their ratable share of such Excess Proceeds (based on the aggregate outstanding principal amount of the Installment Notes or such other Senior Indebtedness, on the one hand, and the aggregate outstanding principal amount of the Loans (including Revolving Loans) on the other). To the extent that the aggregate principal amount of Term Loans, Installment Notes and other Senior Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Borrower shall offer to prepay any remaining Term Loans (and, to the extent required by the governing agreements applicable thereto, the Installment Notes or other Senior Indebtedness) with the amount of such deficiency. Upon completion of such Asset Sale Offer and any subsequent offer to the holders of Term Loans, the amount of Excess Proceeds shall be reset at zero.

SECTION 6.11. Limitation on Harvesting. The Borrower or any Subsidiary may, within 270 days after the date on which it receives Net Cash Proceeds from any Excess Harvest, apply the amount of such aggregate Net Cash Proceeds (less the amount of any such Net Cash Proceeds previously applied during such fiscal year for the purposes set forth in clause (a) and/or (b) below) to (a) reduce Senior Indebtedness of the Borrower secured as permitted under Section 6.03 or Senior Indebtedness of a Subsidiary (with a permanent reduction of availability in the case of any facility that permits amounts repaid or prepaid to be reborrowed) or (b) make, or commit, pursuant to a binding written contract (provided that the contract is consummated substantially in accordance with the terms thereof within 30 days after the end of the 270-day period), to make an investment in assets used or useful in the business of the Borrower or such Subsidiary. Pending the final application of any such Net Cash Proceeds, the Borrower or any Subsidiary may temporarily reduce borrowings under this Agreement or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by this Agreement. Any such Net Cash Proceeds that are not applied or invested as provided in the first sentence of this Section 6.11 will be deemed to constitute "Excess Harvest Proceeds." When the aggregate amount of Excess Harvest Proceeds exceeds \$100,000,000, the Borrower shall make an offer to the Lenders and, to the extent (and only to the extent) required by the terms of the Installment Notes or any other Senior Indebtedness of the Borrower, to the holders of the Installment Notes or such other Senior Indebtedness (an "Excess Harvest Offer"), to prepay the maximum principal amount of the Term Loans and, if applicable, the Installment Notes or such other Senior Indebtedness that may be prepaid out of the Excess Harvest Proceeds; provided that the amount of the prepayment offered or made to the holders of Installment Notes or such other Senior Indebtedness shall not exceed their ratable share of such Excess Harvest Proceeds (based on the aggregate outstanding principal amount of the Installment Notes or such other Senior Indebtedness, on the one hand, and the aggregate outstanding principal amount of the Loans (including Revolving Loans) on the other). To the extent that the aggregate principal amount of Term Loans, Installment Notes and other Senior Indebtedness tendered pursuant to an Excess Harvest Offer is less than the Excess Harvest Proceeds, the Borrower shall offer to prepay any remaining Term Loans (and, to the extent required by the governing agreements applicable thereto, the Installment Notes or other Senior Indebtedness) with the amount of such deficiency. Upon completion of such Excess Harvest Offer and any subsequent offer to the holders of Term Loans, the amount of Excess Harvest Proceeds shall be reset at zero.

SECTION 6.12. Amendment of Material Documents. Amend, modify or waive in any material respect the Installment Note Agreement, the Existing Rayonier Subordinated Notes, the New Rayonier Subordinated Note, any management or other agreements with Affiliates or any other material agreements if any such amendment, modification or waiver, taken together with any related amendments, modifications or waivers, could reasonably be expected to be adverse in any material respect to the Borrower, the Subsidiaries or to the rights or interests of the Lenders.

SECTION 6.13. Prepayments, Redemptions and Repurchases of Debt. Make any payment, whether in cash, property, securities or a combination thereof, in respect of, or pay, or offer or commit to pay, or otherwise directly or indirectly redeem, repurchase, retire or otherwise acquire for consideration or defease, the Installment Notes or any Subordinated Indebtedness of the Borrower or any of the Subsidiaries, or set apart any sum for the aforesaid purposes, except that the Borrower and the Subsidiaries may (a) make scheduled or mandatory payments of principal, interest or Capital Lease Obligations as and when due (to the extent not prohibited by applicable subordination provisions), (b) pay, redeem, repurchase, retire or otherwise acquire for consideration or defease any Installment Notes or Subordinated Indebtedness with the proceeds of any contribution to the capital of or issuance and sale of Equity Interests (other than Redeemable Equity Interests) by the Borrower and (c) in the case of the Borrower, prepay Installment Notes to the extent contemplated by Section 2.12(b), 6.01(h), 6.10 and 6.11.

SECTION 6.14. Fiscal Year. Change the end of its fiscal year from December 31 to any other date.

SECTION 6.15. Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio at any time during any period set forth below to be in excess of the ratio set forth below opposite such period:

Date ----	Ratio -----
Closing Date through December 31, 2001	4.50 to 1.00
Each quarter end thereafter	4.25 to 1.00

SECTION 6.16. Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio for any four-fiscal-quarter period ending during any period set forth below to be less than the ratio set forth below opposite such period:

Date ----	Ratio -----
Closing Date through December 31, 2001	1.60 to 1.00
Thereafter	1.65 to 1.00

SECTION 6.17. Managing General Partner. Permit the Borrower to have any general partner other than the Managing General Partner.

ARTICLE VII

Events of Default

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with any Loan Document or the Borrowings hereunder, or any representation, warranty, statement or information made, deemed made or furnished in connection with or pursuant to any Loan Document, in each case to the extent in writing or communicated to the Administrative Agent or the Lenders in any formal presentation, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or any Fee or any other amount (other than an amount referred to in (b) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of five days;

(d) default shall be made in the due observance or performance by the Borrower or any of the Subsidiaries of any covenant, condition or agreement contained in Section 5.01(a)(i), 5.04(a), 5.07 or 5.09 or in Article VI;

(e) default shall be made in the due observance or performance by the Borrower or any of the Subsidiaries of any covenant, condition or agreement contained in any Loan Document (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days (or 15 days in the case of a default under Section 5.04(b) or (c)) after notice thereof from the Administrative Agent or any Lender to the Borrower, or for a period of 30 days (or 15 days in the case of a default under Section 5.04(b) or (c)) after a Responsible Officer of the Borrower or the Managing General Partner shall obtain actual knowledge of such default;

(f) (i) the Borrower or any of the Subsidiaries shall fail to pay any principal or interest, regardless of amount, due in respect of any Material Indebtedness when and as the same shall become due and payable or (ii) the Borrower or any of the Subsidiaries shall fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Material Indebtedness, or any other event or condition shall occur, if the effect of any failure or other event or condition referred to in this clause (ii) (immediately or upon the giving of notice or the passage of time or any of the above) shall be to require the Borrower or any of the Subsidiaries to purchase or offer to purchase such Material Indebtedness, or to cause, or to permit the holder or holders of such Material Indebtedness or a trustee on its or their behalf to cause such Material Indebtedness to become due or to be required to be repurchased, redeemed or defeased prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Borrower, any of the Material Subsidiaries or any person that Controls the Borrower or any Material Subsidiary, or of a substantial part of the property or assets of the Borrower, any of the Material Subsidiaries or any person that Controls the Borrower or any Material Subsidiary,

under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower, any of the Material Subsidiaries or any person that Controls the Borrower or any Material Subsidiary or for a substantial part of the property or assets of the Borrower, any of the Material Subsidiaries or any person that Controls the Borrower or any Material Subsidiary or (iii) the winding-up or liquidation of the Borrower, any of the Material Subsidiaries or any person that Controls the Borrower or any Material Subsidiary; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Borrower, any of the Material Subsidiaries or any person that Controls the Borrower or any Material Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower, any of the Material Subsidiaries or any person that Controls the Borrower or any Material Subsidiary or for a substantial part of the property or assets of the Borrower, any of the Material Subsidiaries or any person that Controls the Borrower or any Material Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of \$15,000,000 (other than that portion of a final judgment as to which a reputable insurance company has confirmed its acceptance of liability in writing) in the aggregate shall be rendered against the Borrower, any of the Subsidiaries or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of the Borrower or any of the Subsidiaries to enforce any such judgment;

(j) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other such ERISA Events, could reasonably be expected to result in liability of the Borrower and their ERISA Affiliates in an aggregate amount exceeding \$10,000,000 or to require payments exceeding \$5,000,000 in any year;

(k) any Guarantee purported to be created under the Subsidiary Guarantee Agreement shall cease to be, or shall be asserted by any Loan Party not to be, a valid and enforceable Guarantee of the Obligations in any material respect; or

(l) there shall have occurred a Change in Control,

then, and in every such event (other than an event with respect to the Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the

Borrower accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein or in any other Loan Document to the contrary notwithstanding; and in any event with respect to the Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower and the other Loan Parties accrued hereunder and under any other Loan Document, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein or in any other Loan Document to the contrary notwithstanding.

ARTICLE VIII

The Agent

In order to expedite the transactions contemplated by this Agreement, CSFB is hereby appointed to act as Administrative Agent on behalf of the Lenders. Each of the Lenders and each assignee of any such Lender hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or assignee and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof and of the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Borrower of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by the Borrower or any other Loan Party pursuant to this Agreement or the other Loan Documents as received by the Administrative Agent. Without limiting the generality of the foregoing, the Administrative Agent is hereby expressly authorized to execute any and all documents as contemplated by and in accordance with the provisions of this Agreement.

Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his own gross negligence or willful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower or any other Loan Party of any of the terms, conditions, covenants or agreements contained in any Loan Document. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or any other Loan Documents, instruments or agreements. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrower or any other Loan Party on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or the Borrower or any other Loan Party of any of their respective obligations hereunder or under any other Loan Document or in

connection herewith or therewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least \$500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any of the Subsidiaries or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (a) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on the amount of its Loans and available commitments hereunder) of any expenses incurred for the benefit of the Lenders by the Administrative Agent, including counsel fees and compensation of Administrative Agent and employees paid for services rendered on behalf of the Lenders, that shall not have been reimbursed by the Borrower and (b) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against it in its capacity as Administrative Agent or any of them in any way relating to or arising out of this Agreement or any other Loan Document or action taken or omitted by it or any of them under this Agreement or any other Loan Document, to the extent the same shall not have been reimbursed by the Borrower or any other Loan Party; provided that no Lender shall be liable to the Administrative Agent or any such other indemnified person for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of the Administrative Agent or any of its directors, officers, employees or agents.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative

Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. Notices and other communications provided for herein and in the other Loan Documents shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at c/o Rayonier, Inc., 1177 Summer Street, Stamford, CT, 06905-5529 Attention: General Counsel (Fax No. (203) 964-4335);

(b) if to the Administrative Agent, to Credit Suisse First Boston, Eleven Madison Avenue, New York, NY 10010, Attention of Daniel Sullivan (Fax No. (212) 325-8304), with a copy to the Resources Group (Fax No. (212) 325-8176; and

(c) if to a Lender, to it at its address (or telecopy number) set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 9.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 9.01; provided, that each notice under Article II will be delivered by hand or overnight courier service or sent by telecopy.

SECTION 9.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower and the Subsidiaries herein in any certificate or other instrument delivered by the Borrower or on its behalf in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid and so long as the Commitments have not been terminated. The provisions of Sections 2.13, 2.15, 2.19, 9.04(i), 9.05 and 9.16 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent or any Lender.

SECTION 9.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto.

SECTION 9.04. Successors and Assigns. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, the Administrative Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of any or all of its Commitments and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to another Lender or an Affiliate or Related Fund of the assigning Lender or another Lender (x) the Borrower, unless an Event of Default shall have occurred and be continuing, and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld) and (y) the amount of the Revolving Credit Commitment and the Term Commitment or outstanding Term Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 in the aggregate (or, if less, the entire remaining amount of such Lender's Revolving Credit Commitment and Term Commitment or outstanding Term Loans) and (ii) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire and any tax form as required by the Internal Revenue Service or Section 2.19(e) of this Agreement, if applicable. Upon acceptance and recording and payment of the fee as specified in paragraph (e) of this Section 9.04, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.15, 2.19 and 9.05, as well as to any Fees accrued for its account and not yet paid, and to be bound by the provisions of Section 9.16).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Term Commitments and Revolving Credit Commitment, and the outstanding balances of its Term Loans and Revolving Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or any of the Subsidiaries or the performance or observance by the Borrower or any of the Subsidiaries of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 3.05 or delivered pursuant to Section 5.03 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own

credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive and the Borrower, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register and any Assignments and Acceptances delivered to the Administrative Agent pursuant to this Section 9.04(d) shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), a processing and recordation fee of \$3,500 (which shall be paid by the assigning Lender and such assignee as they may agree) and, if required, the written consent of the Borrower and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance and (ii) record the information contained therein in the Register. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (e).

(f) Each Lender may without the consent of the Borrower or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and/or obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.13, 2.15 and 2.19, and shall be bound by the confidentiality provisions contained in Section 9.16, to the same extent as is such Lender (subject to the last sentence of this Section 9.04(f)) and (iv) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal of or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans, increasing or extending the Commitments or releasing all or substantially all the Guarantors). All amounts payable by the Borrower to any Lender hereunder in respect of any Loan and the applicability of the cost protection provisions contained in Sections 2.13, 2.15 and 2.19 shall be determined as if such Lender had not sold or agreed to sell any participation in such Loan, and as if such Lender were funding the participated portion of such Loan in the same way that it is funding the portion of such Loan in which no participation has been sold.

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure of

information designated by the Borrower as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 9.16.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank to secure extensions of credit by such Federal Reserve Bank to such Lender; provided that no such assignment shall release a Lender from any of its obligations hereunder or substitute any such Federal Reserve Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, the Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to the Borrower by the assigning Lender hereunder.

(i) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary in this Section 9.04, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by the Borrower and the Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This section may not be amended without the written consent of the SPC. Notwithstanding any grant of rights to an SPC pursuant to this paragraph, the Granting Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement or the other Loan Documents; provided that the Granting Lender may enter into and perform any agreement with the SPC as to the manner in which it will exercise such right.

(j) Except as provided in Section 6.07, the Borrower shall not assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent and each Lender, and any such attempted assignment without such consent shall be null and void.

SECTION 9.05. Expenses; Indemnity. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement and the other Loan Documents and any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or

thereby shall be consummated), and (ii) all reasonable out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement or in connection with the Loans made hereunder (including in connection with the negotiation of any restructuring or "work out" (whether or not consummated) of the Obligations).

(b) The Borrower shall indemnify the Administrative Agent and each Lender and each Affiliate of any of the foregoing persons and each of their respective directors, officers, employees, agents and controlling persons (each such person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of any actual or prospective claim, litigation, investigation or proceeding and regardless of whether any Indemnatee is a party thereto relating to (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby, (ii) the use of the proceeds of the Loans or (iii) any actual or alleged presence or Release of Hazardous Materials on any property owned, leased or operated by the Borrower or any of the Subsidiaries, or any Environmental Claim related in any way to the Borrower or the Subsidiaries; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnatee.

(c) All amounts due under this Section 9.05 shall be payable on written demand therefor.

SECTION 9.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, except to the extent prohibited by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement and other Loan Documents held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or such other Loan Document and although such obligations may be unmatured. The rights of each Lender under this Section 9.06 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.07. Applicable Law. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.08. Waivers; Amendment. (a) No failure or delay of the Borrower, the Administrative Agent or any Lender in exercising any power or right hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Borrower, the Administrative Agent and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower or any other Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or

demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(b) None of this Agreement or any other Loan Document or any provision hereof or thereof (except, in the case of any other Loan Document, as expressly provided therein) may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders (and, in the case of any other Loan Document, any other person whose consent is required thereunder); provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or any fees, or waive or excuse any such payment or any part thereof, amend or modify the provisions of Section 2.09(c) or 2.12 (a), amend or modify the definition of the term "Revolving Credit Maturity Date", or decrease the rate of interest on any Loan or any fees, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment or decrease or extend the date for payment of the Commitment Fees of any Lender without the prior written consent of such Lender, or (iii) amend or modify the provisions of Section 2.16, 2.17 or 9.04(i), the provisions of this Section or the definition of the term "Required Lenders" or release any Guarantors (other than pursuant to a permitted sale or liquidation of a Subsidiary Guarantor) without the prior written consent of each Lender affected thereby; provided further that (i) no such agreement that by its terms adversely affects the rights of the Revolving Credit Lenders or the Term Lenders in a manner different from its effect on the other classes of Lenders shall become effective unless approved by a majority in interest of each class of Lenders so adversely affected and (ii) no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder or under any other Loan Document without the prior written consent of the Administrative Agent.

SECTION 9.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 9.09 shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.10. Entire Agreement. This Agreement and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the other Loan Documents. Nothing in this Agreement or in the other Loan Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

SECTION 9.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT,

IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.11.

SECTION 9.12. Severability. In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.13. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 9.03. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 9.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 9.15. Jurisdiction; Consent to Service of Process. (a) The Borrower irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against the Borrower or its properties in the courts of any jurisdiction.

(b) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.16. Confidentiality. The Administrative Agent and each of the Lenders agrees to keep confidential (and to use its best efforts to cause its respective agents and representatives to keep confidential) the Information (as defined below) and all copies thereof, extracts therefrom and

analyses or other materials based thereon, except that the Administrative Agent or any Lender shall be permitted to disclose Information (a) to such of its respective officers, directors, employees, agents, affiliates and representatives as need to know such Information in connection with the performance of their duties related to the Loan Documents and the transactions contemplated thereby or the legal and regulatory compliance requirements of the Administrative Agent or such Lender, as the case may be, (b) to the extent requested by any regulatory authority, (c) to the extent otherwise required by applicable laws and regulations or by any subpoena or similar legal process, (d) in connection with any suit, action or proceeding (i) relating to the enforcement of its rights hereunder or under the other Loan Documents or (ii) for purposes of establishing a "due diligence" defense, (e) to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 9.16) or (f) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section 9.16 or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower; provided, however, that the Administrative Agent and/or any Lender, as the case may be, shall (to the extent it may lawfully do so) provide the Borrower, to the extent practicable, with advance notice of any disclosure of information referred to in clauses (c) and (d) above. For the purposes of this Section, "Information" shall mean all financial statements, certificates, reports, agreements and all other information (including all analyses, compilations and studies prepared by the Administrative Agent or any Lender based on any of the foregoing and including any budget, programming and program scheduling information) that are received from the Borrower and related to the Borrower or any Subsidiary or their respective businesses, other than any of the foregoing that were available to the Administrative Agent or any Lender on a nonconfidential basis prior to its disclosure thereto by the Borrower or any Subsidiary, and that are in the case of Information provided after the date hereof, clearly identified at the time of delivery as confidential or of such a nature that a prudent person would expect such Information to be confidential.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

RAYONIER TIMBERLANDS OPERATING COMPANY, L.P.,

by RAYONIER TIMBERLANDS MANAGEMENT, INC., its Managing General Partner

by /s/ James M. Rutledge

Name: James M. Rutledge
Title: Treasurer

by /s/ John B. Canning

Name: John B. Canning
Title: Secretary

CREDIT SUISSE FIRST BOSTON, individually and as Administrative Agent,

by /s/ Douglas E. Maher

Name: Douglas E. Maher
Title: Vice President

by /s/ Julia P. Kingsbury

Name: Julia P. Kingsbury
Title: Vice President

MORGAN STANLEY SENIOR FUNDING, INC., individually and as Co-Syndication Agent,

by /s/ Michael T. McLaughlin

Name: Michael T. McLaughlin
Title: Principal

Citibank, N.A., individually and as Co-Syndication Agent,

by /s/ Prakash M. Chonkar

Name: Prakash M. Chonkar
Title: Attorney-in-Fact

Bank of America, N.A.,

by /s/ Joseph L. Corah

Name: Joseph L. Corah
Title: Vice President

The Bank of New York,

by /s/ Kenneth P. Sneider, Jr.

Name: Kenneth P. Sneider, Jr.
Title: Vice President

CoBank, ACB,

by /s/ Brian J. Klatt

Name: Brian J. Klatt
Title: Vice President

Morgan Guaranty Trust Company of New York,

by /s/ R. David Stone

Name: R. David Stone
Title: Associate

SunTrust Bank, Atlanta,

by /s/ W. David Wisdom

Name: W. David Wisdom
Title: Vice President

Wells Fargo Bank, N.A.,

by /s/ David Goode

Name: David Goode
Title: Vice President

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RAYONIER TIMBERLANDS
OPERATING COMPANY, L.P.

NOTE PURCHASE AGREEMENT

DATED AS OF OCTOBER 25, 1999

Re: \$112,500,000 Series A Senior Notes due December 31, 2007
\$147,500,000 Series B Senior Notes due December 31, 2009
\$112,500,000 Series C Senior Notes due December 31, 2011
\$112,500,000 Series D Senior Notes due December 31, 2014

RAYONIER TIMBERLANDS OPERATING COMPANY, L.P.

\$112,500,000 Series A Senior Notes due December 31, 2007
 \$147,500,000 Series B Senior Notes due December 31, 2009
 \$112,500,000 Series C Senior Notes due December 31, 2011
 \$112,500,000 Series D Senior Notes due December 31, 2014

Dated as of
 October 25, 1999

Timber Capital Holdings LLC
 c/o CT Corporation Systems
 Corporation Trust Center
 1209 Orange Street
 Wilmington, Delaware 19801

Ladies and Gentlemen:

RAYONIER TIMBERLANDS OPERATING COMPANY, L.P., a Delaware limited partnership (the "Company"), agrees with you as follows:

ARTICLE I
 AUTHORIZATION OF NOTES; INTEREST

SECTION 1.1 Authorization of Notes.

The Company, acting pursuant to that certain Purchase and Sale Agreement (the "Purchase Agreement") dated as of July 28, 1999, between Rayonier Inc., a North Carolina corporation and an Affiliate of the Company, and Jefferson Smurfit Corporation (U.S.), a Delaware corporation, will authorize the issue and sale of (i) \$112,500,000 aggregate principal amount of its Series A Senior Notes due December 31, 2007 (the "Series A Notes"), (ii) \$147,500,000 aggregate principal amount of its Series B Senior Notes due December 31, 2009 (the "Series B Notes"), (iii) \$112,500,000 aggregate principal amount of its Series C Senior Notes due December 31, 2011 (the "Series C Notes") and (iv) \$112,500,000 aggregate principal amount of its Series D Senior Notes due December 31, 2014 (the "Series D Notes," and together with the Series A Notes, the Series B Notes, and the Series C Notes, the "Notes," such term to include any such notes delivered in substitution or exchange therefor, or in subsequent substitutions or exchanges, pursuant to Article XIII of this Agreement). The Notes shall be substantially in the respective forms set out in Exhibits 1(a), 1(b), 1(c) and 1(d), with such changes therefrom, if any, as may be approved by you and the Company. Interest on the Notes will be as set forth in Section 1.2 below. Certain capitalized terms used in this Agreement are defined in Schedule A; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 1.2 Interest.

(a) Interest Rate. Except to the extent otherwise expressly provided in Section 1.2(b) below and, with respect to overdue payments of principal and interest, in the Notes of each series, the rate of interest borne by the Notes of each series will be: with respect to the Series A Notes, 8.288% per annum; with respect to the Series B Notes, 8.388% per annum; with respect to the Series C Notes, 8.488% per annum; and with respect to the Series D Notes, 8.638% per annum. Interest will be payable semi-annually in arrears on each June 30 and December 31.

(b) Loan. You will use your best efforts to arrange, as soon as reasonably possible thereafter, the making of a loan to you, or a placement of debt securities by you, in either case having the attributes specified in the next sentence (the "Loan"). The Loan will (w) bear interest on each of its tranches (as specified in clause (z) below) at a then applicable market fixed interest rate in respect of an investment of the term and credit quality of such Loan tranche, (x) be secured only by the Notes and, at your option, by other assets which do not have associated with them any liabilities, contingent or otherwise, (y) generate loan proceeds equal to 80 percent of the aggregate outstanding principal amount of the Notes of all series or (as shall be determined by you in your sole discretion) more, and (z) be divided into tranches maturing on the same dates as do the respective series of the Notes, the aggregate principal amount of each such tranche to bear the same relation to the aggregate principal amount of the entire Loan as the aggregate outstanding principal amount of the series of the Notes maturing on the same date as such Loan tranche bears to the aggregate principal amount of all outstanding Notes. The Loan may be issued with original issue discount.

If and to the extent that the Yield to Maturity on a Loan tranche is less than the Yield to Maturity on the series of Notes of like maturity (calculated in each case as of the date of funding of the Loan), the interest rate in respect of the Notes of such series shall be decreased (such decrease to take effect on and as of the date of funding of the Loan) such that the Yield to Maturity in respect of such series of Notes is equal to the Yield to Maturity on such Loan tranche. For the purposes of this Section 1.2(b), "Yield to Maturity" means, as of the determination date, that rate of interest which, if compounded semi-annually and employed in discounting to present value from its respective scheduled payment date each of the remaining payments of principal and interest in respect of a series of Notes or Loan tranche, as the case may be, would produce the original principal amount of such series of Notes or Loan tranche, as the case may be.

(c) Interest Rate Notices. Promptly following your obtaining a preliminary commitment with respect to the Loan, you will advise the Company in writing thereof, setting forth the fixed rate of interest to be applicable to each Loan tranche and the material terms thereof. Promptly thereafter, the Company will provide to you, subject to your reasonable verification, written advice of any adjustment in the interest rates applicable to the several series of the Notes, including (i) such rates, prior to and giving effect to such adjustment, and (ii) computations demonstrating the appropriateness thereof.

ARTICLE II

SALE AND PURCHASE OF NOTES

SECTION 2.1 Sale and Purchase of Notes.

Subject to the terms and conditions of this Agreement and the Purchase Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing, all Notes of each series.

ARTICLE III
CLOSING

SECTION 3.1 Closing.

The sale and purchase of the Notes shall occur at the offices of Sutherland Asbill & Brennan LLP, 999 Peachtree Street, NE, Atlanta, Georgia 30309 (or at such other location in Atlanta acceptable to you and the Company) at the Closing. At the Closing the Company will deliver to you the Notes in the form of a single Note of each of Series A, Series B, Series C and Series D in a principal amount equal to the entire principal amount of such series, in each case dated the date of the Closing and registered in your name, against delivery by you to the Company of evidence, in form and substance satisfactory to the Company, of transfer to the Company of all your right, title and interest in and to certain limited liability company member interests, as more particularly provided in the Purchase Agreement.

ARTICLE IV
[RESERVED]ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to you that:

SECTION 5.1 Formation; Power and Authority; Ownership.

The Company is a limited partnership duly formed and validly existing under the laws of the State of Delaware, and is duly licensed or qualified as a foreign limited partnership in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has all requisite partnership power and authority to enter into this Agreement, to issue the Notes and to perform its obligations under this Agreement and the Notes.

SECTION 5.2 Authorization, Etc.

This Agreement and the Notes have been duly authorized by all necessary action on behalf of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 5.3 Compliance with Laws, Other Instruments, etc.

The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Restricted Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, corporate charter or by-laws, or any other material agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary or any of their respective properties may be bound or affected, (ii) result in a breach of any of the terms, conditions or provisions of any material order, judgment, decree, or ruling of any court, arbitrator or State or Federal Governmental Authority applicable to the Company or any Restricted Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any State or Federal Governmental Authority applicable to the Company or any Restricted Subsidiary.

SECTION 5.4 Governmental Authorizations, etc.

No consent, approval or authorization of, or registration, filing or declaration with, any State or Federal Governmental Authority is required in connection with the execution, delivery of performance by the Company of this Agreement or the Notes.

SECTION 5.5 No Event of Default.

No event has occurred and is continuing or would result from the transactions contemplated hereby that constitutes an Event of Default or Default.

SECTION 5.6 Compliance with ERISA.

The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section is made in reliance upon and subject to the accuracy of your representation in Section 6.2 as to the sources of the consideration used to pay the purchase price of the Notes to be purchased by you.

ARTICLE VI

REPRESENTATIONS OF THE PURCHASER

SECTION 6.1 Purchase for Investment.

You represent that you are purchasing the Notes for your own account and not with a view to the distribution thereof, provided that the disposition of your property shall at all times be within your control. You understand that the Notes have not been registered under the Securities Act by reason of specific exemptions under the provisions thereof and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to so register the Notes or to qualify an indenture in respect thereof under the Trust Indenture Act of 1939.

SECTION 6.2 Source of Consideration.

You represent that the limited liability company member interests referred to in Section 3.1 do not constitute assets of any employee benefit plan (as defined in Section 3 of ERISA).

ARTICLE VII
INFORMATION AS TO COMPANY; STATUS OF SUBSIDIARIES

SECTION 7.1 Financial and Business Information.

The Company shall deliver to you, and to each other holder of Notes that is an Institutional Investor:

(a) Quarterly Statements. Within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) an unaudited consolidated balance sheet of the Company and its Restricted Subsidiaries as at the end of such quarter, and

(ii) unaudited consolidated statements of income, changes in partners' equity and cash flows of the Company and its Restricted Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth, in each case in comparative form, the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the entities being reported on and their results of operations and cash flows, subject to changes resulting from normal, recurring year-end adjustments;

(b) Annual Statements. Within 120 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Restricted Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in partners' equity and cash flows of the Company and its Restricted Subsidiaries, for such year,

setting forth, in each case in comparative form, the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by

(A) a report thereon of independent certified public accountants of recognized national standing, which report shall state that such financial statements present fairly, in all material respects, the financial position of the entities being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such report in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any financial condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit);

(c) Interest Rate Adjustments. The Company will provide the notices required by Section 1.2(d); and

(d) Requested Information. With reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries relating to the ability of the Company to perform its obligations hereunder and under the Notes, or the ability of any Subsidiary Guarantor to perform its obligations under a Subsidiary Guarantee, as from time to time may be reasonably requested by any such holder of Notes.

SECTION 7.2 Officer's Certificate.

Each set of financial statements delivered pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance. Any information (including detailed calculations where applicable) required in order to establish whether the Company was in compliance with the requirements of Sections 10.1 - 10.3, 10.6, 10.10 and 10.11 hereof, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence and specifying those adjustments in any items abstracted from such financial statements necessary to reflect the adjustments to GAAP provided for in this Agreement); and

(b) Event of Default. A statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Restricted Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review has not disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action, if any, shall have been taken or is proposed to be taken with respect thereto.

SECTION 7.3 Inspection.

The Company shall permit your representatives and designees, and the representatives and designees of each other holder of Notes that is an Institutional Investor, at your expense, or at the expense of such holder, and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with the officers of the General Partner, and (with the consent of the Company, which consent will not be unreasonably withheld and with an opportunity for one or more Responsible Officers to be present, it being understood that the failure of such Responsible Officers to be present shall not preclude the representatives of such holder from proceeding with such meeting) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing.

ARTICLE VIII PREPAYMENT OF THE NOTES

SECTION 8.1 Required Prepayments.

The Company is not required to make any prepayments in respect of the Notes except to the extent specified in sections 8.3, 8.8, 10.10(b) and 10.11.

SECTION 8.2 Optional Prepayments with Make-Whole Amount.

The Company may, at its option, on any Business Day upon notice as provided below, prepay the Notes in whole, or from time to time in part (in multiples of \$5,000,000); provided that, if the Company shall so prepay the Notes in part, such prepayment may be of any one or more series as the Company shall elect, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus any applicable Make-Whole Amount determined for the prepayment date with respect to such principal amount. With respect to any optional prepayment under this Section 8.2, the Company will give each holder of Notes written notice of its intention to make such prepayment not less than 20 Business Days prior to the date fixed for such prepayment. Each such notice shall specify the proposed prepayment date, the aggregate principal amount of the Notes of each series to be prepaid on such date, the principal amount of each Note of each such series held by such holder so to be prepaid, and the interest to be paid on the prepayment date with respect to such principal amount(s) being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. If such notice is not withdrawn by the Company before the tenth (10th) Business Day prior to the proposed payment date, the notice and the Company's obligation to prepay provided for in the notice shall be irrevocable. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

SECTION 8.3 Prepayment Out of Asset Sale Proceeds or Excess Harvest Proceeds.

In the event that the Company shall offer to apply the Excess Proceeds of any Asset Sale pursuant to Section 10.10(b) or Excess Harvest pursuant to Section 10.11 to the prepayment of Notes, the Company will give written notice (a "Company Notice") of such offer to all holders of the Notes. The Company Notice shall (i) describe in reasonable detail, the facts and circumstances giving rise to such Company Notice, (ii) set forth the aggregate amount of such Excess Proceeds which it intends to offer to apply to the prepayment of Notes, (iii) contain an offer by the Company to prepay on a stated date (the "Prepayment Date"), which shall be a Business Day not more than 60 days and not less than 45 days after such Company Notice, a principal amount of the Notes, ratably in proportion to the unpaid principal amounts thereof (subject to the requirements of Section 10.10(b) or 10.11, as the case may be, to offer to prepay the maximum aggregate principal amount of Notes that may be prepaid from Excess Proceeds or Excess Harvest Proceeds, as the case may be, giving effect to any then existing requirement to make a pro rata offer to prepay other Senior Debt) held by each such holder which bears the same relationship to the aggregate amount of such Excess Proceeds available to prepay the Notes as the aggregate principal amount of all Notes held by such holder bears to the aggregate principal amount of all then outstanding Notes, together with interest on the principal amount of Notes to be prepaid to the Prepayment Date, but without any Make-Whole Amount (showing in such offer the amount of interest which would be paid on such Prepayment Date), and (iv) request each holder of Notes offered to be prepaid to notify the Company in writing by a stated date, which date shall be not less than 30 days after such holder's receipt of the Company Notice, of its acceptance or rejection of such prepayment offer, it being understood that

such prepayment offer may be accepted in part and rejected in part. If a holder does not notify the Company as provided in subclause (iv) above, then such holder shall be deemed to have rejected such offer.

SECTION 8.4 Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes of any one or more series pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes of the respective series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts of the Notes of such series not theretofore called for prepayment. Partial prepayments of the Notes pursuant to Section 8.3 shall be allocated as therein provided.

SECTION 8.5 Maturity Surrender, Etc.

In the case of each prepayment of Notes pursuant to this Article VIII, the principal amount of each Note to be prepaid in full shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

SECTION 8.6 Purchase of Notes.

The Company will not and will not permit any Subsidiary or Affiliate controlled by the Company or any Subsidiary to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement. The Company will promptly cancel all Notes acquired by it, any Subsidiary or any Affiliate controlled by the Company or any Subsidiary, and no Notes may be delivered in substitution or exchange for any such Notes.

SECTION 8.7 Make-Whole Amount.

The term "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2, or has become or is declared to be immediately due and payable pursuant to Section 12.1 (and the last paragraph of Section 12.1(c) applies), as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with generally accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to 50 basis points above the Reinvestment Yield with respect to such Called Principal, provided, however, that from the date of issuance of the Notes until the fifth anniversary thereof, such discount factor shall be zero basis points above the Reinvestment Yield.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the Business Day next preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" in the Bloomberg Financial Markets Service (or such other display as may replace Page PX1 in the Bloomberg Financial Markets Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, including by way of interpolation, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H. 15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with generally accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Note Purchase Agreement Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment (the Stated Maturity of such Note).

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid (including partial prepayments) pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 8.8 Change of Control.

(a) If a Change of Control occurs, each Holder of Notes will have the right to require the Company to repurchase all or any part (equal to or greater than \$10,000,000) of that Holder's Notes pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to 100% of the aggregate principal amount of Notes to be repurchased plus accrued and unpaid interest thereon, if any, to the date of purchase (the "Change of Control Purchase Payment"). Within 30 days following any Change of Control, the Company will mail a notice to each Holder stating: (a) that the Change of Control Offer is being made pursuant to this Section 8.8 and that all Notes tendered will be accepted for purchase; (b) the purchase date, which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed (the "Change of Control Purchase Date") and the Change of Control Purchase Payment for each Note of such Holder; (c) that any Note not tendered will continue to accrue interest; (d) that, except for any Note accepted for purchase pursuant to the Change of Control Offer with respect to which the Company defaults in the payment of the Change of Control Purchase Payment, all Notes so accepted for purchase will cease to accrue interest after the Change of Control Purchase Date; (e) that Holders electing to have any Notes purchased, in whole or in part, pursuant to a Change of Control Offer will be required to surrender such Notes to the Company at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Purchase Date; (f) that Holders whose Notes are being purchased only in part will be issued new Notes equal in aggregate principal amount to the unpurchased portion of the Notes surrendered and (g) the material circumstances and material facts regarding such Change of Control.

(b) On the Change of Control Purchase Date, the Company will, to the extent lawful, accept for purchase all Notes or portions thereof properly tendered pursuant to the Change of Control Offer. The Company will announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) Notwithstanding paragraphs (a) and (b) above, the Company will not be required to make a Change of Control Offer upon a Change of Control and a Holder will not have the right to require the Company to repurchase any Notes pursuant to a Change of Control Offer if a third party (not an Affiliate of the Company) makes an offer to purchase the Notes at the price, in the manner, at the times and otherwise in substantial compliance with the requirements set forth in this Agreement applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such purchase offer.

(d) To the extent that the provisions of any applicable securities laws or regulations conflict with provisions of this Section 8.8, the Company shall comply with such

securities laws and regulations and shall not be deemed to have breached its obligations hereunder by virtue thereof.

(e) Notes repurchased pursuant to the foregoing provisions of this Section 8.8 shall be cancelled and not reissued, and shall not be deemed outstanding for any purpose of this Agreement.

ARTICLE IX
AFFIRMATIVE COVENANTS

The Company covenants that so long as any of the Notes are outstanding:

SECTION 9.1 Compliance with Law.

The Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 9.2 Insurance.

The Company will, and will cause each of its Restricted Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective Material properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary (with respect to such types, terms, amounts and reserves) in the case of entities of established reputations engaged in the same or a similar business and similarly situated and consistent with the existing practices of the Company and its Restricted Subsidiaries as of the date hereof.

SECTION 9.3 Maintenance of Properties.

The Company will, and will cause each of its Restricted Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has

concluded that such discontinuance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 9.4 Payment of Taxes.

The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

SECTION 9.5 Existence, Etc.

Subject to and except as permitted by Sections 10.7 and 10.10, the Company will at all times preserve and keep in full force and effect (a) its existence as a limited partnership and (b) the corporate, limited liability company or partnership existence, as the case may be, of each of its Restricted Subsidiaries (unless merged into the Company or a Subsidiary in the manner permitted by Section 10.7) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such existence, right or franchise would not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 9.6 Ranking; Covenant to Secure Notes Equally.

The Company will ensure that, at all times, all liabilities of the Company under the Notes will rank in right of payment either pari passu or senior to all other Debt of the Company except for Debt which is preferred as a result of being secured as permitted by Section 10.3 (but then only to the extent of such security). The Company will, if it or any Restricted Subsidiary shall create or assume any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than Liens permitted by the provisions of Section 10.3 (unless prior written consent to the creation or assumption thereof shall have been obtained pursuant to Article XVII), make or cause to be made effective provision whereby the Notes will be secured by such Lien equally and ratably with any and all other Debt thereby secured so long as any such other Debt shall be so secured.

ARTICLE X
NEGATIVE COVENANTS

The Company covenants that so long as any of the Notes are outstanding:

SECTION 10.1 Limitation on Additional Debt.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or in any manner become directly or indirectly liable, contingently or otherwise, for the payment of (in each case, to "incur"), any Debt (including, without limitation, Acquired Debt), unless at the time of such incurrence, and after giving pro forma effect to the receipt and application of the proceeds of such Debt, the Consolidated Fixed Charge Coverage Ratio of the Company is greater than 2.5 to 1.

Notwithstanding the foregoing, the Company and its Restricted Subsidiaries may incur Permitted Debt.

SECTION 10.2 Limitation on Restricted Payments.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(a) declare or pay any dividend or make any other distribution or payment on or in respect of Capital Stock of the Company or any of its Restricted Subsidiaries or any payment made to the direct or indirect holders (in their capacities as such) of Capital Stock of the Company or any of its Restricted Subsidiaries (other than (i) dividends or distributions payable solely in Capital Stock of the Company (other than Redeemable Capital Stock of a Restricted Subsidiary) or in options, warrants or other rights to purchase Capital Stock of the Company (other than Redeemable Capital Stock of a Restricted Subsidiary), (ii) the declaration or payment of dividends or other distributions to the extent declared or paid to the Company or any Restricted Subsidiary and (iii) the declaration or payment of dividends or other distributions by any Restricted Subsidiary to all holders of Capital Stock of such Restricted Subsidiary on a pro rata basis (including, in the case of the Company, to the General Partner)),

(b) purchase, redeem, defease or otherwise acquire or retire for value any Capital Stock of the Company or any of its Restricted Subsidiaries (other than any such Capital Stock owned by a Wholly-Owned Restricted Subsidiary of the Company),

(c) make any principal payment on, or purchase, defease, repurchase, redeem or otherwise acquire or retire for value, prior to any scheduled maturity, scheduled repayment, scheduled sinking fund payment or other Stated Maturity, any Subordinated Debt (other than any such Debt owned by the Company or a Wholly-Owned Restricted Subsidiary of the Company),

(d) make any Investment (other than any Permitted Investment) in any Person, or

(e) make any interest payment on the Rayonier Subordinated Notes

(such payments or Investments described in the preceding clauses (a), (b), (c), (d) and (e) being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to the proposed Restricted Payment (A) no Default or Event of Default shall have occurred and be continuing, and (B) such Restricted Payment, together with the aggregate of all other Restricted Payments made by the Company and its Restricted Subsidiaries during the fiscal quarter during which such Restricted Payment is made, shall not exceed (1) if the Consolidated Fixed Charge Coverage Ratio of the Company shall be greater than 2.0 to 1, an amount equal to Available Cash for the immediately preceding fiscal quarter, or (2) if the Consolidated Fixed Charge Coverage Ratio of the Company shall be equal to or less than 2.0 to 1, an amount equal to the sum of (x) \$75,000,000 over the life of the Notes, plus (y) to the extent not theretofore used as the basis for a Restricted Payment pursuant to clause (b) or (c) of the next succeeding paragraph, the aggregate net cash proceeds of any (i) capital contribution to the Company from any Person (other than a Restricted Subsidiary) or (ii) issuance and sale of shares of Capital Stock (other than Redeemable Capital Stock) of the Company to any Person (other than to a Restricted Subsidiary), in either such case made after the Issue Date and not later than substantially concurrently with the making of such Restricted Payment, minus (z) the aggregate amount of all Restricted Payments (including such Restricted Payment) made pursuant to this Clause (2) after the Issue Date. The amount of any such Restricted Payment, if other than cash, shall be the Fair Market Value (as determined in good faith by the Board of Directors of the General Partner) on the date of such Restricted Payment of the asset(s) proposed to be transferred by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

None of the foregoing provisions of this Section 10.2 shall prohibit: (a) the payment of any dividend or distribution within 60 days after the date of its declaration, if at the date of declaration such payment would be permitted by the immediately preceding paragraph; (b) the redemption, repurchase or other acquisition or retirement of any shares of any class of Capital Stock of the Company or any Restricted Subsidiary in exchange for, or out of the net cash proceeds of, a substantially concurrent (i) capital contribution to the Company from any Person (other than a Restricted Subsidiary) or (ii) issue and sale of other shares of Capital Stock (other than Redeemable Capital Stock of a Restricted Subsidiary) of the Company to any Person (other than to a Restricted Subsidiary); provided, however, that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase or other acquisition or retirement shall be excluded from the calculation of Available Cash; (c) any redemption, repurchase or other acquisition or retirement of Subordinated Debt by exchange for, or out of the net cash proceeds of, a substantially concurrent (i) capital contribution to the Company from any Person (other than a Restricted Subsidiary) or (ii) issue and sale of (A) Capital Stock (other than Redeemable Capital Stock of a Restricted Subsidiary) of the Company to any Person (other than to a Restricted Subsidiary) or (B) Debt of the Company issued to any Person (other than a Restricted Subsidiary), so long as such Debt is Permitted Refinancing Debt; or (d) any distributions or redemptions declared or effected by the Company on or before the Issue Date, whether or not payable on a later date; provided, however, in each case, that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase or other acquisition or retirement shall be excluded from the calculation of Available Cash. In computing the amount of Restricted Payments previously made for purposes of the preceding

paragraph, Restricted Payments made under clause (a) shall be included and Restricted Payments made under clauses (b), (c), and (d) shall not be so included.

SECTION 10.3 Liens.

The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, upon any of its respective properties or assets, whether owned on the Issue Date or thereafter acquired, unless the Notes and the Subsidiary Guarantees, as applicable, are secured equally and ratably with (or prior to, in the case of Subordinated Debt) the obligations secured by such Lien.

SECTION 10.4 Limitation on Transactions with Affiliates.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, transfer, disposition, purchase, exchange or lease of assets, property or services), with, or for the benefit of, any Affiliate of the Company, unless (a) such transaction or series of related transactions is between the Company and one or more of its Restricted Subsidiaries or between two or more Restricted Subsidiaries or (b) such transaction or series of related transactions is on terms that are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those which would have been obtained in a comparable transaction at such time from Persons who are not Affiliates of the Company or a Restricted Subsidiary; provided, however, that this covenant will not apply to (i) any employment agreement, stock option agreement, restricted stock agreement, consulting agreement or similar agreement entered into in the ordinary course of business, (ii) transactions permitted by Section 10.2, (iii) any agreement in effect on the Issue Date or any amendment thereto (so long as the agreement, as amended by such amendment, is no less favorable (taken as a whole) to the holders of the Notes than the original agreement as in effect on the Issue Date) and any transactions contemplated thereby, and (iv) the payment of reasonable fees to, and indemnities provided on behalf of, officers, directors, employees or consultants of the Company, any general partner or any Restricted Subsidiary in the ordinary course of business.

SECTION 10.5 Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries.

The Company will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to (a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock, (b) pay any Debt owed to the Company or any other Restricted Subsidiary, (c) make loans or advances to, or any investment in, the Company or any other Restricted Subsidiary, or (d) transfer any of its properties or assets to the Company or any other Restricted Subsidiary (collectively, "Payment Restrictions"), except for such encumbrances or restrictions existing under or by reason of (i) applicable law, rules or regulations, or any order or ruling by any governmental authority; (ii) any agreement in effect at or entered into

on the Issue Date (including, without limitation, this Agreement and the Credit Agreement); (iii) customary non-assignment provisions of any contract, license or any lease governing a leasehold interest of the Company or any Restricted Subsidiary; (iv) customary restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business; (v) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (d) above on the property so acquired; (vi) contracts for the sale of assets, including, without limitation, customary restrictions with respect to a Restricted Subsidiary pursuant to an agreement that has been entered into for the sale of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary; (vii) any agreement or other instrument governing Debt, Preferred Stock or Redeemable Capital Stock of a Person acquired by the Company or any Restricted Subsidiary (or of a Restricted Subsidiary of such Person) in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the properties, assets or Subsidiaries of the Person, so acquired; (viii) provisions contained in agreements or instruments relating to Debt or Preferred Stock which prohibit the transfer of all or substantially all of the assets of the obligor or issuer thereunder unless the transferee shall assume the obligations of the obligor or issuer under such agreement or instrument; or (ix) Permitted Refinancing Debt, provided that the encumbrances or restrictions of the type referred to in clause (a), (b), (c), or (d) above, contained in agreements governing such Permitted Refinancing Debt, are no more restrictive (taken as a whole) than those contained in the agreement governing the Debt being refinanced.

SECTION 10.6 Limitation on Sale and Leaseback Transactions.

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction with respect to any property of the Company or any of its Restricted Subsidiaries. Notwithstanding the foregoing, the Company and its Restricted Subsidiaries may enter into Sale and Leaseback Transactions with respect to property acquired or constructed after the Issue Date; provided that (a) the Company or such Restricted Subsidiary would be permitted to incur Debt secured by a Lien on such property in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction, or (b) the lease in such Sale and Leaseback Transaction is for a term not in excess of the lesser of (i) three years and (ii) 60% of the remaining useful life of such property.

SECTION 10.7 Merger, Consolidation or Sale of Assets.

The Company may not consolidate or merge with or into (whether or not the Company is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, another Person unless (a) the Company is the surviving Person, or the Person formed by or surviving such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation, partnership or limited liability company organized or existing under the laws of the United States, any state thereof or the District of Columbia; (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have

been made assumes all the obligations of the Company under the Notes; (c) immediately after such transaction no Default or Event of Default exists; and (d) the Company or such other Person formed by or surviving any such consolidation or merger, or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made will, at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable Four-Quarter Period, be permitted to incur at least \$1.00 of additional Debt pursuant to Section 10.1 hereof. Notwithstanding the foregoing clause (d), any Restricted Subsidiary may consolidate or merge with or into, or dispose of all or any part of its properties or assets to, the Company.

SECTION 10.8 Nature of Business.

Neither the Company nor any Restricted Subsidiary will engage to any Material extent in any business other than the Business.

SECTION 10.9 Limitation on Non-Guarantor Restricted Subsidiaries.

The Company will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor to guarantee the payment of any Debt of the Company unless such Restricted Subsidiary simultaneously executes and delivers a Subsidiary Guarantee and an Officer's Certificate setting forth the manner of authorization thereof, and with respect to any guarantee of Subordinated Debt by a Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary's Subsidiary Guarantee at least to the same extent as such Subordinated Debt is subordinated to the Notes; provided that this Section 10.9 shall not be applicable to any guarantee of any Subsidiary that (A) existed at the time such Person became a Subsidiary of the Company and (B) was not incurred in connection with, or in contemplation of, such Person becoming a Subsidiary of the Company. Further, a pledge of assets permitted pursuant to Section 10.3 as security for any Debt for which the pledgor is not otherwise liable shall not be considered a guarantee giving rise to any requirement of a Subsidiary Guarantee under this Section 10.9.

SECTION 10.10 Asset Sales.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to (i) sell, lease, convey or otherwise dispose of any assets other than sales in the ordinary course of business and consistent with past practice (provided, that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company shall be governed by the provisions of Section 10.7 hereof and not by the provisions of this Section 10.10 and provided further, that Sale and Leaseback Transactions shall be governed by the provisions of Section 10.6 and not by the provisions of this Section 10.10) or (ii) issue or sell Capital Stock of any of its Restricted Subsidiaries, in the case of either clause (i) or (ii) above whether in a single transaction or a series of related transactions, that has a Fair Market Value (as determined in good faith by the Board of Directors of the General Partner) in excess of \$10,000,000 or for net cash proceeds in excess of \$10,000,000 (each of the foregoing, an "Asset Sale"), unless at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of cash or cash equivalents; provided, however, that the amount of (A) any liabilities (as shown on the Company's

or such Restricted Subsidiary's most recent audited balance sheet or in the notes thereto) of the Company or any Restricted Subsidiary that are assumed by the transferee of any such assets and (B) any notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted (by means of a sale, non-recourse loan or otherwise) by the Company or such Restricted Subsidiary into cash (to the extent of the cash received) within 120 days of such Asset Sale, shall be deemed to be cash for purposes of this provision; and provided further, that the 75% limitation set forth above shall not apply to any Asset Sale in which the cash portion of the consideration received therefrom, determined in accordance with the foregoing proviso, is equal to or greater than what the after-tax proceeds would have been had such Asset Sale complied with the aforementioned 75% limitation.

Notwithstanding the foregoing, Asset Sales shall not be deemed to include (a) any transfer of assets or Capital Stock by the Company or any of its Restricted Subsidiaries to a Wholly-Owned Restricted Subsidiary of the Company, (b) any transfer of assets pursuant to or constituting a Permitted Investment, (c) the sale of Timberlands in a like-kind exchange for a like interest in other Timberlands having a Fair Market Value (as determined in good faith by the Board of Directors of the General Partner) at least equal to the Fair Market Value (as determined in good faith by the Board of Directors of the General Partner) of the Timberlands sold, (d) the sale of not more than 100,000 acres in the aggregate of Timberlands designated in good faith by the Board of Directors of the General Partner for a higher and better use, (e) a disposition of obsolete equipment in the ordinary course of business, (f) any sale of Capital Stock of, or Debt or other securities of, an Unrestricted Subsidiary, (g) timber deed, bulk, pay-as-cut and stumpage sales in the ordinary course of business and (h) any transaction permitted by Section 10.2.

(b) In the event that the aggregate Net Proceeds received by the Company or any of its Restricted Subsidiaries from one or more Asset Sales since the Issue Date exceed the Adjusted Asset Sales Amount, within 270 days after the date such aggregate Net Proceeds exceed such amount (or such longer period as may be required to comply with any agreement in effect on the Issue Date), the Company, at its option, may apply the amount of such aggregate Net Proceeds in excess of the Adjusted Asset Sales Amount (less the amount of any such Net Proceeds previously applied during such fiscal year for the purposes set forth in clause (i) and/or (ii) below) to (i) reduce Senior Debt of the Company secured by a Permitted Lien or Senior Debt of a Restricted Subsidiary (with a permanent reduction of availability in the case of the Working Capital Facility or any other facility that permits amounts repaid or prepaid to be reborrowed) or (ii) make, or commit, pursuant to a binding written contract (provided that the contract is consummated substantially in accordance with the terms thereof within 30 days after the end of the 270-day period), to make, an investment in assets used or useful in the Business. Pending the final application of any such Net Proceeds, the Company or any Restricted Subsidiary may temporarily reduce borrowings under the Working Capital Facility or otherwise invest such Net Proceeds in any manner that is not prohibited by this Agreement. Any such Net Proceeds in excess of the Adjusted Asset Sales Amount that are not applied or invested as provided in the first sentence of this Section 10.10(b) will be deemed to constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds \$50,000,000, the Company shall make an offer to Holders of Notes pursuant to Section 8.3 and an offer to all holders of other Senior Debt that contains provisions similar to those set forth in Section 8.3 and this Section 10.10(b) (an "Asset Sale Offer"), to prepay the maximum principal amount of Notes and such other Debt that may be prepaid out of the Excess Proceeds (in the case of the Notes, at the price

and all as otherwise more fully provided in Section 8.3). To the extent that the aggregate principal amount of Notes and such other Debt tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use such deficiency for general business purposes. If the aggregate principal amount of Notes, and such other Debt, offered to be prepaid exceeds the amount of Excess Proceeds offered to be applied to prepay the same, the offer to prepay the Notes and such other Debt shall be made on a pro rata basis. Upon completion of such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

SECTION 10.11 Limitation on Harvesting.

In the event that the Company or any of its Restricted Subsidiaries receive any Net Proceeds from one or more Excess Harvests, within 270 days after the date of such receipt (or such longer period as may be required to comply with any agreement in effect on the Issue Date), the Company, at its option, may apply the amount of such aggregate Net Proceeds (less the amount of any such Net Proceeds previously applied during such fiscal year for the purposes set forth in clause (a) and/or (b) below) to (a) reduce Senior Debt of the Company secured by a Permitted Lien or Senior Debt of a Restricted Subsidiary (with a permanent reduction of availability in the case of the Working Capital Facility or any other facility that permits amounts repaid or prepaid to be reborrowed) or (b) make, or commit, pursuant to a binding written contract (provided that the contract is consummated substantially in accordance with the terms thereof within 30 days after the end of the 270-day period), to make an investment in assets used or useful in the Business. Pending the final application of any such Net Proceeds, the Company or any Restricted Subsidiary may temporarily reduce borrowings under the Working Capital Facility or otherwise invest such Net Proceeds in any manner that is not prohibited by this Agreement. Any such Net Proceeds that are not applied or invested as provided in the first sentence of this Section 10.11 will be deemed to constitute "Excess Harvest Proceeds." When the aggregate amount of Excess Harvest Proceeds exceeds \$100,000,000, the Company shall make an offer to Holders of Notes pursuant to Section 8.3 and an offer to all holders of other Senior Debt containing provisions similar to those set forth in Section 8.3 and this Section 10.11 (an "Excess Harvest Offer") to prepay the maximum principal amount of Notes and such other Debt that may be prepaid out of the Excess Harvest Proceeds (in the case of the Notes, at the price and all as otherwise more fully provided in Section 8.3). To the extent that the aggregate principal amount of Notes and such other Debt tendered pursuant to an Excess Harvest Offer is less than the Excess Harvest Proceeds, the Company may use such deficiency for general business purposes. If the aggregate principal amount of Notes and such other Debt, offered to be prepaid exceeds the amount of Excess Harvest Proceeds offered to be applied to prepay the same, the offer to prepay the Notes and such other Debt shall be made on a pro rata basis. Upon completion of such Excess Harvest Offer, the amount of Excess Harvest Proceeds shall be reset at zero.

ARTICLE XI
EVENTS OF DEFAULT

SECTION 11.1 Events of Default.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) default by the Company or any Subsidiary Guarantor in the payment of the principal of or Make-Whole Amount, if any, on any Note when the same becomes due and payable (upon Stated Maturity, acceleration, optional redemption or otherwise); or

(b) default by the Company or any Subsidiary Guarantor in the payment of an installment of interest on any of the Notes, when the same becomes due and payable, which default continues for a period of 10 days; or

(c) failure to perform or observe any other term, covenant or agreement contained in this Agreement or the Subsidiary Guarantee of any Subsidiary Guarantor (other than a default specified in clause (a) or (b) above) and such default continues for a period of 30 days after the earlier of written notice of such default requiring the Company to remedy the same shall have been given to the Company or such Subsidiary Guarantor by the holder of a Note then outstanding or an executive officer of the General Partner obtains actual knowledge of such default; or

(d) any representation or warranty made in Sections 5.1 through 5.6 of this Agreement, or any statements in a certificate or instrument delivered after the Closing is false or incorrect as of the date as of which such representation, warranty or statement is made and the falsity or incorrectness thereof could reasonably be expected to result in a Material Adverse Effect.

(e) default or defaults under one or more agreements, instruments, mortgages, bonds, debentures or other evidences of Debt under which the Company or any Restricted Subsidiary of the Company then has outstanding Debt, which default (i) is caused by a failure to pay at its Stated Maturity or within the applicable grace period, if any, provided with respect to such Debt, principal, premium or interest with respect to Debt of the Company or a Restricted Subsidiary (collectively, a "Payment Default") or (ii) results in the acceleration of such Debt prior to its Stated Maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$25,000,000 or more; or

(f) a final judgment or judgments (which is or are non-appealable or which has or have not been stayed pending appeal) shall be rendered against the Company or any Restricted Subsidiary for the payment of money in excess of \$15,000,000 in the aggregate (other than that portion of a final judgment as to which a reputable insurance company has accepted liability) and such judgment(s) shall not be discharged or execution thereon stayed pending appeal or review within 60 days after entry thereof, or, in the event of such a stay, shall not be discharged within 30 days after such stay expires; or

(g) the Subsidiary Guarantee of any Subsidiary Guarantor shall for any reason cease to be, or be asserted by the Company or such Subsidiary Guarantor, as applicable, not to be, in full force and effect (except pursuant to the release of the Subsidiary Guarantee of such Subsidiary Guarantor); or

(h) the Company or any Significant Subsidiary that is a Restricted Subsidiary (or each member of any group of Subsidiaries that are Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary) (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes action for the purpose of any of the foregoing; or

(i) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any Significant Subsidiary that is a Restricted Subsidiary (or each member of any group of Subsidiaries that are Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary), a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any Significant Subsidiary that is a Restricted Subsidiary (or each member of such group), or any such petition shall be filed against the Company or any Significant Subsidiary that is a Restricted Subsidiary (or each member of such group) and such petition shall not be dismissed or appointment discharged within 60 days.

ARTICLE XII
REMEDIES ON DEFAULT, ETC.

SECTION 12.1 Acceleration.

(a) If an Event of Default with respect to the Company or any Significant Subsidiary that is a Restricted Subsidiary (or any group of Subsidiaries that are Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary) described in paragraph (h) or (i) of Article XI has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of at least 50% in aggregate principal amount of the Notes (without regard to series) at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Article XI has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such

Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Note's becoming due and payable under this Section 12.1, whether automatically or by declaration, such Note will forthwith mature and the entire unpaid principal amount of such Note, plus all accrued and unpaid interest thereon and, to the full extent permitted by law, an amount equal to the Make-Whole Amount, if any, that the Company would have had to pay if the Company had elected to prepay the Notes pursuant to Section 8.2 hereof on the date of such acceleration (but disregarding for this purpose in the computation thereof the proviso to the definition of "Discounted Value" in Section 8.7), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for).

SECTION 12.2 Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

SECTION 12.3 Rescission.

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 66% in aggregate principal amount of the Notes (without regard to series) then outstanding, by written notice to the Company, may, on behalf of the holders of all the Notes, waive, rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the rate specified therein, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Article XVII, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

SECTION 12.4 No Waivers or Election of Remedies, Expenses, Etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Article XV, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Article XII, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

ARTICLE XIII
REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES

SECTION 13.1 Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary.

SECTION 13.2 Transfer and Exchange of Notes.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, of like series and in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be registered in the name of such Person as such holder may request and shall be substantially in the form of Notes being surrendered as set forth in Exhibit 1(a), 1(b), 1(c) or 1(d), as the case may be. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$1,000,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$1,000,000. Notwithstanding any other provision of this Section 13.2, the Company shall not be obligated to register the transfer of any Note unless it shall have received from the proposed transferee representations and an opinion of counsel, in each case satisfactory to it, that such transfer will not be subject to the prohibitions of

Section 406 of ERISA or be one in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A) - (D) of the Code.

SECTION 13.3 Replacement of Notes.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of you or any other Holder that is an Institutional Investor, notice from you or such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, you or another Holder of a Note with a minimum net worth of at least \$100,000,000, your or such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of like series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

ARTICLE XIV
PAYMENTS ON NOTES

SECTION 14.1 Place of Payment.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in The City of New York, at the principal office of The Bank of New York in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in New York State or the principal office of a bank or trust company in New York State.

SECTION 14.2 Home Office Payment.

So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified in Section 18.1, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly

after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at the Company's election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

ARTICLE XV
EXPENSES, ETC.

SECTION 15.1 Transaction Expenses.

The Company will pay all costs and expenses (including attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you or a holder of a Note (a) in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), that are requested by the Company, (b) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (c) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company shall not, in connection with any of the matters described in Section 15.1(a), be liable for the costs and expenses of more than one separate legal firm, and separate local counsel as reasonably required.

SECTION 15.2 Survival.

The obligations of the Company under this Article XV will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

ARTICLE XVI
SURVIVAL OF REPRESENTATIONS AND WARRANTIES;
ENTIRE AGREEMENT

SECTION 16.1 Survival of Representations and Warranties; Entire Agreement.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder

of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you and the Company in respect of the subject matter hereof and thereof, and supersede all prior agreements and understandings relating to the subject matter hereof.

ARTICLE XVII
AMENDMENT AND WAIVER

SECTION 17.1 Requirements.

(a) With Consent of Holders. This Agreement (including the Subsidiary Guarantee) and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company, any Subsidiary Guarantors at the time existing and the holders of at least a majority in aggregate principal amount of the Notes (without regard to series) then outstanding ("Required Holders"), except that (a) no amendment or waiver of any of the provisions of Article I, II, III, IV, V or VI hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note of each series at the time outstanding and affected thereby (a) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver, (b) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the prepayment of the Notes (other than provisions of Sections 8.3, 10.10(b) and 10.11 which may be amended by the holders of at least 75% in aggregate principal amount of the Notes (without regard to series) then outstanding), (c) reduce the rate of or change the time for payment of interest on any Note, (d) waive a Default or Event of Default in the payment of principal of or Make-Whole Amount, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration), (e) make any Note payable in money other than that stated in the Notes, (f) make any change in the provisions of this Agreement relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, Make-Whole Amount, if any, or interest on the Notes, (g) waive a redemption payment with respect to any Note (other than a payment pursuant to Section 8.3, 10.10(b) and/or 10.11 which may be waived by the holders of at least 75% in aggregate principal amount of the Notes (without regard to series) then outstanding), (h) release any Subsidiary Guarantor other than in accordance with Section 21.4 or (i) make any change in this Section 17.1(a).

(b) Without Consent of Holders. The Company and the Subsidiary Guarantors may amend or supplement this Agreement (including the Subsidiary Guarantee) or the Notes without the consent of any Holder of Notes:

- (i) to cure any ambiguity, defect or inconsistency;

(ii) to provide for the assumption of the Company's or a Subsidiary Guarantor's obligations to the Holders of the Notes in the case of a merger or consolidation not prohibited by this Agreement; or

(iii) to add or release any Subsidiary Guarantor pursuant to the terms of this Agreement.

SECTION 17.2 Solicitation of Holders of Notes.

The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Article XVII to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

SECTION 17.3 Binding Effect, Etc.

Any amendment or waiver consented to as provided in this Article XVII applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

SECTION 17.4 Notes Held by Company, Etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding have approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates or Restricted Subsidiaries shall be deemed not to be outstanding.

ARTICLE XVIII NOTICES

SECTION 18.1 Notices.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or your nominee at the address and in the manner below or at such other address and/or in such other manner as you or your nominee shall have most recently specified to the Company in writing,

Address for notices and communications generally:

c/o CT Corporation Systems
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

Address for payments (which shall be by wire transfer of immediately available funds):

Acct. No. 323869343 in The Chase Manhattan Bank,
New York, New York
ABA No. 021000021.

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at

RAYONIER TIMBERLANDS OPERATING COMPANY, L.P.
c/o Rayonier Inc.
1177 Summer Street
Stamford, Connecticut 06905-5529
Attention: General Counsel

, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Article XVIII will be deemed given only when actually received.

ARTICLE XIX
REPRODUCTION OF DOCUMENTS

SECTION 19.1 Reproduction of Documents.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by

you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Article XIX shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

ARTICLE XX
CONFIDENTIAL INFORMATION

SECTION 20.1 Confidential Information.

For the purposes of this Article XX, "Confidential Information" means information delivered to you by or on behalf of the Company, any Subsidiary or any general partner in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature unless (i) if each of the Company and the General Partner is not subject to the reporting requirements of Section 13 of the Exchange Act, such information was clearly marked or labeled or otherwise adequately identified in writing when received by you as not being confidential information of the Company, such Subsidiary or such Affiliate, and (ii) if either of the Company or the General Partner is subject to the reporting requirements of Section 13 of the Exchange Act, the same was clearly marked or labeled or otherwise adequately identified in writing when received by you as being confidential information of the Company, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any Person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Article XX, (iii) any other holder of any Note, (iv) any Person or Persons from whom you may seek to obtain the Loan (if such Person has agreed with the Company in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Article XX), (v) any federal or state regulatory authority having jurisdiction over you, (vi) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about the investment portfolio of any Person from whom you obtain the Loans, or (vii)

any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled as such to the benefits of this Article XX as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Article XX.

ARTICLE XXI
SUBSIDIARY GUARANTEE OF NOTES

SECTION 21.1 Unconditional Guarantee.

Each Subsidiary Guarantor hereby unconditionally, irrevocably, jointly and severally, guarantees to each Holder the full and prompt payment of the principal of, Make-Whole Amount, if any, and interest on the Notes and all other amounts due and payable under the Notes whether at maturity, by acceleration, redemption, repurchase or otherwise, including, without limitation, interest on the overdue principal of, Make-Whole Amount, if any, and interest on the Notes, to the extent lawful, all in accordance with the terms hereof and thereof (subject, however, to the limitations set forth in Section 21.3).

This Subsidiary Guarantee shall be an unsecured general obligation of each Subsidiary Guarantor and rank senior in right of payment to all existing and future subordinated Debt of such Subsidiary Guarantor and pari passu in right of payment to all existing and future senior Debt of such Subsidiary Guarantor except for Debt which is preferred as a result of being secured as permitted by Section 10.3 (but then only to the extent of such security).

Failing payment when due of any amount so guaranteed for whatever reason, the Subsidiary Guarantors will be jointly and severally obligated to pay the same immediately. Each Subsidiary Guarantor hereby agrees that its obligations pursuant to this Subsidiary Guarantee shall, to the extent permitted by law, be unconditional irrespective of the validity, regularity or enforceability of the Notes, the obligations of the Company under the Notes or any other Subsidiary Guarantor's Subsidiary Guarantee, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company or any other Subsidiary Guarantor, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of any Subsidiary Guarantor. Each Subsidiary Guarantor, to the extent permitted by law, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company or any

other Subsidiary Guarantor, protest, notice, notice of intent to accelerate, notice of acceleration and all demands whatsoever and covenants that this Subsidiary Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and in this Article XXI. If any Holder is required by any court or otherwise to return to the Company, any Subsidiary Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Company or any Subsidiary Guarantor, any amount paid by the Company or any Subsidiary Guarantor to such Holder, this Subsidiary Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Subsidiary Guarantor agrees it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Subsidiary Guarantor agrees that this is a guarantee of payment not a guarantee of collection.

SECTION 21.2. Subsidiary Guarantors May Consolidate, etc., on Certain Terms.

(a) Except as set forth in Sections 10.7 and 10.10, nothing contained in this Agreement or in any of the Notes shall prevent any consolidation or merger of a Subsidiary Guarantor with or into the Company or another Subsidiary Guarantor or shall prevent any disposition of assets to the Company or another Subsidiary Guarantor.

(b) Except as set forth in Sections 10.7 and 10.10, nothing contained in this Agreement or in any of the Notes shall prevent any consolidation or merger or sale of a Subsidiary Guarantor with or into a Person other than the Company or a Subsidiary Guarantor (regardless of whether an Affiliate of such Subsidiary Guarantor), or successive consolidations or mergers in which a Subsidiary Guarantor or its successor or successors shall be a party or parties, or shall prevent any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of a Subsidiary Guarantor to a Person other than the Company or another Subsidiary Guarantor (regardless of whether an Affiliate of such Subsidiary Guarantor) authorized to acquire and operate the same, provided, that, (a) that if such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition results in a surviving Person (other than the Company) who is not a Subsidiary Guarantor, the Person surviving such consolidation or merger, or to which such sale, assignment, transfer, lease, conveyance or disposition has been made shall agree to assume such Subsidiary Guarantor's obligations arising under this Article XXI and the Notes, (except to the extent that Section 21.3 would result in the release of such obligations), (b) immediately after such transaction, and giving effect thereto, no Default or Event of Default has occurred and is continuing; and (c) such Subsidiary Guarantor or such other Person formed by or surviving any such consolidation or merger, or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made will, at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable Four-Quarter Period, be permitted to incur at least \$1.00 of additional Debt pursuant to Section 10.1. Notwithstanding the foregoing clause (c), any Restricted Subsidiary may consolidate or merge with or into, or dispose of all or any part of its properties and assets to, the Company. Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of a Subsidiary Guarantor in accordance with this Section 21.2(b), the successor Person formed by such consolidation or into which such Subsidiary Guarantor is

merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, a Subsidiary Guarantor under this Agreement with the same effect as if such successor had been named as a Subsidiary Guarantor herein.

SECTION 21.3 Release of a Subsidiary Guarantor.

Upon (a) (i) the sale or other disposition of all of the Capital Stock of a Subsidiary Guarantor to a Person other than the Company or another Subsidiary Guarantor or (ii) the merger or consolidation of a Subsidiary Guarantor with or into another Person or the sale of all or substantially all of the assets of a Subsidiary Guarantor to another Person, in either case pursuant to a transaction that is in compliance with this Agreement (including without limitation as described in Section 21.2 hereof) or (b) the release of all guarantees and co-obligor agreements by a Subsidiary Guarantor with respect to Debt of the Company, such Subsidiary Guarantor shall be automatically and unconditionally released and discharged from its Subsidiary Guarantee and all of its obligations in respect of the Notes.

Except as provided in this Section 21.3, a Subsidiary Guarantor may not otherwise be released from its Subsidiary Guarantee and its related obligations hereunder and this Subsidiary Guarantee is a continuing guarantee which shall remain in full force and effect until payment in full of the Notes and all other amounts payable under this Subsidiary Guarantee.

SECTION 21.4 Limitation of Subsidiary Guarantor's Liability.

By becoming a Subsidiary Guarantor each Subsidiary Guarantor shall be deemed to confirm, and by its acceptance of any Note, each Holder shall be deemed to confirm, that it is their intentions that the Subsidiary Guarantee of such Subsidiary Guarantor not constitute a fraudulent transfer or conveyance for purposes of any federal or state law. To effectuate the foregoing intention, the obligations of each Subsidiary Guarantor under this Subsidiary Guarantee shall be limited to the maximum amount, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Subsidiary Guarantee or pursuant to Section 21.5, as will result in the obligations of such Subsidiary Guarantor under this Subsidiary Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. This Section 21.4 is for the benefit of the creditors of each Subsidiary Guarantor.

SECTION 21.5 Contribution.

In order to provide for just and equitable contribution among the Subsidiary Guarantors, in the event any payment or distribution is made by any Subsidiary Guarantor (a "Funding Subsidiary Guarantor") under this Subsidiary Guarantee, such Funding Subsidiary Guarantor shall be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount based on the Adjusted Net Assets of each Subsidiary Guarantor (including the Funding Subsidiary Guarantor) for all

payments, distributions, damages and expenses incurred by the Funding Subsidiary Guarantor in discharging the Company's obligations with respect to the Notes or any other Subsidiary Guarantor's obligations with respect to this Subsidiary Guarantee.

SECTION 21.6 Other Subsidiary Guarantees.

The Company hereby agrees to cause each guaranty of, and co-obligor agreement with respect to, Debt of the Company made by a Subsidiary Guarantor to include provisions substantially similar to Sections 21.4 and 21.5.

ARTICLE XXII
MISCELLANEOUS

SECTION 22.1 Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not, except that the benefits of Sections 7.1, 7.2, 7.3, 13.3 and 14.2 shall be limited as therein provided.

SECTION 22.2 Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of, or Make-Whole Amount or interest on, any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

SECTION 22.3 Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 22.4 Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

SECTION 22.5 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

SECTION 22.6 Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK.

SECTION 22.7 No Recourse Against Others.

(a) No director, officer, employee, partner, incorporator or stockholder of the Company or any of its general partners, as such, or any Subsidiary Guarantor shall have any liability for any obligations of the Company or such Subsidiary Guarantor hereunder and under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder of Notes, by accepting a Note, waives and releases all such liability. The waiver and release shall be part of the consideration for the issuance of the Notes.

(b) Except as provided for in the Subsidiary Guarantee, the obligations of the Company under the Notes will be non-recourse to any general partner (and its Affiliates (other than the Company)) and payable only out of the cash flow and assets of the Company. Each Holder of a Note, by accepting delivery of such Note, will be deemed to have agreed that neither any general partner nor any of its respective assets (nor any of its Affiliates (other than the Company) nor their assets) shall be liable for any of the obligations of the Company under the Notes (except as provided for in the Subsidiary Guarantee).

(c) Notwithstanding the foregoing, nothing in this provision shall be construed as a waiver or release of any claims under the federal securities laws.

The execution hereof by you shall constitute a contract among the Company and the Purchaser for the uses and purposes hereinabove set forth.

Very truly yours,

COMPANY:

RAYONIER TIMBERLANDS
OPERATING COMPANY, L.P.

By: RAYONIER TIMBERLANDS MANAGEMENT,
INC., its Managing General Partner

By: /s/ James Rutledge

Name: James Rutledge

Title: Treasurer

SUBSIDIARY GUARANTORS:

RAYLAND, LLC

By: RAYONIER TIMBERLANDS
MANAGEMENT, INC.,
its Manager

By: /s/ John B. Canning

Name: John B. Canning

Title: Secretary

R (1999) TIMBERLANDS LLC

R (1999) TIMBERLANDS II LLC

By: RAYONIER TIMBERLANDS
OPERATING COMPANY, L.P.,
their sole member

By: RAYONIER TIMBERLANDS
MANAGEMENT, INC.,
its Managing General Partner

By: /s/John B. Canning

Name: John B. Canning

Title: Secretary

Accepted as of October 25, 1999

TIMBER CAPITAL HOLDINGS LLC

By: JEFFERSON SMURFIT
CORPORATION (U.S),
its sole member

By: /s/ Leslie T. Lederer

Name: Leslie T. Lederer

Title: VP

SCHEDULE A
(to Note Purchase Agreement)

DEFINED TERMS

GENERAL PROVISIONS

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the express requirements of this Agreement. All express or implied references herein to "the Company and the Restricted Subsidiaries" for the purposes of computing the consolidated financial position, results of operations, or other balance sheet or financial statement item (including, without limitation, Available Cash, Consolidated Cash Flow Available for Fixed Charges, Consolidated Fixed Charges, Consolidated Income Tax Expense, Consolidated Interest Expense, Consolidated Net Income, Consolidated Non-Cash Charges and Consolidated Total Assets) shall be deemed to include only the Company and the Restricted Subsidiaries as separate legal entities and, unless otherwise expressly provided herein, shall not include the financial position, results of operations, or other such items, of any other Person (including, without limitation, an Unrestricted Subsidiary), whether or not, in any particular instance, such accounting treatment would be in accordance with GAAP.

DEFINITIONS

As used herein (including the Schedules hereto), the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Acquired Debt" means, with respect to any specified Person (a) Debt of any other Person existing at the time such other Person merged with or into or became a Subsidiary of such specified Person, including Debt incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person, and (b) Debt encumbering any asset acquired by such specified Person.

"Acquisition Facility" means any loan facility provided for the purpose of financing acquisitions.

"Acquisition Principal Amount" means \$50,000,000.

"Adjusted Asset Sales Amount" means \$100,000,000 as increased by 10% of the purchase price of Asset Acquisitions (other than like-kind exchanges) subsequent to the Issue Date.

"Adjusted Net Assets" of a Subsidiary Guarantor at any date means the amount by which the fair value of the properties and assets of such Subsidiary Guarantor exceeds the total amount of liabilities, including, without limitation, contingent liabilities (after giving effect to all other fixed

and contingent liabilities incurred or assumed on such date), but excluding its liabilities under the Subsidiary Guarantee, of such Subsidiary Guarantor at such date.

"Affiliate" means, at any time, and with respect to any specified Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such specified Person. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company; provided, however, for purposes of Section 10.4, the Company shall not be an Affiliate of any Restricted Subsidiary and no Restricted Subsidiary shall be an Affiliate of the Company or any other Restricted Subsidiary.

"Asset Acquisition" means (a) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged with or into the Company or any Restricted Subsidiary, (b) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Restricted Subsidiary) which constitute all or substantially all of the assets of such Person, (c) the acquisition by the Company or any Restricted Subsidiary of merchantable Timber or Timberlands outside the ordinary course of business, or (d) the acquisition by the Company or any Restricted Subsidiary of any division or line of business of any Person (other than a Restricted Subsidiary).

"Asset Sale" is defined in Section 10.10.

"Asset Sale Offer" is defined in Section 10.10.

"Attributable Debt" means, with respect to any Sale and Leaseback Transaction not involving a Capital Lease, as of any date of determination, the total obligation (discounted to present value at the rate of interest implicit in the lease included in such transaction) of the lessee for rental payments (other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items which do not constitute payments for property rights) during the remaining portion of the term (including extensions which are at the sole option of the lessor) of the lease included in such transaction (in the case of any lease which is terminable by the lessee upon the payment of a penalty, such rental obligation shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated).

"Available Cash" means, with respect to any fiscal quarter:

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such fiscal quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such fiscal quarter resulting from working capital borrowings made subsequent to the end of such fiscal quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such fiscal quarter, or (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject.

For purposes of the definition of "Available Cash," the following terms shall have the following meanings:

"Group Member" means a member of the Partnership Group.

"Partnership Group" means the Company and all Subsidiaries, treated as a single consolidated entity.

"Working Capital Borrowings" means borrowings under the Bank Credit Facility or a similar facility (such as a commercial paper facility) giving rise to Debt incurred for working capital purposes and for the purpose of making distributions to the Partnership.

"Business" means the acquisition, ownership, management, harvesting, marketing and selling of Timber and activities related or incidental thereto, including but not limited to the ownership, management and sale of properties with a higher and better use than the growing of timber and the ownership, operation and sale of facilities used in the processing or conversion of timber into products.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

"Capital Lease" means, as applied to any Person, any lease of any property (whether real, personal or mixed) by such Person (as lessee or guarantor or other surety) which would, in accordance with GAAP, be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Stock" means, with respect to any Person, any and all shares, units representing interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, including (x) with respect to partnerships, partnership interests (whether general or limited) and any other interest or participation that confers upon a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership, (y) with respect to limited liability companies, member interests, and (z) with respect to any Person, any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock.

"Change of Control" means the occurrence of any of the following:

(1) the sale, transfer, lease, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than Rayonier Inc. or a Subsidiary thereof, and within six months of the occurrence of such event (which, in the case of an event consisting of a series of related transactions, shall be deemed to have occurred on the date of consummation of the most recent such transaction) there is a Rating Decline; or

(2) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(3) the occurrence of a Rating Decline within six months of the first date on which neither Rayonier Inc. nor an Affiliate of Rayonier Inc. is the managing general partner of the Company (or, if the Company is no longer a limited partnership, the first date on which neither Rayonier Inc. nor an Affiliate of Rayonier Inc. controls the management of the Company).

"Change of Control Offer" is defined in Section 8.8.

"Change of Control Purchase Date" is defined in Section 8.8.

"Change of Control Purchase Payment" is defined in Section 8.3.

"Closing" is defined in the Purchase Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means Rayonier Timberlands Operating Company, L.P., a Delaware limited partnership.

"Company Notice" is defined in Section 8.3.

"Confidential Information" is defined in Article XX.

"Consolidated Cash Flow Available for Fixed Charges" means, with respect to the Company and its Restricted Subsidiaries for any period, the sum of, without duplication, the amounts for such period, taken as a single accounting period, of (a) Consolidated Net Income, (b) Consolidated Non-Cash Charges, (c) Consolidated Interest Expense, (d) interest on the Rayonier Subordinated Notes (to the extent such interest is deducted in the determination of Consolidated Net Income) and (e) Consolidated Income Tax Expense.

"Consolidated Fixed Charge Coverage Ratio" means, with respect to the Company and its Restricted Subsidiaries, the ratio of the aggregate amount of Consolidated Cash Flow Available for Fixed Charges for the most recent four full fiscal quarters for which financial information in respect

thereof is available immediately preceding the date of the transaction (the "Transaction Date") giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio (such most recent four full fiscal quarter period being referred to herein as the "Four Quarter Period") to the aggregate amount of Consolidated Fixed Charges for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, "Consolidated Cash Flow Available for Fixed Charges" and "Consolidated Fixed Charges" shall be calculated after giving effect on a pro forma basis for the period of such calculation to, without duplication (a) the incurrence or repayment of any Debt of the Company or any of its Restricted Subsidiaries (and, in the case of any incurrence, the application of the net proceeds thereof) during the period commencing on the first day of the Four Quarter Period to and including the Transaction Date (the "Reference Period"), including, without limitation, the incurrence of the Debt giving rise to the need to make such calculation (and the application of the net proceeds thereof), as if such incurrence (and application) occurred on the first day of the Reference Period (including any actual interest payments made with respect to Debt under the Working Capital Facility), and (b) any Asset Sales or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Company or one of its Restricted Subsidiaries (including any Person who becomes a Restricted Subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired Debt) occurring during the Reference Period, as if such Asset Sale or Asset Acquisition occurred on the first day of the Reference Period; provided, however, that (i) Consolidated Fixed Charges shall be reduced by amounts attributable to businesses or assets that are so disposed of or discontinued only to the extent that the obligations giving rise to such Consolidated Fixed Charges would no longer be obligations contributing to the Consolidated Fixed Charges subsequent to the date of determination of the Consolidated Fixed Charge Coverage Ratio and (ii) Consolidated Cash Flow Available for Fixed Charges generated by an acquired business or asset shall be determined (x) in the case of an Asset Acquisition of Timber or Timberlands by the Company or a Restricted Subsidiary (which for purposes of this definition shall include the acquisition pursuant to the Purchase Agreement of the limited liability company member interests described in Schedule 3.1) during such period, by using the projected net cash flow of the Timber or Timberlands so acquired, based on the harvest plan prepared in the ordinary course of business and in good faith by the General Partner, for the first 12 full months of operations of the acquired Timber or Timberlands following the date of the Asset Acquisition; provided that such harvest plan shall not assume the harvesting or sale of more than 10% (or, in the case of an acquisition under a cutting contract with a term of less than 10 years, such higher percentage as shall be equal to the quotient of 100% divided by the term of such cutting contract (expressed in years)) of the total merchantable Timber so acquired in the first 12 full months following the date of the Asset Acquisition; and provided further, in determining projected cash flow from acquired Timber or Timberlands, prices shall be assumed to equal the average prices realized by the Company for comparable Timber sold during such prior period; and (y) in the case of all other Asset Acquisitions during such period, by using the actual gross profit (revenues minus cost of goods sold) of such acquired business or asset during the Four Quarter Period minus the pro forma expenses that would have been incurred by the Company and its Restricted Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of personnel expenses for employees retained or to be retained by the Company and its Restricted Subsidiaries in the operation of the acquired business or asset and non-personnel costs and expenses incurred by the Company and its

Restricted Subsidiaries in the operation of the Company's business at similarly situated facilities. If the applicable Reference Period for any calculation of the Consolidated Fixed Charge Coverage Ratio shall include a portion prior to the Issue Date, then such Consolidated Fixed Charge Coverage Ratio shall be calculated based upon the Consolidated Cash Flow Available for Fixed Charges and the Consolidated Fixed Charges of the Company on a pro forma basis for such portion of the Reference Period prior to the Issue Date, giving effect to the transactions occurring on the Issue Date, and the Consolidated Cash Flow Available for Fixed Charges and the Consolidated Fixed Charges for the remaining portion of the Reference Period on and after the Issue Date, giving pro forma effect, as described in the two foregoing sentences, to all applicable transactions occurring on the Issue Date or otherwise. Furthermore, in calculating "Consolidated Fixed Charges" for purposes of determining the "Consolidated Fixed Charge Coverage Ratio" (i) interest on outstanding Debt (other than Debt referred to in clause (ii) below) determined on a fluctuating basis as of the last day of the Four Quarter Period and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Debt in effect on such date; (ii) only actual interest payments associated with Debt incurred in accordance with clause (d) of the definition of Permitted Debt and all Permitted Refinancing Debt in respect thereof, during the Four Quarter Period shall be included in such calculation; and (iii) if interest on any Debt actually incurred on such date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the last day of the Four Quarter Period will be deemed to have been in effect during such period.

"Consolidated Fixed Charges" means, with respect to the Company and its Restricted Subsidiaries for any period, the sum of, without duplication, (a) the amounts for such period of Consolidated Interest Expense and (b) the product of (i) the aggregate amount of dividends and other distributions paid or accrued during such period in respect of Preferred Stock and Redeemable Capital Stock of Restricted Subsidiaries on a consolidated basis and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the then applicable current combined federal, state and local statutory tax rate, expressed as a percentage.

"Consolidated Income Tax Expense" means, with respect to any period, all provisions for Federal, state, local and foreign income taxes of the Company and its Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means, with respect to the Company and its Restricted Subsidiaries for any period, without duplication, the sum of (a) the interest expense (not including any amounts paid or accrued in respect of Preferred Stock or Redeemable Capital Stock) of the Company and its Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP, including, without limitation, (i) any amortization of debt discount, (ii) the net cost under Interest Rate Agreements, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing that constitute Debt and (v) all accrued interest and (b) the interest component of Capital Leases paid, accrued or scheduled to be paid or accrued by the Company and its Restricted Subsidiaries during such period as determined on a consolidated basis in accordance

with GAAP. Consolidated Interest Expense shall not include the interest on the Rayonier Subordinated Notes.

"Consolidated Net Income" means the net income of the Company and its Restricted Subsidiaries, as determined on a consolidated basis in accordance with GAAP and as adjusted to exclude (a) net after-tax extraordinary gains or losses, (b) net after-tax gains or losses attributable to Asset Sales to the extent the Net Proceeds therefrom result in the aggregate Net Proceeds received by the Company or any Restricted Subsidiary from all Asset Sales since the Issue Date exceeding the Adjusted Asset Sales Amount, (c) the net income or loss of any Person which is not a Restricted Subsidiary and which is accounted for by the equity method of accounting, provided that Consolidated Net Income shall include the amount of dividends or distributions actually paid to the Company or any Restricted Subsidiary, (d) the net income or loss prior to the date of acquisition of any Person combined with the Company or any Restricted Subsidiary in a pooling of interest, (e) the net income of any Restricted Subsidiary to the extent that dividends or distributions of such Net income are not at the date of determination permitted by the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or other regulation and (f) the cumulative effect of any changes in accounting principles.

"Consolidated Non-Cash Charges" means, with respect to the Company and its Restricted Subsidiaries for any period, the aggregate depreciation, depletion, amortization and any other non-cash charges, in each case reducing Consolidated Net Income of the Company and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Assets" means, at any time, the total assets and properties of the Company and its Restricted Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Restricted Subsidiaries as of such time prepared in accordance with GAAP.

"Credit Agreement" means the Credit Agreement, dated as of October 25, 1999, among the Company, the lenders named therein and Credit Suisse First Boston, as Administrative Agent, Morgan Stanley Senior Funding, Inc. and Citicorp Visa, Inc., as Co-Syndication Agents, and Credit Suisse First Boston, Lead Arranger, as agent and as letter of credit issuing bank, and the several financial institutions which are or become parties from time to time thereto, evidencing the Bank Credit Facility, and as it may be amended, supplemented or otherwise modified from time to time, including all exhibits and schedules thereto, and any successor or replacement facility entered into in compliance herewith.

"Debt" means as applied to any Person (without duplication):

(a) any indebtedness for borrowed money and all obligations evidenced by any bond, note, debenture or other similar instrument or letter of credit (or reimbursement agreements in respect thereof) which such Person has directly or indirectly created, incurred or assumed (other than obligations with respect to letters of credit securing obligations (other than obligations described in paragraphs (a) through (c) of this definition) entered into in the ordinary course of business of such

Person to the extent such letters of credit are not drawn upon, or, if and to the extent drawn upon, such drawing is reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(b) any indebtedness for borrowed money and all obligations evidenced by any bond, note, debenture or other similar instrument secured by any Lien in respect of property owned by such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, provided that the amount of such indebtedness, if such Person has not assumed the same or become liable therefor, shall in no event be deemed to be greater than the Fair Market Value from time to time (as determined in good faith by such Person) of the property subject to such Lien;

(c) any indebtedness, whether or not for borrowed money (excluding trade payables and accrued expenses arising in the ordinary course of business), with respect to which such Person has become directly or indirectly liable and which represents the deferred purchase price (or a portion thereof) or has been incurred to finance the purchase price (or a portion thereof) of any property or service or business acquired by such Person, whether by purchase, consolidation, merger or otherwise;

(d) the principal component of any obligations under Capital Leases to the extent such obligations would, in accordance with GAAP, appear on a balance sheet of such Person;

(e) all Attributable Debt of such Person in respect of Sale and Leaseback Transactions not involving a Capital Lease;

(f) any indebtedness of any other Person of the character referred to in clause (a), (b), (c), (d) or (e) of this definition with respect to which the Person whose Debt is being determined has become liable by way of a Guaranty;

(g) all Redeemable Capital Stock of any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary maximum fixed repurchase price;

(h) any Preferred Stock (other than Redeemable Capital Stock) of any Restricted Subsidiary of such Person that is not a Subsidiary Guarantor valued at the liquidation preference thereof or any mandatory redemption payment obligations in respect thereof; and

(i) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) through (h) above.

For purposes hereof, the "maximum fixed repurchase price" of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date as of which Debt shall be required to be determined, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Capital Stock, such Fair Market Value shall be determined in good faith by the board of directors of the issuer of such Redeemable Capital Stock.

"Default" means any event that is, or after notice or passage of time or both, would be, an Event of Default.

"Environmental Laws" means any and all applicable Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"Event of Default" is defined in Article XI.

"Excess Harvest" means a harvest of Timber (including timber deed, bulk, pay-as-cut and stumpage sales), to the extent in excess in the aggregate of the following limitations: (a) 140% of the Planned Volume during any fiscal year of the Company, (b) 135% of the Planned Volume during any period of two consecutive fiscal years of the Company, (c) 130% of the Planned Volume during any period of three consecutive fiscal years of the Company, (d) 125% of the Planned Volume during any period of four consecutive fiscal years of the Company, and (e) 120% of the Planned Volume during any period of five consecutive fiscal years of the Company. In the event that the Company or any of its Restricted Subsidiaries sells Timber pursuant to a timber deed, bulk, pay-as-cut or stumpage contract, the Timber shall be deemed harvested in equal monthly amounts over the life of the contract, regardless of when the purchaser actually severs the Timber.

"Excess Harvest Offer" is defined in Section 10.11.

"Excess Harvest Proceeds" is defined in Section 10.11.

"Excess Proceeds" is defined in Section 10.10.

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

"Fair Market Value" means, at any time and with respect to any property, the sale value of such property that would be realized in an arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States of America, which are applicable from time to time.

"General Partner" means the managing general partner of the Company.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof; or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" as applied to any Person, means any direct or indirect liability, contingent or otherwise, of such Person with respect to any Debt, lease, cash dividend or other obligation of another, including, without limitation (a) any such obligation directly or indirectly guaranteed or endorsed (otherwise than for collection or deposit in the ordinary course of business) by such Person, or in respect of which such Person is otherwise directly or indirectly liable, (b) any other obligation under any contract which, in economic effect, is substantially equivalent to a guaranty, including, without limitation, any such obligation of a partnership in which such Person is a general partner or of a joint venture in which such Person is a joint venturer, or (c) any obligation in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation, or to make payment for any products, materials or supplies or for any transportation or services regardless of the non-delivery or nonfurnishing thereof, in any such case if the purpose or intent of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected against loss in respect thereof.

"Holder" or "holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"Institutional Investor" means (a) any holder of a Note holding more than 10% of the aggregate principal amount of the Notes then outstanding, and (b) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect the Company or any Restricted Subsidiary from fluctuations in interest rates.

"Investment" means as applied to any Person, any direct or indirect purchase or other acquisition by such Person of stock or other securities of any other Person, or any direct or indirect loan, advance or capital contribution by such Person to any other Person, and any other item which would be classified as an "investment" on a balance sheet of such Person prepared in accordance with GAAP, including, without limitation, any direct or indirect contribution by such Person of property or assets to a joint venture, partnership or other business entity in which such Person retains an interest (it being understood that a direct or indirect purchase or other acquisition by such Person of assets of any other Person (other than stock or other securities) shall not constitute an Investment). The amount involved in Investments made during any period shall be the aggregate cost to the Company and its Restricted Subsidiaries of all such Investments made during such period, determined in accordance with GAAP, but without regard to unrealized increases or decreases in value, or write-ups, write-downs or write-offs, of such Investments and without regard to the existence of any undistributed earnings or accrued interest with respect thereto accrued after the respective dates on which such Investments were made, less any net return of capital realized during such period upon the sale, repayment or other liquidation of such Investments (determined in accordance with GAAP, but without regard to any amounts received during such period as earnings (in the form of dividends not constituting a return of Capital, interest or otherwise) on such Investments or as loans from any Person in whom such Investments have been made). Notwithstanding the foregoing, if the Company shall at any time designate any Restricted Subsidiary as an Unrestricted Subsidiary, the amount of the Investment in such newly designated Unrestricted Subsidiary arising at such time by reason of such designation shall be the portion of the Fair Market Value of the net assets of such Subsidiary allocable to the Company's equity interest in such Subsidiary at the time that such Subsidiary is designated an Unrestricted Subsidiary.

"Investment Grade Rating" means, in respect of the Notes, a rating of BBB- from S&P or a comparable rating granted by at least one of the other Rating Agencies.

"Issue Date" means the date on which the Notes are originally issued.

"Lien" means any mortgage, charge, pledge, lien (statutory or other), security interest, hypothecation, assignment for security, claim, or preference or priority or other encumbrance upon or with respect to any property of any kind. A Person shall be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement; provided, however, "Lien" shall not include any negative pledge.

"Loan" is defined in Section 1.2(c).

"Make-Whole Amount" is defined in Section 8.6.

"Material" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole, (b) the ability of the Company or any Significant Subsidiary that is a Subsidiary Guarantor to perform its payment obligations, its obligations under Articles IX or X or any other material obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

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

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Proceeds" means, with respect to any Asset Sale or Excess Harvest, the proceeds thereof in the form of cash or cash equivalents including payments in respect of deferred payment obligations when received in the form of cash or cash equivalents (except to the extent that such deferred payment obligations are financed or sold with recourse to the Company or any Restricted Subsidiary of the Company) net of (a) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel and accountants and fees, expenses, discounts or commissions of underwriters, placement agents and investment bankers) related to such Asset Sale or Excess Harvest, (b) provisions for all taxes payable as a result of such Asset Sale or Excess Harvest, (c) amounts required to be paid to any Person (other than the Company or any Restricted Subsidiary of the Company) owning a beneficial interest in the assets subject to such Asset Sale or Excess Harvest, (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary of the Company, as the case may be, as a reserve required in accordance with GAAP against any liabilities associated with such Asset Sale or Excess Harvest and retained by the Company or any Restricted Subsidiary of the Company, as the case may be, after such Asset Sale or Excess Harvest, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale or Excess Harvest and (e) amounts required to be applied to the repayment of Debt secured by a Lien on the asset or assets sold in such Asset Sale or Excess Harvest.

"Notes" is defined in Article I.

"Officer's Certificate" means a certificate of an officer of the General Partner whose responsibilities extend to the subject matter of such certificate.

"Option of Holder to Elect Purchase" is defined in Section 8.3.

"Payment Default" is defined in Section 11.1.

"Payment Restrictions" is defined in Section 10.5.

"Permitted Debt" means any of the following:

(a) Debt of the Company evidenced by the Notes;

(b) Debt outstanding on the Issue Date, including but not limited to the Debt outstanding under the Credit Agreement and the Rayonier Subordinated Notes;

(c) Debt of the Company or a Restricted Subsidiary incurred for any purpose permitted under the Acquisition Facility, provided that the aggregate principal amount of such Debt outstanding at any time may not exceed the Acquisition Principal Amount;

(d) Debt of the Company or a Restricted Subsidiary incurred for any purpose permitted under the Working Capital Facility, provided that the aggregate principal amount of such Debt outstanding at any time may not exceed the Working Capital Principal Amount;

(e) Debt owed by the Company or any Restricted Subsidiary to any Restricted Subsidiary;

(f) Debt under Interest Rate Agreements;

(g) Permitted Refinancing Debt;

(h) Debt of the Company and its Restricted Subsidiaries represented by letters of credit supporting (i) obligations under workers' compensation laws and (ii) the repayment of Permitted Debt;

(i) surety bonds and appeal bonds required in the ordinary course of business or in connection with the enforcement of rights or claims of the Company or any of its Subsidiaries or in connection with judgments that do not result in a Default or Event of Default;

(j) the Subsidiary Guarantee of the Notes (and any assumption of the obligations guaranteed thereby);

(k) the incurrence by the Company or any Restricted Subsidiary of Debt in respect of Capital Leases, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount which, when aggregated with the principal amount of all other Debt then outstanding and incurred pursuant to this clause (k) (together with any Permitted Refinancing Debt with respect thereto) does not exceed \$50,000,000 at any time outstanding;

(l) the incurrence by the Company or any Restricted Subsidiary of additional Debt in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Debt incurred to refund, refinance or replace any other Debt incurred pursuant to this clause (l), not to exceed \$100,000,000.

"Permitted Investments" means, at any time, all of the following:

(a) Investments made or owned by the Company or any Restricted Subsidiary in (i) any evidence of Debt with a maturity of 365 days or less issued by or directly, fully and unconditionally guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof); (ii) deposits, certificates of deposit or acceptances with a maturity of 365 days or less of any institution that is a member of the Federal Reserve System having combined capital and surplus and undivided profits of not less than \$500,000,000; (iii) commercial paper with a maturity of 365 days or less issued by a corporation (other than an Affiliate of the Company) incorporated or organized under the laws of the United States or any state thereof or the District of Columbia and rated at least "A-1" by S&P or "P-1" by Moody's; (iv) repurchase agreements and reverse repurchase agreements relating to marketable direct obligations issued by or directly, fully and unconditionally guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof), in each case maturing within 365 days from the date of acquisition; (v) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and having as at such date the highest rating obtainable from either S&P or Moody's; or (vi) money market mutual or similar funds that invest in obligations referred to in clauses (i) through (v) of this definition, in each case having assets in excess of \$100,000,000;

(b) the acquisition by the Company or any Restricted Subsidiary of Capital Stock or other ownership interests, whether in a single transaction or in a series of related transactions, of a Person engaged in substantially the same business as the Company such that upon the completion of such transaction or series of transactions, such Person becomes a Restricted Subsidiary;

(c) the making or ownership by the Company or any Restricted Subsidiary of Investments (in addition to Investments permitted by subdivisions (a), (b), (d), (e), (f) and (g)) in any Person which is engaged in substantially the same business as the Company, provided that the aggregate amount of all such Investments made by the Company and its Restricted Subsidiaries following the Issue Date and outstanding pursuant to this subdivision (c) shall not at any date of determination exceed 10% of Consolidated Total Assets (the "Investment Limit"), provided that, in addition to Investments that would be permitted under the Investment Limit, during any fiscal year the Company and its Restricted Subsidiaries may invest up to \$100,000,000 (the "Annual Limit") pursuant to the provisions of this subdivision (c), but the unused amount of the Annual Limit shall not be carried over to any future years;

(d) the making or ownership by the Company or any Restricted Subsidiary of Investments (i) arising out of loans and advances to employees incurred in the ordinary course of business, (ii) arising out of extensions of trade credit or advances to third parties in the ordinary course of business and (iii) acquired by reason of the exercise of customary creditors' rights upon default or pursuant to the bankruptcy, insolvency or reorganization of a debtor;

(e) the creation or incurrence of liability by the Company or any Restricted Subsidiary with respect to any Guaranty constituting an obligation, warranty or indemnity, not guaranteeing Debt of any Person, which is undertaken or made in the ordinary course of business;

(f) the creation or incurrence of liability by the Company or any Restricted Subsidiary with respect to any Interest Rate Agreements; and

(g) the Subsidiary Guarantee of the Notes (and any assumption of the obligations guaranteed thereby), and the making by the Company or any Restricted Subsidiary of Investments in the Company or another Restricted Subsidiary.

"Permitted Liens" means any of the following:

(a) Liens for taxes, assessments or other governmental charges the payment of which is not yet due or is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and as to which reserves or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor and be adequate in the good faith judgment of the obligor;

(b) Liens of lessors, landlords and carriers, vendors, loggers, warehousemen, mechanics, materialmen, repairmen and other like Liens incurred in the ordinary course of business for sums not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and as to which reserves or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor and be adequate in the good faith judgment of the obligor, in each case (i) not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property or (ii) incurred in the ordinary course of business securing the unpaid purchase price of property or services constituting current accounts payable, and banker's Liens in the nature of rights of set off arising in the ordinary course of business of the Company and its Subsidiaries in connection with Debt permitted by Section 10.1;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security, or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money;

(d) other deposits made to secure liability to insurance carriers under insurance or self-insurance arrangements;

(e) Liens securing reimbursement obligations under letters of credit, provided in each case that such Liens cover only the title documents and related goods (and any proceeds thereof) covered by the related letter of credit;

(f) any attachment or judgment Lien relating to a judgment that does not constitute an Event of Default;

(g) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, which, in each case either (i) are granted, entered into or created in the ordinary course of the business of the Company or any Restricted Subsidiary or (ii) do not materially impair the value or intended use of the property covered thereby;

(h) Liens on property or assets of any Restricted Subsidiary securing Debt of such Restricted Subsidiary owing to the Company or a Restricted Subsidiary;

(i) Liens on assets of the Company or any Restricted Subsidiary existing on the Issue Date;

(j) Liens existing on any property of any Person at the time it becomes a Subsidiary of the Company, or existing at the time of acquisition upon any property acquired by the Company or any such Subsidiary through purchase, merger or consolidation or otherwise, whether or not assumed by the Company or such Subsidiary, or created to secure Debt incurred to pay all or any part of the purchase price or cost of construction or improvement (a "Purchase Money Lien") of property (including Capital Stock and other securities) acquired by the Company or a Restricted Subsidiary; provided that (i) any such Lien shall be confined solely to such item or items of property and other property which is an improvement to or is acquired for use specifically in connection with such acquired property, or, in the case of construction, related unimproved land, (ii) in the case of a Purchase Money Lien, the principal amount of the Debt secured by such Purchase Money Lien shall at no time exceed an amount equal to 100% of the purchase price or cost of construction or improvement to the Company and the Restricted Subsidiaries of such property, (iii) any such Purchase Money Lien shall be created not later than 180 days after the acquisition of such property and (iv) any such Lien (other than a Purchase Money Lien) shall not have been created or assumed in contemplation of such Person's becoming a Subsidiary of the Company or such acquisition of property by the Company or any Subsidiary;

(k) easements, exceptions or reservations in any property of the Company or any Restricted Subsidiary granted or reserved for the purpose of pipelines, roads, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which are incidental to, and do not materially interfere with, the ordinary conduct of the business of the Company or any Restricted Subsidiary;

(l) any Lien renewing or extending any Lien permitted by subdivision (i) or (j), provided that (i) the principal amount of the Debt secured by any such Lien shall not exceed the principal amount of such Debt outstanding immediately prior to the renewal or extension of such Lien, and (ii) no assets encumbered by any such Lien other than the assets encumbered immediately prior to such renewal or extension shall be encumbered thereby;

(m) any negative pledge; or

(n) other Liens, provided that the aggregate of the obligations secured by all such other Liens would not exceed \$50,000,000.

"Permitted Refinancing Debt" means Debt incurred by the Company or any Restricted Subsidiary to substantially concurrently (excluding any notice period on redemptions) repay, refund, renew, replace, extend or refinance, in whole or in part, any Permitted Debt of the Company or any Restricted Subsidiary or any other Debt incurred by the Company or any Restricted Subsidiary pursuant to Section 10.1, to the extent (a) the principal amount of such Permitted Refinancing Debt does not exceed the principal or accreted amount plus the amount of accrued and unpaid interest of the Debt so repaid, refunded or refinanced (except that, in the case of the Notes, such Permitted Refinancing Debt may include the redemption premiums set forth in Section 8.2), (b) the Permitted Refinancing Debt ranks no more favorably in right of payment with respect to the Notes than the Debt so repaid, refunded, renewed, replaced, extended or refinanced, and (c) the Permitted Refinancing Debt has a Weighted Average Life to Stated Maturity and Stated Maturity equal to, or greater than, the Debt so repaid, refunded, renewed, replaced, extended or refinanced; provided, however, that Permitted Refinancing Debt shall not include Debt incurred by a Restricted Subsidiary to repay, refund, renew, replace, extend or refinance Debt of the Company.

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

"Planned Volume" means 6,700,000 tons for the calendar year 2000 and shall increase 2% per year thereafter. In the event of the acquisition of merchantable Timber or Timberlands (other than in a like-kind exchange of Timber or Timberlands for other Timber or Timberlands and other than Timber or Timberlands acquired with the Net Proceeds of an Excess Harvest) constituting an Asset Acquisition, Planned Volume will be increased for 10 years by 10% of the volume of merchantable Timber so acquired; provided that if such Asset Acquisition is made under a cutting contract with a term of less than 10 years, Planned Volume will be increased for each year during the term of the cutting contract by a number of tons equal to the number of tons so acquired multiplied by the quotient of 100% divided by the number of years in the cutting contract. In the event of a disposition of merchantable Timber or Timberlands constituting an Asset Sale, Planned Volume will be reduced by 10% of the volume of merchantable Timber sold in such Asset Sale. In the event of an Excess Harvest, Planned Volume will be reduced by 10% of the amount of the Excess Harvest. For purposes of this definition, all volumes of Timber harvested that are denominated in board feet shall be converted to tons on the basis of 7.2 tons per thousand board feet.

"Preferred Stock," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated), which is preferred as to the payment of distributions, dividends, or upon any voluntary or involuntary liquidation or dissolution of such Person, over shares or units of Capital Stock of any other class of such Person.

"Prepayment Date" is defined in Section 8.3.

"Property" or "Properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Purchase Agreement" is defined in Section 1.1.

"Purchaser" means Jefferson Smurfit Corporation (U.S.) or one of its Affiliates.

"Rating Agencies" means any or all of S&P, Moody's, Duff & Phelps Incorporated and Fitch IBCA, Inc.

"Rating Category" means:

(1) with respect to S&P, any of the following categories: AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories) and

(2) with respect to Moody's, any of the following categories: Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories).

"Rating Decline" means a decrease in the rating of the Notes by either Moody's or S&P by one or more gradations (including gradation within Ratings Categories as well as between Rating Categories), or the Notes not being rated by either Moody's or S&P. In determining whether the rating of the notes has decreased by one or more gradations, gradations within Rating Categories, namely + and - for S&P, and 1, 2 and 3 for Moody's, will be taken into account.

"Rayonier" means Rayonier Inc., a North Carolina corporation, and its successors.

"Rayonier Subordinated Notes" means Subordinated Debt owed by the Company on the Issue Date to Rayonier or its Affiliates with the terms specified in Annex I to this Schedule A.

"Redeemable Capital Stock" means any shares of any class or series of Capital Stock, that, either by the terms thereof, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is or upon the happening of an event or passage of time would be, required to be redeemed prior to the Stated Maturity with respect to the principal of any outstanding Note or is redeemable at the option of the holder thereof at any time prior to the Stated Maturity of any of the outstanding Notes, or is convertible into or exchangeable for debt securities at any time prior to the Stated Maturity of any of the outstanding Notes.

"Required Holders" means, at any time, the holders of at least a majority in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the General Partner with responsibility for the administration of the relevant portion of this Agreement.

"Restricted Payments" is defined in Section 10.2.

"Restricted Subsidiary" means any Subsidiary which, as of the date of determination, is not an Unrestricted Subsidiary.

"Sale and Leaseback Transaction" of any Person (a "Transferor") means any arrangement (other than between the Company and a Restricted Subsidiary or between Restricted Subsidiaries) whereby (a) property (the "Subject Property") has been or is to be disposed of by such Transferor to any other Person with the intention on the part of such Transferor of taking back a lease of such Subject Property pursuant to which the rental payments are calculated to amortize the purchase price of such Subject Property substantially over the useful life of such Subject Property, and (b) such Subject Property is in fact so leased by such Transferor or an Affiliate of such Transferor.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Security" has the meaning set forth in section 2(a)(1) of the Securities Act.

"Senior Debt" means Debt of the Company or any Restricted Subsidiary which is not Subordinated Debt.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the General Partner.

"Significant Subsidiary" shall have the same meaning as in Rule 1.02(w) of Regulation S-X under the Securities Act.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, and its successors.

"Stated Maturity" means, (a) when used with respect to any Note or any installment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable, and (b) when used with respect to any other Debt, means the date or dates specified in the instrument governing such Debt as the fixed date or dates on which each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of such Debt, or any installment of interest thereon, is due and payable.

"Subordinated Debt" means Debt of the Company or any Subsidiary Guarantor which is expressly subordinated in right of payment to the Notes or the Subsidiary Guarantee, respectively.

"Subsidiary" means, with respect to any Person, (a) a corporation a majority of whose Voting Stock (or, in the case of a partnership, a majority of the partners' Capital Stock, considering all partners' Capital Stock as a single class) is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof and (b) any other Person, including, without limitation, a joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers, general partners or trustees thereof (or other Person performing similar functions) or, if such Persons are not elected, to vote on any matter that is submitted to the vote of all Persons holding ownership interests in such entity, and (c) a corporation or any other Person substantially all the equity interest in which (whether or not a voting interest) is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof. For purposes of this definition, any directors' qualifying shares or investments by foreign nationals mandated by applicable law shall be disregarded in determining the ownership of a Subsidiary. Unless the context clearly indicates otherwise, references to Subsidiaries are to Subsidiaries (direct or indirect) of the Company.

"Subsidiary Guarantee" means, collectively, Article XXI of this Note Agreement and an agreement, in form and substance satisfactory to the Required Holders, whereby a Restricted Subsidiary agrees to be bound by the terms of Article XXI of the Note Agreement.

"Subsidiary Guarantor" means each of the Company's Subsidiaries, if any, executing a Subsidiary Guarantee.

"Timber" means all crops and all trees, timber, whether severed or unsevered and including standing and down timber, stumps and cut timber, and logs, wood chips and other forest products, whether now located on or hereafter planted or growing in or on the Timberlands or otherwise or now or hereafter removed from the Timberlands or otherwise for sale or other disposition.

"Timberlands" means, at any date of determination, all real property owned by or leased to the Company that is suitable for Timber production.

"Unrestricted Subsidiary" means any Subsidiary of the Company or a Restricted Subsidiary that is designated as such by the General Partner, provided that no portion of the Debt or any other obligation (contingent or otherwise) of such Subsidiary (a) is guaranteed by the Company or any Restricted Subsidiary, (b) is recourse to or obligates the Company or any Restricted Subsidiary in any way or (c) subjects any property or assets of the Company or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof. Notwithstanding the foregoing, the Company or a Restricted Subsidiary may Guarantee or agree to provide funds for the payment or maintenance of, or otherwise become liable with respect to Debt of an Unrestricted Subsidiary, but only to the extent that the Company or a Restricted Subsidiary would be permitted to (a) make

an Investment in an amount equal to the Debt represented by such Guaranty or agreement in such Unrestricted Subsidiary pursuant to subdivision (c) of the definition of Permitted Investments and (b) incur the Debt represented by such Guaranty or agreement pursuant to Section 10.1. The General Partner may designate an Unrestricted Subsidiary to be a Restricted Subsidiary, provided that immediately after giving effect to such designation (a) there exists no Default or Event of Default, and (b) if such Unrestricted Subsidiary has, as of the date of such designation, outstanding Debt (other than Permitted Debt), the Company could incur at least \$1.00 of Debt (other than Permitted Debt). Notwithstanding the foregoing, no Subsidiary may be designated an Unrestricted Subsidiary if such Subsidiary, directly or indirectly, holds Capital Stock of a Restricted Subsidiary.

"Voting Stock" means, (i) Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors (or Persons performing similar functions) or (ii) in the case of a partnership, limited liability company or joint venture, interests in the profits or capital thereof entitling the holders of such interests to approve major business actions.

"Weighted Average Life to Stated Maturity" means, when applied to any Debt at any date, the number of years obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (b) the then outstanding principal amount of such Debt; provided, however, that with respect to any revolving Debt, the foregoing calculation of Weighted Average Life to Stated Maturity shall be determined based upon the total available commitments and the required reductions of commitments in lieu of the outstanding principal amount and the required payments of principal, respectively.

"Wholly-Owned Restricted Subsidiary" means any Subsidiary of the Company of which 99% of the outstanding Capital Stock is owned by the Company or by one or more Wholly-Owned Restricted Subsidiaries of the Company or by the Company and one or more Wholly-Owned Restricted Subsidiaries of the Company. For purposes of this definition, any directors' qualifying shares or investments by foreign nationals mandated by applicable law shall be disregarded in determining the ownership of a Subsidiary.

"Working Capital Facility" means the working capital facility of the Company provided for in the Credit Agreement and any similar facility or facilities, including a commercial paper facility.

"Working Capital Principal Amount" means \$100,000,000.

"Yield to Maturity" is defined in Section 1.2.

RAYONIER INC. AND SUBSIDIARIES
 RATIO OF EARNINGS TO FIXED CHARGES
 (UNAUDITED)
 (THOUSANDS OF DOLLARS)

	Nine Months Ended September 30, -----	
	1999 -----	1998 -----
Earnings:		
Net Income	\$ 49,341	\$ 49,477
Add:		
Income Taxes	23,869	19,705
Amortization of Capitalized Interest	1,748	1,679
	-----	-----
Additions to Net Income	25,617	21,384
	-----	-----
Adjustments to Earnings for Fixed Charges:		
Interest and Other Financial Charges	22,693	26,076
Interest Factor Attributable to Rentals	1,313	1,480
	-----	-----
Adjustments for Fixed Charges	24,006	27,556
	-----	-----
EARNINGS AS ADJUSTED	\$ 98,964 =====	\$ 98,417 =====
Fixed Charges:		
Fixed Charges above	\$ 24,006	\$ 27,556
Capitalized Interest	314	194
	-----	-----
TOTAL FIXED CHARGES	\$ 24,320 =====	\$ 27,750 =====
RATIO OF EARNINGS AS ADJUSTED TO TOTAL FIXED CHARGES	4.07 =====	3.55 =====

5
1,000

9-MOS

	DEC-31-1999	
	JAN-01-1999	
	SEP-30-1999	3,666
		0
	111,374	
	5,066	
	115,313	
	275,076	
		1,340,527
	664,915	
	1,570,951	
182,130		432,544
	0	
		0
		67,118
		582,887
1,570,951		
		739,872
	739,872	
		621,829
	621,829	
	22,140	
		0
	22,693	
	73,210	
		23,869
49,341		
		0
		0
		0
	49,341	
		1.78
		1.75