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, 2020

OR

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

For the transition period from to

RAYONIER INC.
(Exact name of registrant as specified in its charter)

North Carolina	**1-6780**	**13-2607329**
(State or other Jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

Rayonier, L.P.
(Exact name of registrant as specified in its charter)

Delaware	**333-237246**	**91-1313292**
(State or other Jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

1 RAYONIER WAY
WILDLIGHT, FL 32097
(Principal Executive Office)

Telephone Number: (904) 357-9100

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol	Exchange
Common Shares, no par value, of Rayonier Inc.	RYN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Rayonier Inc. Yes ☒ No ☐ **Rayonier, L.P.** Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Rayonier Inc. Yes ☒ No ☐ **Rayonier, L.P.** Yes ☒ No ☐

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

Rayonier Inc.

Large Accelerated Filer	☒	Accelerated Filer	☐	Non-accelerated Filer	☐	Smaller Reporting Company	☐	Emerging Growth Company	☐

Rayonier, L.P.

Large Accelerated Filer	☐	Accelerated Filer	☐	Non-accelerated Filer	☒	Smaller Reporting Company	☐	Emerging Growth Company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Rayonier Inc. Yes ☐ No ☒ **Rayonier, L.P.** Yes ☐ No ☒

As of October 23, 2020, Rayonier Inc. had 136,518,249 Common Shares outstanding. As of October 23, 2020, Rayonier, L.P. had 4,444,910 Common Units outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarterly period ended September 30, 2020 of Rayonier Inc., a North Carolina corporation, and Rayonier, L.P., a Delaware limited partnership. Unless stated otherwise or the context otherwise requires, references to “Rayonier” or “the Company” mean Rayonier Inc. and references to the “Operating Partnership” mean Rayonier, L.P. References to “we,” “us,” and “our” mean collectively Rayonier Inc., the Operating Partnership and entities/subsidiaries owned or controlled by Rayonier Inc. and/or the Operating Partnership.

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

As of September 30, 2020, the Company owned a 96.8% interest in the Operating Partnership, with the remaining 3.2% interest owned by limited partners of the Operating Partnership. As the sole general partner of the Operating Partnership, Rayonier Inc. has exclusive control of the day-to-day management of the Operating Partnership.

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

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

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

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

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

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

- A separate Part 1, Item 4. Controls and Procedures related to each reporting entity;
- A separate Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds section related to each reporting entity; and
- Separate Exhibit 31 and 32 certifications for each reporting entity within Part II, Item 6.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
SALES (NOTE 3)	$198,875	$156,417	$653,635	$532,764
Costs and Expenses				
Cost of sales	(180,944)	(134,463)	(545,333)	(418,169)
Selling and general expenses	(14,498)	(10,102)	(37,036)	(30,896)
Other operating expense, net (Note 19)	(1,653)	(865)	(19,247)	(2,799)
	(197,095)	(145,430)	(601,616)	(451,864)
OPERATING INCOME	1,780	10,987	52,019	80,900
Interest expense	(10,421)	(7,996)	(28,457)	(23,629)
Interest and other miscellaneous (expense) income, net	(137)	788	1,232	3,178
(LOSS) INCOME BEFORE INCOME TAXES	(8,778)	3,779	24,794	60,449
Income tax expense (Note 10)	(720)	(2,251)	(7,416)	(10,208)
NET (LOSS) INCOME	(9,498)	1,528	17,378	50,241
Less: Net loss (income) attributable to noncontrolling interest in the Operating Partnership	25	—	(195)	—
Less: Net loss (income) attributable to noncontrolling interests in consolidated affiliates	8,715	(1,961)	9,647	(7,129)
NET (LOSS) INCOME ATTRIBUTABLE TO RAYONIER INC.	(758)	(433)	26,830	43,112
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment, net of income tax effect of $0, $0, $0, and $0	12,476	(28,524)	(8,290)	(28,095)
Cash flow hedges, net of income tax effect of $645, $888, $530 and $644	7,861	(12,424)	(82,890)	(42,629)
Amortization of pension and postretirement plans, net of income tax expense of $0, $0, $0 and $0	217	112	652	337
Total other comprehensive income (loss)	20,554	(40,836)	(90,528)	(70,387)
COMPREHENSIVE INCOME (LOSS)	11,056	(39,308)	(73,150)	(20,146)
Less: Comprehensive income attributable to noncontrolling interests in the Operating Partnership	(508)	—	(1,184)	—
Less: Comprehensive loss (income) attributable to noncontrolling interests in consolidated affiliates	5,017	5,169	10,761	(197)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO RAYONIER INC.	$15,565	($34,139)	($63,573)	($20,343)
(LOSS) EARNINGS PER COMMON SHARE (NOTE 14)				
Basic (loss) earnings per share attributable to Rayonier Inc.	($0.01)	—	$0.20	$0.33
Diluted (loss) earnings per share attributable to Rayonier Inc.	($0.01)	—	$0.20	$0.33

See Notes to Consolidated Financial Statements.

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

	September 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, excluding Timber Funds	$75,178	$68,735
Cash and cash equivalents, Timber Funds	2,973	—
Total cash and cash equivalents	78,151	68,735
Accounts receivable, less allowance for doubtful accounts of $41 and $24	45,439	27,127
Inventory (Note 21)	13,767	14,518
Prepaid expenses	19,342	14,728
Assets held for sale (Note 25)	9,727	—
Other current assets	2,388	867
Total current assets	168,814	125,975
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	3,284,695	2,482,047
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 8)	108,286	81,791
PROPERTY, PLANT AND EQUIPMENT		
Land	5,566	4,131
Buildings	29,221	23,095
Machinery and equipment	4,686	4,339
Construction in progress	404	348
Total property, plant and equipment, gross	39,877	31,913
Less — accumulated depreciation	(11,087)	(9,662)
Total property, plant and equipment, net	28,790	22,251
RESTRICTED CASH (NOTE 22)	475	1,233
RIGHT-OF-USE ASSETS (NOTE 4)	100,297	99,942
OTHER ASSETS	35,642	47,757
TOTAL ASSETS	$3,726,999	$2,860,996
LIABILITIES, NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$24,645	$18,160
Current maturities of long-term debt, excluding Timber Funds (Note 7)	—	82,000
Accrued taxes	8,067	3,032
Accrued payroll and benefits	10,028	8,869
Accrued interest	9,203	5,205
Deferred revenue	15,673	11,440
Other current liabilities	24,450	22,480
Total current liabilities	92,066	151,186
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS, EXCLUDING TIMBER FUNDS (NOTE 7)	1,318,205	973,129
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS, TIMBER FUNDS (NOTE 7)	60,391	—
PENSION AND OTHER POSTRETIREMENT BENEFITS (NOTE 17)	21,765	25,311
LONG-TERM LEASE LIABILITY (NOTE 4)	91,122	90,481
OTHER NON-CURRENT LIABILITIES	174,772	83,247
COMMITMENTS AND CONTINGENCIES (NOTES 9 and 11)		
NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP (NOTE 5)	117,530	—
SHAREHOLDERS' EQUITY		
Common Shares, 480,000,000 shares authorized,136,518,006 and 129,331,069 shares issued and outstanding	1,065,188	888,177
Retained earnings	485,636	583,006
Accumulated other comprehensive loss (Note 23)	(121,605)	(31,202)
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,429,219	1,439,981
Noncontrolling interests in consolidated affiliates (Note 5)	421,929	97,661
TOTAL SHAREHOLDERS' EQUITY	1,851,148	1,537,642
TOTAL LIABILITIES, NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP AND SHAREHOLDERS' EQUITY	$3,726,999	$2,860,996

See Notes to Consolidated Financial Statements.

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

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Affiliates	Shareholders' Equity
	Shares	Amount				
Balance, January 1, 2020	129,331,069	$888,177	$583,006	($31,202)	$97,661	$1,537,642
Net income	—	—	25,854	—	567	26,421
Dividends ($0.27 per share)	—	—	(34,813)	—	—	(34,813)
Issuance of shares under incentive stock plans	2,407	66	—	—	—	66
Stock-based compensation	—	1,510	—	—	—	1,510
Repurchase of common shares made under repurchase program	(152,237)	—	(3,152)	—	—	(3,152)
Amortization of pension and postretirement plan liabilities	—	—	—	217	—	217
Foreign currency translation adjustment	—	—	—	(33,894)	(10,129)	(44,023)
Cash flow hedges	—	—	—	(82,376)	(1,099)	(83,475)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(725)	(725)
Balance, March 31, 2020	129,181,239	$889,753	$570,895	($147,255)	$86,275	$1,399,668
Issuances of shares associated with the merger with Pope Resources	7,181,071	172,418	—	—	—	172,418
Net income (loss)	—	—	1,954	—	(1,499)	455
Net income attributable to noncontrolling interest in the Operating Partnership	—	—	(219)	—	—	(219)
Dividends ($0.27 per share) (a)	—	—	(36,957)	—	—	(36,957)
Issuance of shares under incentive stock plans	215,970	222	—	—	—	222
Stock-based compensation	—	2,668	—	—	—	2,668
Repurchase of common shares	(66,168)	(1,572)	—	—	—	(1,572)
Acquisition of noncontrolling interests in consolidated affiliates	—	—	—	—	372,381	372,381
Adjustment of noncontrolling interest in the Operating Partnership	—	—	(3,992)	—	—	(3,992)
Amortization of pension and postretirement plan liabilities	—	—	—	217	—	217
Foreign currency translation adjustment	—	—	—	17,872	5,386	23,258
Cash flow hedges	—	—	—	(8,306)	1,030	(7,276)
Allocation of other comprehensive income to noncontrolling interests in the Operating Partnership	—	—	—	(457)	—	(457)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(6,856)	(6,856)
Balance, June 30, 2020	136,512,112	$1,063,489	$531,681	($137,929)	$456,717	$1,913,958

Balance, June 30, 2020	136,512,112	$1,063,489	$531,681	($137,929)	$456,717	$1,913,958
Net loss	—	—	(783)	—	(8,715)	(9,498)
Net loss attributable to noncontrolling interest in the Operating Partnership	—	—	25	—	—	25
Dividends ($0.27 per share) (a)	—	—	(37,257)	—	—	(37,257)
Costs associated with the “At-the-Market” (ATM) offering program	—	(456)	—	—	—	(456)
Issuance of shares under incentive stock plans	6,079	167	—	—	—	167
Stock-based compensation	—	1,965	—	—	—	1,965
Repurchase of common shares	(1,185)	(4)	—	—	—	(4)
Measurement period adjustment of noncontrolling interests in consolidated affiliates	—	—	—	—	(701)	(701)
Adjustment of noncontrolling interest in the Operating Partnership	—	—	(8,030)	—	—	(8,030)
Conversion of common units to common shares	1,000	27	—	—	—	27
Amortization of pension and postretirement plan liabilities	—	—	—	217	—	217
Foreign currency translation adjustment	—	—	—	9,160	3,316	12,476
Cash flow hedges	—	—	—	7,479	382	7,861
Allocation of other comprehensive income to noncontrolling interests in the Operating Partnership	—	—	—	(532)	—	(532)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(667)	(667)
Noncontrolling interests in consolidated affiliates redemption of shares	—	—	—	—	(28,403)	(28,403)
Balance, September 30, 2020	136,518,006	$1,065,188	$485,636	($121,605)	$421,929	$1,851,148

(a) For information regarding distributions to noncontrolling interests in the Operating Partnership, see the Rayonier Inc. Consolidated Statements of Cash Flows and Note 5 — Noncontrolling Interests.

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Consolidated Affiliates	Shareholders' Equity
	Shares	Amount				
Balance, January 1, 2019	129,488,675	$884,263	$672,371	$239	$97,677	$1,654,550
Net income	—	—	24,794	—	2,999	27,793
Dividends ($0.27 per share)	—	—	(35,049)	—	—	(35,049)
Issuance of shares under incentive stock plans	26,031	597	—	—	—	597
Stock-based compensation	—	1,477	—	—	—	1,477
Repurchase of common shares	(1,140)	(33)	—	—	—	(33)
Amortization of pension and postretirement plan liabilities	—	—	—	112	—	112
Foreign currency translation adjustment	—	—	—	4,680	1,353	6,033
Cash flow hedges	—	—	—	(10,884)	198	(10,686)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	(3,594)	(3,594)
Balance, March 31, 2019	129,513,566	$886,304	$662,116	($5,853)	$98,633	$1,641,200
Net income	—	—	18,752	—	2,168	20,920
Dividends ($0.27 per share)	—	—	(35,125)	—	—	(35,125)
Issuance of shares under incentive stock plans	250,344	177	—	—	—	177
Stock-based compensation	—	2,344	—	—	—	2,344
Repurchase of common shares	(134,194)	(4,207)	—	—	—	(4,207)
Amortization of pension and postretirement plan liabilities	—	—	—	112	—	112
Foreign currency translation adjustment	—	—	—	(4,305)	(1,299)	(5,604)
Cash flow hedges	—	—	—	(19,465)	(54)	(19,519)
Balance, June 30, 2019	129,629,716	$884,618	$645,743	($29,511)	$99,448	$1,600,298
Net (loss) income	—	—	(433)	—	1,961	1,528
Dividends ($0.27 per share)	—	—	(34,829)	—	—	(34,829)
Issuance of shares under incentive stock plans	2,423	57	—	—	—	57
Stock-based compensation	—	1,562	—	—	—	1,562
Repurchase of common shares	(320,246)	(8)	(8,430)	—	—	(8,438)
Amortization of pension and postretirement plan liabilities	—	—	—	112	—	112
Foreign currency translation adjustment	—	—	—	(21,918)	(6,606)	(28,524)
Cash flow hedges	—	—	—	(11,899)	(525)	(12,424)
Distribution to minority shareholder	—	—	—	—	(3,721)	(3,721)
Balance, September 30, 2019	129,311,893	$886,229	$602,051	($63,216)	$90,557	$1,515,621

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2020	2019
OPERATING ACTIVITIES		
Net income	$17,378	$50,241
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	119,479	91,939
Non-cash cost of land and improved development	20,701	9,985
Stock-based incentive compensation expense	6,143	5,383
Deferred income taxes	10,267	8,133
Amortization of losses from pension and postretirement plans	652	337
Timber write-offs due to casualty events	15,203	—
Gain on sale of large disposition of timberlands	(28,655)	—
Other	(6,986)	(760)
Changes in operating assets and liabilities, net of effects of merger with Pope Resources:		
Receivables	(14,089)	(1,839)
Inventories	(2,310)	(1,107)
Accounts payable	6,553	2,021
All other operating activities	(6,352)	(140)
CASH PROVIDED BY OPERATING ACTIVITIES	137,984	164,193
INVESTING ACTIVITIES		
Capital expenditures	(44,679)	(45,271)
Real estate development investments	(5,448)	(3,349)
Purchase of timberlands	(24,379)	(81,913)
Net proceeds from large disposition of timberlands	115,666	—
Net cash consideration for merger with Pope Resources	(231,068)	—
Other	5,127	(2,219)
CASH USED FOR INVESTING ACTIVITIES	(184,781)	(132,752)
FINANCING ACTIVITIES		
Issuance of debt	320,000	—
Repayment of debt	(132,000)	—
Dividends paid on common stock	(109,136)	(106,125)
Distributions to noncontrolling interests in the Operating Partnership	(2,401)	—
Proceeds from the issuance of common shares under incentive stock plan	233	831
Repurchase of common shares	(1,577)	(4,249)
Debt issuance costs	(2,483)	—
Offering issuance costs	(456)	—
Repurchase of common shares made under repurchase program	(3,152)	(8,430)
Proceeds from shareholder distribution hedge	—	135
Noncontrolling interests in consolidated affiliates redemption of shares	(5,113)	—
Distributions to noncontrolling interest in consolidated affiliates	(8,247)	(7,315)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	55,668	(125,153)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(213)	(2,808)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Change in cash, cash equivalents and restricted cash	8,658	(96,520)
Balance, beginning of year	69,968	156,454
Balance, end of period	$78,626	$59,934
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period:		
Interest (a)	$25,546	$20,578
Income taxes	621	1,352
Non-cash investing activity:		
Capital assets purchased on account	3,250	2,271
Non-cash financing activity:		
Equity consideration for merger with Pope Resources	$172,640	—
Redeemable Common Unit consideration for merger with Pope Resources	106,752	—

(a) Interest paid is presented net of patronage payments received of $4.7 million and $4.0 million for the nine months ended September 30, 2020 and September 30, 2019, respectively. For additional information on patronage payments, see Note 6 — Debt in the 2019 Form 10-K.

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
SALES (NOTE 3)	$198,875	$156,417	$653,635	$532,764
Costs and Expenses				
Cost of sales	(180,944)	(134,463)	(545,333)	(418,169)
Selling and general expenses	(14,498)	(10,102)	(37,036)	(30,896)
Other operating expense, net (Note 19)	(1,653)	(865)	(19,247)	(2,799)
	(197,095)	(145,430)	(601,616)	(451,864)
OPERATING INCOME	1,780	10,987	52,019	80,900
Interest expense	(10,421)	(7,996)	(28,457)	(23,629)
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(LOSS) INCOME BEFORE INCOME TAXES	(8,778)	3,779	24,794	60,449
Income tax expense (Note 10)	(720)	(2,251)	(7,416)	(10,208)
NET (LOSS) INCOME	(9,498)	1,528	17,378	50,241
Less: Net loss (income) attributable to noncontrolling interests in consolidated affiliates	8,715	(1,961)	9,647	(7,129)
NET (LOSS) INCOME ATTRIBUTABLE TO RAYONIER, L.P. COMMON UNITHOLDERS	(783)	(433)	27,025	43,112
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment, net of income tax effect of $0, $0, $0, and $0	12,476	(28,524)	(8,290)	(28,095)
Cash flow hedges, net of income tax effect of $645, $888, $530 and $644	7,861	(12,424)	(82,890)	(42,629)
Amortization of pension and postretirement plans, net of income tax expense of $0, $0, $0 and $0	217	112	652	337
Total other comprehensive income (loss)	20,554	(40,836)	(90,528)	(70,387)
COMPREHENSIVE INCOME (LOSS)	11,056	(39,308)	(73,150)	(20,146)
Less: Comprehensive loss (income) attributable to noncontrolling interests in consolidated affiliates	5,017	5,169	10,761	(197)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO RAYONIER, L.P. COMMON UNITHOLDERS	$16,073	($34,139)	($62,389)	($20,343)
(LOSS) EARNINGS PER COMMON UNIT (NOTE 14)				
Basic (loss) earnings per unit attributable to Rayonier, L.P.	($0.01)	—	$0.20	$0.33
Diluted (loss) earnings per unit attributable to Rayonier, L.P.	($0.01)	—	$0.20	$0.33

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands)

	September 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, excluding Timber Funds	$75,178	$68,735
Cash and cash equivalents, Timber Funds	2,973	—
Total cash and cash equivalents	78,151	68,735
Accounts receivable, less allowance for doubtful accounts of $41 and $24	45,439	27,127
Inventory (Note 21)	13,767	14,518
Prepaid expenses	19,342	14,728
Assets held for sale (Note 25)	9,727	—
Other current assets	2,388	867
Total current assets	168,814	125,975
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	3,284,695	2,482,047
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 8)	108,286	81,791
PROPERTY, PLANT AND EQUIPMENT		
Land	5,566	4,131
Buildings	29,221	23,095
Machinery and equipment	4,686	4,339
Construction in progress	404	348
Total property, plant and equipment, gross	39,877	31,913
Less — accumulated depreciation	(11,087)	(9,662)
Total property, plant and equipment, net	28,790	22,251
RESTRICTED CASH (NOTE 22)	475	1,233
RIGHT-OF-USE ASSETS (NOTE 4)	100,297	99,942
OTHER ASSETS	35,642	47,757
TOTAL ASSETS	$3,726,999	$2,860,996
LIABILITIES, REDEEMABLE OPERATING PARTNERSHIP UNITS AND CAPITAL		
CURRENT LIABILITIES		
Accounts payable	$24,645	$18,160
Current maturities of long-term debt, excluding Timber Funds (Note 7)	—	82,000
Accrued taxes	8,067	3,032
Accrued payroll and benefits	10,028	8,869
Accrued interest	9,203	5,205
Deferred revenue	15,673	11,440
Other current liabilities	24,450	22,480
Total current liabilities	92,066	151,186
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS, EXCLUDING TIMBER FUNDS (NOTE 7)	1,318,205	973,129
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS, TIMBER FUNDS (NOTE 7)	60,391	—
PENSION AND OTHER POSTRETIREMENT BENEFITS (NOTE 17)	21,765	25,311
LONG-TERM LEASE LIABILITY (NOTE 4)	91,122	90,481
OTHER NON-CURRENT LIABILITIES	174,772	83,247
COMMITMENTS AND CONTINGENCIES (NOTES 9 and 11)		
REDEEMABLE OPERATING PARTNERSHIP UNITS (NOTE 5) 4,445,153 and 0 Common Units outstanding, respectively	117,530	—
CAPITAL		
General partners’ capital	15,498	14,712
Limited partners’ capital	1,534,337	1,456,471
Accumulated other comprehensive loss (Note 23)	(120,616)	(31,202)
TOTAL CONTROLLING INTEREST CAPITAL	1,429,219	1,439,981
Noncontrolling interests in consolidated affiliates (Note 5)	421,929	97,661
TOTAL CAPITAL	1,851,148	1,537,642
TOTAL LIABILITIES, REDEEMABLE OPERATING PARTNERSHIP UNITS AND CAPITAL	$3,726,999	$2,860,996

See Notes to Consolidated Financial Statements.

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

	Common Units		Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Affiliates	Total Capital
	General Partners' Capital	Limited Partners' Capital			
Balance, January 1, 2020	$14,712	$1,456,471	($31,202)	$97,661	$1,537,642
Distributions on common units ($0.27 per common unit)	(349)	(34,464)	—	—	(34,813)
Issuance of common units under incentive stock plans	1	65	—	—	66
Stock-based compensation	15	1,495	—	—	1,510
Repurchase of common units made under repurchase program	(32)	(3,120)	—	—	(3,152)
Net income	259	25,595	—	567	26,421
Amortization of pension and postretirement plan liabilities	—	—	217	—	217
Foreign currency translation adjustment	—	—	(33,894)	(10,129)	(44,023)
Cash flow hedges	—	—	(82,376)	(1,099)	(83,475)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(725)	(725)
Balance, March 31, 2020	$14,606	$1,446,042	($147,255)	$86,275	$1,399,668
Issuance of common units associated with the merger with Pope Resources	1,724	170,694	—	—	172,418
Distributions on common units ($0.27 per common unit)	(382)	(37,775)	—	—	(38,157)
Issuance of common units under incentive stock plans	2	220	—	—	222
Stock-based compensation	27	2,641	—	—	2,668
Repurchase of common units	(15)	(1,557)	—	—	(1,572)
Adjustment of Redeemable Common Units	(35)	(3,433)	—	—	(3,468)
Net income (loss)	20	1,934	—	(1,499)	455
Acquisition of noncontrolling interests in consolidated affiliates	—	—	—	372,381	372,381
Amortization of pension and postretirement plan liabilities	—	—	217	—	217
Foreign currency translation adjustment	—	—	17,872	5,386	23,258
Cash flow hedges	—	—	(8,306)	1,030	(7,276)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(6,856)	(6,856)
Balance, June 30, 2020	$15,947	$1,578,766	($137,472)	$456,717	$1,913,958
Conversion of common units to common shares	—	27	—	—	27
Distributions on common units ($0.27 per common unit)	(385)	(38,072)	—	—	(38,457)
Costs associated with the "At-the-Market" (ATM) program	(5)	(451)	—	—	(456)
Issuance of common units under incentive stock plans	2	165	—	—	167
Stock-based compensation	20	1,945	—	—	1,965
Repurchase of common units	—	(4)	—	—	(4)
Adjustment of Redeemable Common Units	(73)	(7,264)	—	—	(7,337)
Net loss	(8)	(775)	—	(8,715)	(9,498)
Measurement period adjustment of noncontrolling interests in consolidated affiliates	—	—	—	(701)	(701)
Amortization of pension and postretirement plan liabilities	—	—	217	—	217
Foreign currency translation adjustment	—	—	9,160	3,316	12,476
Cash flow hedges	—	—	7,479	382	7,861
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(667)	(667)
Noncontrolling interests in consolidated affiliates redemption of unit equivalents	—	—	—	(28,403)	(28,403)
Balance, September 30, 2020	$15,498	$1,534,337	($120,616)	$421,929	$1,851,148

	Common Units		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Consolidated Affiliates	Total Capital
	General Partners' Capital	Limited Partners' Capital			
Balance, January 1, 2019	$15,566	$1,541,068	$239	$97,677	$1,654,550
Distributions on common units ($0.27 per common unit)	(351)	(34,698)	—	—	(35,049)
Issuance of common units under incentive stock plans	6	591	—	—	597
Stock-based compensation	15	1,462	—	—	1,477
Repurchase of common units	—	(33)	—	—	(33)
Net income	248	24,546	—	2,999	27,793
Amortization of pension and postretirement plan liabilities	—	—	112	—	112
Foreign currency translation adjustment	—	—	4,680	1,353	6,033
Cash flow hedges	—	—	(10,884)	198	(10,686)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(3,594)	(3,594)
Balance, March 31, 2019	$15,484	$1,532,936	($5,853)	$98,633	$1,641,200
Distributions on common units ($0.27 per common unit)	(351)	(34,774)	—	—	(35,125)
Issuance of common units under incentive stock plans	2	175	—	—	177
Stock-based compensation	23	2,321	—	—	2,344
Repurchase of common units	(42)	(4,165)	—	—	(4,207)
Net income	188	18,564	—	2,168	20,920
Amortization of pension and postretirement plan liabilities	—	—	112	—	112
Foreign currency translation adjustment	—	—	(4,305)	(1,299)	(5,604)
Cash flow hedges	—	—	(19,465)	(54)	(19,519)
Balance, June 30, 2019	$15,304	$1,515,057	($29,511)	$99,448	$1,600,298
Distributions on common units ($0.27 per common unit)	(348)	(34,481)	—	—	(34,829)
Issuance of common units under incentive stock plans	1	56	—	—	57
Stock-based compensation	15	1,547	—	—	1,562
Repurchase of common units	(85)	(8,353)	—	—	(8,438)
Net (loss) income	(4)	(429)	—	1,961	1,528
Amortization of pension and postretirement plan liabilities	—	—	112	—	112
Foreign currency translation adjustment	—	—	(21,918)	(6,606)	(28,524)
Cash flow hedges	—	—	(11,899)	(525)	(12,424)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(3,721)	(3,721)
Balance, September 30, 2019	$14,883	$1,473,397	($63,216)	$90,557	$1,515,621

See Notes to Consolidated Financial Statements.

RAYONIER, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Nine Months Ended September 30, 2020	2019
OPERATING ACTIVITIES		
Net income	$17,378	$50,241
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	119,479	91,939
Non-cash cost of land and improved development	20,701	9,985
Stock-based incentive compensation expense	6,143	5,383
Deferred income taxes	10,267	8,133
Amortization of losses from pension and postretirement plans	652	337
Timber write-offs due to casualty events	15,203	—
Gain on sale of large disposition of timberlands	(28,655)	—
Other	(6,986)	(760)
Changes in operating assets and liabilities, net of effects of merger with Pope Resources:		
Receivables	(14,089)	(1,839)
Inventories	(2,310)	(1,107)
Accounts payable	6,553	2,021
All other operating activities	(6,352)	(140)
CASH PROVIDED BY OPERATING ACTIVITIES	137,984	164,193
INVESTING ACTIVITIES		
Capital expenditures	(44,679)	(45,271)
Real estate development investments	(5,448)	(3,349)
Purchase of timberlands	(24,379)	(81,913)
Net proceeds from large disposition of timberlands	115,666	—
Cash consideration for merger with Pope Resources, net of cash acquired	(231,068)	—
Other	5,127	(2,219)
CASH USED FOR INVESTING ACTIVITIES	(184,781)	(132,752)
FINANCING ACTIVITIES		
Issuance of debt	320,000	—
Repayment of debt	(132,000)	—
Distribution on common units	(111,537)	(106,125)
Proceeds from the issuance of common units under incentive stock plan	233	831
Repurchase of common units	(1,577)	(4,249)
Debt issuance costs	(2,483)	—
Offering issuance costs	(456)	—
Repurchase of common units made under repurchase program	(3,152)	(8,430)
Proceeds from shareholder distribution hedge	—	135
Noncontrolling interests in consolidated affiliates redemption of shares	(5,113)	—
Distributions to noncontrolling interest in consolidated affiliates	(8,247)	(7,315)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	55,668	(125,153)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(213)	(2,808)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Change in cash, cash equivalents and restricted cash	8,658	(96,520)
Balance, beginning of year	69,968	156,454
Balance, end of period	$78,626	$59,934
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period:		
Interest (a)	$25,546	$20,578
Income taxes	621	1,352
Non-cash investing activity:		
Capital assets purchased on account	3,250	2,271
Non-cash financing activity:		
Common unit consideration for merger with Pope Resources	$172,640	—
Redeemable Common Unit consideration for merger with Pope Resources	106,752	—

(a) Interest paid is presented net of patronage payments received of $4.7 million and $4.0 million for the nine months ended September 30, 2020 and September 30, 2019, respectively. For additional information on patronage payments, see Note 6 — Debt in the 2019 Form 10-K.

See Notes to Consolidated Financial Statements.

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements and notes thereto of Rayonier Inc. and its subsidiaries and Rayonier, L.P. have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”).

The Rayonier Inc. year-end balance sheet information was derived from audited financial statements not included herein. In the opinion of management, these financial statements and notes reflect any adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the financial statements and supplementary data included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC (the “2019 Form 10-K”).

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

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

On May 8, 2020, Rayonier, L.P. acquired Pope Resources and became the general partner of Pope Resources. The acquisition occurred pursuant to a series of mergers (the “Mergers”) provided for in Agreement and Plan of Merger, dated as of January 14, 2020, as amended by Amendment No. 1, dated as of April 1, 2020 (as amended, the “Merger Agreement”), by and among Rayonier Inc., Rayonier, L.P., Rayonier Operating Company LLC, Rayonier Operating Company Holdings, LLC, Pacific GP Merger Sub I, LLC, Pacific GP Merger Sub II, LLC, Pacific LP Merger Sub III, LLC, Pope Resources, Pope EGP, Inc. and Pope MGP, Inc. As of September 30, 2020, the Company owned a 96.8% interest in the Operating Partnership, with the remaining 3.2% interest owned by limited partners of the Operating Partnership. As the sole general partner of the Operating Partnership, Rayonier Inc. has exclusive control of the day-to-day management of the Operating Partnership.

The Rayonier, L.P. year-end balance sheet information was derived from the separate historical unaudited financial statements of Rayonier Operating Company LLC not included herein. In the opinion of management, these financial statements and notes reflect any adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the audited consolidated financial statements as of and for the years ended December 31, 2019, 2018 and 2017 included in Exhibit 99.4 of the Operating Partnership’s Amendment No. 1 to the Current Report on Form 8-K filed with the SEC on July 17, 2020.

The Contribution was accounted for as a change in reporting entity between entities under common control in accordance with ASC 250-10-45-21. A change in reporting entity requires retrospective application for all periods as if the Contribution had been in effect since inception of common control. As a result, the unaudited consolidated financial statements and notes thereto for Rayonier, L.P. in this combined report have been prepared as if the change in reporting entity occurred on January 1, 2019.

The effect of the change in reporting entity on Rayonier L.P.'s operating income, net income attributable to Rayonier, L.P. and per unit amounts for the three and nine months ended September 30, 2020 and 2019, are presented below (in thousands, except per unit amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating income	—	—	—	—
Net income attributable to Rayonier, L.P. (a)	($3,596)	($3,596)	($10,788)	($10,788)
Basic earnings per unit attributable to Rayonier, L.P.	($0.03)	($0.03)	($0.08)	($0.08)
Diluted earnings per unit attributable to Rayonier, L.P.	($0.03)	($0.03)	($0.08)	($0.08)

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

SUMMARY OF UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

REDEEMABLE COMMON UNITS

Limited partners holding Redeemable Common Units have the right to put any and all of the common units to the Operating Partnership in exchange for Rayonier registered common shares, on a one-for-one basis, or cash, at Rayonier's option. Consequently, these Redeemable Common Units are classified outside of permanent partners' capital in the Operating Partnership's accompanying balance sheets. The recorded value of the Redeemable Common Units is based on the higher of 1) initial carrying amount, increased or decreased for its share of net income or loss, other comprehensive income or loss, and dividend or 2) redemption value as measured by the closing price of Rayonier common stock on the balance sheet date multiplied by the total number of Redeemable Common Units outstanding.

For a full description of our other significant accounting policies, see Note 1 — *Summary of Significant Accounting Policies* in the Company's 2019 Form 10-K and Note 1 — *Summary of Significant Accounting Policies* in the audited consolidated financial statements as of and for the years ended December 31, 2019, 2018 and 2017 included in Exhibit 99.4 of the Operating Partnership's Amendment No. 1 to the Current Report on Form 8-K filed with the SEC on July 17, 2020.

MERGER WITH POPE RESOURCES

On May 8, 2020, we completed the acquisition of Pope Resources. Therefore, Pope Resources' balance sheet and results of operations are included in our consolidated financial statements from and after the date of acquisition. See Note 2 - Merger with Pope Resources, Note 7 - Debt, and Note 20 - Charges for Integration and Restructuring for further information pertaining to the merger.

As a result of the Mergers, we have revised our reportable business segments, adding one additional segment, Timber Funds. Please see Note 6 - Segment and Geographical information for more information about our revised business segments.

NEW REAL ESTATE SALES CATEGORY

Effective September 2020, we added a new Real Estate sales category, "Conservation Easement," in which we sell the development rights but withhold the rights to grow and harvest timber on a parcel or parcels of land. See Note 3 - Revenue for further information.

RECENTLY ADOPTED STANDARDS

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

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

NEW ACCOUNTING STANDARDS

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

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes*. The guidance issued in this update simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU No. 2019-12 also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard will be effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those fiscal years. We do not expect a material impact on our Consolidated Financial Statements as a result of the new standard.

SUBSEQUENT EVENTS

We have evaluated events occurring from September 30, 2020 to the date of issuance of these Consolidated Financial Statements for potential recognition or disclosure in the consolidated financial statements. No events were identified that warranted recognition or disclosure.

2. MERGER WITH POPE RESOURCES

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

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

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

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

Upon consummation of the merger, all outstanding Pope Resources restricted units were converted into equivalent equity awards with respect to Rayonier common shares. Pope Resources directors and some executive employees of Pope Resources held restricted Pope Resources units that were subject to accelerated vesting in connection with the merger. Since a portion of these Pope Resources units relate to services rendered to Pope Resources prior to the merger, a portion of the replacement Rayonier restricted stock awards' fair value is included in the consideration transferred. See additional details about the replacement restricted stock awards in Note 18 — Incentive Stock Plans.

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

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

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

(b) See Note 18 — Incentive Stock Plans for additional details.

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

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

(Dollar amounts in thousands unless otherwise stated)

The following table contains the amounts of cash transferred in the merger and net cash consideration shown in the Consolidated Statements of Cash Flows for the nine months ended September 30, 2020:

	September 30, 2020
Cash consideration transferred	$247,318
Less: Cash assumed in merger	(16,250)
Net cash consideration shown in the Consolidated Statements of Cash Flows	**$231,068**

We recognized approximately $2.5 million, $13.5 million, and $0.4 million of merger-related costs that were expensed during the first, second and third quarters of 2020, respectively. See Note 20 — Charges for Integration and Restructuring for descriptions of the components of merger-related costs.

The acquisition of Pope Resources has been accounted for as a business combination under ASC 805, *Business Combinations*, ("ASC 805"). Under ASC 805, assets acquired and liabilities assumed in a business combination must be recorded at their fair value as of the acquisition date. Recorded fair valuation of assets acquired and liabilities assumed related to the acquisition of Pope Resources is preliminary and will be completed as soon as practicable, but no later than one year after the consummation of the transaction. Pursuant to ASC 805, the financial statements will not be retrospectively adjusted for any provisional amount changes that occur in subsequent periods. Rather, we will recognize any provisional amount adjustments during the reporting period in which the adjustments are determined. We will also be required to record, in the same period's financial statements, the effect on earnings of changes in depletion, depreciation, amortization, or other income effects, if any, as a result of any change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. Our consolidated financial statements as of and for the nine months ended September 30, 2020, include results of operations for Pope Resources from May 8, 2020 through September 30, 2020.

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

The preliminary fair value estimates were generally based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in ASC 820, *Fair Value Measurement*, ("ASC 820") with the exception of certain long-term debt instruments assumed in the merger that can be valued using observable market inputs and are therefore Level 2 measurements. See Note 16 — Fair Value Measurements for further information on the fair value hierarchy.

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

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

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

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

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

	Core Timberlands	Timber Funds	Total
Timberland and Real Estate Business			
Cash	$7,380	$8,870	$16,250
Accounts receivable	2,265	1,794	4,059
Other current assets	651	499	1,150
Timber and Timberlands	515,541	471,900	987,441
Higher and Better Use Timberlands and Real Estate Development Investments	27,722	—	27,722
Property, plant and equipment	8,307	—	8,307
Other assets	4,297	—	4,297
Total identifiable assets acquired	$566,163	$483,063	$1,049,226
Accounts payable	274	293	567
Current maturities of long-term debt	—	25,084	25,084
Accrued interest	244	275	519
Other current liabilities	7,203	1,940	9,143
Long-term debt	53,502	35,759	89,261
Long-term environmental liabilities	11,000	—	11,000
Other non-current liabilities (a)	4,051	—	4,051
Total liabilities assumed	$76,274	$63,351	$139,625
Net identifiable assets	$489,889	$419,712	$909,601
Less: noncontrolling interest	(3,307)	(368,373)	(371,680)
Total net assets acquired	$486,582	$51,339	$537,921

(a) Other non-current liabilities includes a $4.0 million deferred income tax liability resulting from the preliminary fair value adjustment to Pope Resources' assets and liabilities.

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

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

The amount of revenue of Pope Resources included in our Consolidated Statements of Income and Comprehensive Income from the date of the merger to September 30, 2020 is approximately $28.8 million. The net income effect resulting from the merger with Pope Resources for the three and nine months ended September 30, 2020 is impracticable to determine, as we immediately integrated Pope Resources into our ongoing operations.

Pursuant to ASC 805, unaudited supplemental pro forma results of operations for the three and nine months ended September 30, 2020 and 2019, assuming the acquisition had occurred as of January 1, 2019, are presented below (in thousands, except per share and unit amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Sales	$198,975	$184,300	$684,900	$613,800
Net income (loss) attributable to Rayonier Inc.	($342)	($7,975)	$28,317	$25,722
Basic earnings (loss) per share attributable to Rayonier Inc.	—	($0.06)	$0.21	$0.19
Diluted earnings (loss) per share attributable to Rayonier Inc.	—	($0.06)	$0.21	$0.19
Net income (loss) attributable to Rayonier, L.P.	($353)	($8,235)	$29,240	$26,560
Basic earnings (loss) per unit attributable to Rayonier, L.P.	—	($0.06)	$0.21	$0.19
Diluted earnings (loss) per unit attributable to Rayonier, L.P.	—	($0.06)	$0.21	$0.19

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

- additional depletion expense that would have been recognized relating to the basis increase in the acquired Timber and Timberlands;
- adjustment to interest expense to reflect the removal of Pope Resources debt and the additional borrowings we incurred in conjunction with the acquisition; and
- a reduction in expenses for the three and nine months ended September 30, 2020 of $0.4 million and $31.6 million, respectively, for acquisition-related transaction costs.

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

(Dollar amounts in thousands unless otherwise stated)

3. REVENUE

RECLASSIFICATIONS

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

NEW REAL ESTATE SALES CATEGORY

Effective September 2020, we added a new Real Estate sales category, “Conservation Easement,” in which we sell the development rights but withhold the rights to grow and harvest timber on a parcel or parcels of land.

PERFORMANCE OBLIGATIONS

We recognize revenue when control of promised goods or services (“performance obligations”) is transferred to customers, in an amount that reflects the consideration expected in exchange for those goods or services (“transaction price”). We generally satisfy performance obligations within a year of entering into a contract and therefore have applied the disclosure exemption found under ASC 606-10-50-14. Unsatisfied performance obligations as of September 30, 2020 are primarily due to advances on stumpage contracts, unearned license revenue and post-closing obligations on real estate sales. These performance obligations are expected to be satisfied within the next twelve months. We generally collect payment within a year of satisfying performance obligations and therefore have elected not to adjust revenues for a financing component.

CONTRACT BALANCES

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

The following table summarizes revenue recognized during the three and nine months ended September 30, 2020 and 2019 that was included in the contract liability balance at the beginning of each year:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue recognized from contract liability balance at the beginning of the year (a)	$690	$874	$10,296	$9,670

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

(Dollar amounts in thousands unless otherwise stated)

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The following tables present our revenue from contracts with customers disaggregated by product type for the three and nine months ended September 30, 2020 and 2019:

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
September 30, 2020								
Pulpwood	$22,061	$1,963	$7,943	$227	—	$2,534	—	$34,728
Sawtimber	19,356	25,513	51,400	8,397	—	19,575	—	124,241
Hardwood	760	—	—	—	—	—	—	760
Total Timber Sales	42,177	27,476	59,343	8,624	—	22,109	—	159,729
License Revenue, Primarily from Hunting	4,461	252	60	(6)	—	—	—	4,767
Other Non-Timber/Carbon Revenue	1,015	1,157	3,401	15	—	—	—	5,588
Total Non-Timber Sales	5,476	1,409	3,461	9	—	—	—	10,355
Improved Development	—	—	—	—	1,344	—	—	1,344
Unimproved Development	—	—	—	—	—	—	—	—
Rural	—	—	—	—	23,245	—	—	23,245
Timberland & Non-Strategic	—	—	—	—	42	—	—	42
Conservation Easement	—	—	—	—	3,099	—	—	3,099
Deferred Revenue/Other (b)	—	—	—	—	737	—	—	737
Total Real Estate Sales	—	—	—	—	28,467	—	—	28,467
Revenue from Contracts with Customers	47,653	28,885	62,804	8,633	28,467	22,109	—	198,551
Lease Revenue	—	—	—	—	324	—	—	324
Intersegment	—	—	—	1,274	—	92	(1,366)	—
Total Revenue	$47,653	$28,885	$62,804	$9,907	$28,791	$22,201	($1,366)	$198,875

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
September 30, 2019								
Pulpwood	$19,093	$2,109	$7,930	—	—	$2,795	—	$31,927
Sawtimber	11,581	16,064	51,415	—	—	22,214	—	101,274
Hardwood	2,338	—	—	—	—	—	—	2,338
Total Timber Sales	33,012	18,173	59,345	—	—	25,009	—	135,539
License Revenue, Primarily from Hunting	4,351	199	91	—	—	—	—	4,641
Other Non-Timber/Carbon Revenue	3,919	394	2,563	—	—	—	—	6,876
Agency Fee Income	—	—	—	—	—	149	—	149
Total Non-Timber Sales	8,270	593	2,654	—	—	149	—	11,666
Improved Development	—	—	—	—	4,492	—	—	4,492
Unimproved Development	—	—	—	—	—	—	—	—
Rural (a)	—	—	—	—	4,212	—	—	4,212
Timberland & Non-Strategic (a)	—	—	—	—	57	—	—	57
Deferred Revenue/Other (b)	—	—	—	—	451	—	—	451
Total Real Estate Sales	—	—	—	—	9,212	—	—	9,212
Revenue from Contracts with Customers	41,282	18,766	61,999	—	9,212	25,158	—	156,417
Intersegment	—	—	—	—	—	34	(34)	—
Total Revenue	$41,282	$18,766	$61,999	—	$9,212	$25,192	($34)	$156,417

(a) The three months ended September 30, 2019 reflects the reclassification of certain real estate sales between the Rural and Timberland & Non-Strategic sales categories to better align with the way management internally evaluates real estate sales.
(b) Includes deferred revenue adjustments and marketing fees related to Improved Development sales.

(Dollar amounts in thousands unless otherwise stated)

Nine Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
September 30, 2020								
Pulpwood	$74,239	$8,253	$18,545	$555	—	$7,527	—	$109,119
Sawtimber	55,224	75,255	117,157	14,701	—	57,493	—	319,830
Hardwood	1,752	—	—	—	—	—	—	1,752
Total Timber Sales	131,215	83,508	135,702	15,256	—	65,020	—	430,701
License Revenue, Primarily From Hunting	13,386	444	200	4	—	—	—	14,034
Other Non-Timber/Carbon Revenue	2,801	2,179	6,210	19	—	—	—	11,209
Agency Fee Income	—	—	—	—	—	327	—	327
Total Non-Timber Sales	16,187	2,623	6,410	23	—	327	—	25,570
Improved Development	—	—	—	—	7,771	—	—	7,771
Unimproved Development	—	—	—	—	8,426	—	—	8,426
Rural	—	—	—	—	52,876	—	—	52,876
Timberland & Non-Strategic	—	—	—	—	9,647	—	—	9,647
Conservation Easement	—	—	—	—	3,099	—	—	3,099
Deferred Revenue/Other (b)	—	—	—	—	(879)	—	—	(879)
Large Dispositions	—	—	—	—	116,027	—	—	116,027
Total Real Estate Sales	—	—	—	—	196,967	—	—	196,967
Revenue from Contracts with Customers	147,402	86,131	142,112	15,279	196,967	65,347	—	653,238
Lease Revenue	—	—	—	—	397	—	—	397
Intersegment	—	—	—	2,152	—	158	(2,310)	—
Total Revenue	$147,402	$86,131	$142,112	$17,431	$197,364	$65,505	($2,310)	$653,635

Nine Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Elim.	Total
September 30, 2019								
Pulpwood	$65,202	$7,196	$25,278	—	—	$10,947	—	$108,623
Sawtimber	51,019	48,748	149,705	—	—	81,104	—	330,576
Hardwood	4,816	—	—	—	—	—	—	4,816
Total Timber Sales	121,037	55,944	174,983	—	—	92,051	—	444,015
License Revenue, Primarily from Hunting	12,772	404	287	—	—	—	—	13,463
Other Non-Timber/Carbon Revenue	14,516	1,508	5,987	—	—	—	—	22,011
Agency Fee Income	—	—	—	—	—	531	—	531
Total Non-Timber Sales	27,288	1,912	6,274	—	—	531	—	36,005
Improved Development	—	—	—	—	5,007	—	—	5,007
Unimproved Development	—	—	—	—	15,430	—	—	15,430
Rural (a)	—	—	—	—	30,525	—	—	30,525
Timberland & Non-Strategic (a)	—	—	—	—	1,263	—	—	1,263
Deferred Revenue/Other (b)	—	—	—	—	519	—	—	519
Total Real Estate Sales	—	—	—	—	52,744	—	—	52,744
Revenue from Contracts with Customers	148,325	57,856	181,257	—	52,744	92,582	—	532,764
Intersegment	—	—	—	—	—	137	(137)	—
Total Revenue	$148,325	$57,856	$181,257	—	$52,744	$92,719	($137)	$532,764

(a) The nine months ended September 30, 2019 reflects the reclassification of certain real estate sales between the Rural and Timberland & Non-Strategic sales categories to better align with the way management internally evaluates real estate sales.
(b) Includes deferred revenue adjustments and marketing fees related to Improved Development sales.

(Dollar amounts in thousands unless otherwise stated)

The following tables present our timber sales disaggregated by contract type for the three and nine months ended September 30, 2020 and 2019:

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Trading	Total
September 30, 2020						
Stumpage Pay-as-Cut	$14,518	—	—	$754	—	$15,272
Stumpage Lump Sum	310	472	—	—	—	782
Total Stumpage	14,828	472	—	754	—	16,054
Delivered Wood (Domestic)	21,976	27,004	20,127	7,870	362	77,339
Delivered Wood (Export)	5,373	—	39,216	—	21,747	66,336
Total Delivered	27,349	27,004	59,343	7,870	22,109	143,675
Total Timber Sales	$42,177	$27,476	$59,343	$8,624	$22,109	$159,729
September 30, 2019						
Stumpage Pay-as-Cut	$13,077	—	—	—	—	$13,077
Stumpage Lump Sum	1,677	—	—	—	—	1,677
Total Stumpage	14,754	—	—	—	—	14,754
Delivered Wood (Domestic)	16,597	18,173	22,722	—	624	58,116
Delivered Wood (Export)	1,661	—	36,623	—	24,385	62,669
Total Delivered	18,258	18,173	59,345	—	25,009	120,785
Total Timber Sales	$33,012	$18,173	$59,345	—	$25,009	$135,539

(Dollar amounts in thousands unless otherwise stated)

Nine Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Trading	Total
September 30, 2020						
Stumpage Pay-as-Cut	$56,141	—	—	$1,285	—	$57,426
Stumpage Lump Sum	1,561	5,929	—	—	—	7,490
Total Stumpage	57,702	5,929	—	1,285	—	64,916
Delivered Wood (Domestic)	64,473	77,579	45,944	13,971	1,296	203,263
Delivered Wood (Export)	9,040	—	89,758	—	63,724	162,522
Total Delivered	73,513	77,579	135,702	13,971	65,020	365,785
Total Timber Sales	$131,215	$83,508	$135,702	$15,256	$65,020	$430,701
September 30, 2019						
Stumpage Pay-as-Cut	$56,257	—	—	—	—	$56,257
Stumpage Lump Sum	4,353	—	—	—	—	4,353
Total Stumpage	60,610	—	—	—	—	60,610
Delivered Wood (Domestic)	52,977	55,944	65,161	—	5,417	179,499
Delivered Wood (Export)	7,450	—	109,822	—	86,634	203,906
Total Delivered	60,427	55,944	174,983	—	92,051	383,405
Total Timber Sales	$121,037	$55,944	$174,983	—	$92,051	$444,015

4. LEASES

TIMBERLAND LEASES

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

As of September 30, 2020, the New Zealand subsidiary has two CFLs comprising 9,000 gross acres or 8,000 net plantable acres under termination notice that are being relinquished as harvest activities are concluded, as well as two fixed-term CFLs comprising 3,000 gross acres or 2,000 net plantable acres expiring in 2062. Additionally, the New Zealand subsidiary has two forestry rights comprising 32,000 gross acres or 8,000 net plantable acres under termination notice that are being relinquished as harvest activities are concluded.

OTHER NON-TIMBERLAND LEASES

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

(Dollar amounts in thousands unless otherwise stated)

LEASE MATURITIES, LEASE COST AND OTHER LEASE INFORMATION

The following table details our undiscounted lease obligations as of September 30, 2020 by type of lease and year of expiration:

		Year of Expiration					
Lease obligations	**Total**	**Remaining 2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Operating lease liabilities	$185,030	$4,107	$9,278	$8,384	$8,293	$8,176	$146,792
Total Undiscounted Cash Flows	$185,030	$4,107	$9,278	$8,384	$8,293	$8,176	$146,792
Imputed interest	(84,705)						
Balance at September 30, 2020	100,325						
Less: Current portion	(9,203)						
Non-current portion at September 30, 2020	$91,122						

The following table details components of our lease cost for the three and nine months ended September 30, 2020 and September 30, 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Cost Components	**2020**	**2019**	**2020**	**2019**
Operating lease cost	$1,550	$1,959	$4,989	$6,791
Variable lease cost (a)	85	54	299	211
Total lease cost (b)	$1,635	$2,013	$5,288	$7,002

(a) The majority of timberland leases are subject to increases or decreases based on either the Consumer Price Index, Producer Price Index or market rates.
(b) Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for these leases are expensed on a straight line basis over the lease term. Short-term lease expense was not material for the nine months ended September 30, 2020.

The following table provides supplemental cash flow information related to our leases for the nine months ended September 30, 2020 and September 30, 2019:

	Nine Months Ended September 30,	
Supplemental cash flow information related to leases:	**2020**	**2019**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$1,516	$2,152
Investing cash flows from operating leases	3,473	4,639
Total cash flows from operating leases	$4,989	$6,791
Weighted-average remaining lease term in years - operating leases	28	28
Weighted-average discount rate - operating leases	5 %	5 %

Lessor lease information

In the Mergers, we acquired income generating commercial and residential leases primarily concentrated in Port Gamble, Washington. Each of these are classified as operating leases.

(Dollar amounts in thousands unless otherwise stated)

The following table details our lease income for the three and nine months ended September 30, 2020:

Lease Income Components	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Operating lease income	$324	$397
Total lease income	$324	$397

Future lease income as of September 30, 2020, based on payments due by period under the lease contracts, are presented in the following table:

		Year of Expiration					
Lease assets	Total	Remaining 2020	2021	2022	2023	2024	Thereafter
Operating lease Income	$649	$84	$198	$173	$137	$57	—

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

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

5. NONCONTROLLING INTERESTS

NONCONTROLLING INTERESTS IN CONSOLIDATED AFFILIATES

Matariki Forestry Group

We maintain a 77% controlling financial interest in Matariki Forestry Group (the “New Zealand subsidiary”), a joint venture that owns or leases approximately 416,000 legal acres of New Zealand timberland. Accordingly, we consolidate the New Zealand subsidiary’s balance sheet and results of operations. The portions of the consolidated financial position and results of operations attributable to the New Zealand subsidiary’s 23% noncontrolling interest are reflected as an adjustment to income in our Consolidated Statements of Income and Comprehensive Income under the caption “Net loss (income) attributable to noncontrolling interests in consolidated affiliates.” Rayonier New Zealand Limited (“RNZ”), a wholly-owned subsidiary, serves as the manager of the New Zealand subsidiary.

In September 2020, the New Zealand subsidiary made a capital distribution to its partners on a pro rata basis in order to redeem certain equity interests. A portion of this capital distribution was reinvested by the partners in shareholder loans to the New Zealand subsidiary. Our capital distribution and portion of the shareholder loan are eliminated in consolidation. The capital distribution to the minority shareholder and its reinvestment in the shareholder loan resulted in the recording of a noncontrolling interest share redemption of $5.1 million and a loan payable by the New Zealand subsidiary in the amount of $23.3 million due in 2025 at a fixed interest rate of 2.95%. As of September 30, 2020, the outstanding balance on the shareholder loan is $22.7 million. See Note 7 — Debt for further information.

(Dollar amounts in thousands unless otherwise stated)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income attributable to noncontrolling interest in the New Zealand subsidiary	$2,066	$1,961	$3,326	$7,129

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) attributable to noncontrolling interest in the Funds:	($10,627)	—	($12,773)	—

Prior to the Mergers, the Funds were formed by ORM LLC for the purpose of generating a return on investment through the acquisition, management, value enhancement and sale of timberland properties. Each Fund is organized to operate for a specified term from the end of its respective investment period: 10 years for each of Fund II and Fund III, and 15 years for Fund IV. Fund II is scheduled to terminate in March 2021, Fund III is scheduled to terminate in December 2025 and Fund IV is scheduled to terminate in December 2034. The obligations of each of the Funds do not have any recourse to the Company or the Operating Partnership.

Ferncliff Investors

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

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

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

(Dollar amounts in thousands unless otherwise stated)

The following table sets forth the (loss) attributable to Ferncliff Investors' noncontrolling interests:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) attributable to noncontrolling interest in the Ferncliff Investors:	($153)	—	($199)	—

NONCONTROLLING INTERESTS IN THE OPERATING PARTNERSHIP

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

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

	Three Months Ended September 30,	Nine Months Ended September 30,
	2020	2020
Beginning noncontrolling interests in the Operating Partnership	$110,220	—
Issuances of Redeemable Common Units	—	106,752
Adjustment of noncontrolling interests in the Operating Partnership	8,030	12,022
Conversions of Common Units to Common Shares	(27)	(27)
Net (Loss) Income attributable to noncontrolling interests in the Operating Partnership	(25)	195
Other Comprehensive Income attributable to noncontrolling interests in the Operating Partnership	532	989
Distributions to noncontrolling interests in the Operating Partnership	(1,200)	(2,401)
Total noncontrolling interests in the Operating Partnership	$117,530	$117,530

(Dollar amounts in thousands unless otherwise stated)

6. SEGMENT AND GEOGRAPHICAL INFORMATION

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

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

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

Operating income as presented in the Consolidated Statements of Income and Comprehensive Income is equal to segment income. Certain income (loss) items in the Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include interest income (expense), miscellaneous income (expense) and income tax expense, are not considered by management to be part of segment operations and are included under “unallocated interest expense and other.”

The following tables summarize the segment information for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
SALES	2020	2019	2020	2019
Southern Timber	$47,653	$41,282	$147,402	$148,325
Pacific Northwest Timber	28,885	18,766	86,131	57,856
New Zealand Timber	62,804	61,999	142,112	181,257
Timber Funds (a)	9,907	—	17,431	—
Real Estate (b)	28,791	9,212	197,364	52,744
Trading	22,201	25,192	65,505	92,719
Intersegment Eliminations (c)	(1,366)	(34)	(2,310)	(137)
Total	$198,875	$156,417	$653,635	$532,764

(a) The three and nine months ended September 30, 2020 include $7.7 million and $13.5 million, respectively, of sales attributable to noncontrolling interest in Timber Funds.

(b) The nine months ended September 30, 2020 includes $116.0 million from a Large Disposition.

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

(Dollar amounts in thousands unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
OPERATING INCOME (LOSS)	2020	2019	2020	2019
Southern Timber (a)	$5,090	$9,512	$31,368	$45,773
Pacific Northwest Timber	(1,825)	(3,567)	(9,453)	(11,123)
New Zealand Timber	10,720	10,104	21,142	38,621
Timber Funds (b)	(12,370)	—	(14,262)	—
Real Estate (c)	9,459	425	61,081	25,920
Trading	(557)	(37)	(474)	271
Corporate and Other (d)	(8,737)	(5,450)	(37,383)	(18,562)
Total Operating Income	1,780	10,987	52,019	80,900
Unallocated interest expense and other	(10,558)	(7,208)	(27,225)	(20,451)
Total (Loss) Income before Income Taxes	($8,778)	$3,779	$24,794	$60,449

(a) The three and nine months ended September 30, 2020 include $6.0 million of timber write-offs resulting from casualty events attributable to Rayonier. Timber write-offs resulting from casualty events are recorded within the Consolidated Statements of Income and Comprehensive Income under the caption “Cost of sales.”

(b) The three and nine months ended September 30, 2020 include $10.3 million and $12.3 million, respectively, of operating loss attributable to noncontrolling interest in Timber Funds. Included in operating loss attributable to noncontrolling interest in Timber Funds for the three and nine months ended September 30, 2020 is $7.3 million related to timber write-offs resulting from casualty events attributable to noncontrolling interest in Timber Funds. The three and nine months ended September 30, 2020 also include $1.8 million of timber write-offs resulting from casualty events attributable to Rayonier. Timber write-offs resulting from casualty events are recorded within the Consolidated Statements of Income and Comprehensive Income under the caption “Cost of sales.”

(c) The nine months ended September 30, 2020 includes $28.7 million from a Large Disposition.

(d) The three and nine months ended September 30, 2020 include $0.4 million and $16.4 million, respectively, of integration and restructuring costs related to the merger with Pope Resources. See Note 20 — Charges for Integration and Restructuring for additional details.

	Three Months Ended September 30,		Nine Months Ended September 30,	
DEPRECIATION, DEPLETION AND AMORTIZATION	2020	2019	2020	2019
Southern Timber	$14,954	$13,025	$48,368	$45,633
Pacific Northwest Timber	10,912	6,299	32,221	19,170
New Zealand Timber	7,345	7,563	17,062	21,071
Timber Funds (a)	4,170	—	8,239	—
Real Estate (b)	5,527	668	47,950	5,202
Corporate and Other	375	291	1,011	863
Total	$43,283	$27,846	$154,851	$91,939

(a) The three and nine months ended September 30, 2020 include $3.7 million and $7.2 million, respectively, of depreciation, depletion and amortization attributable to noncontrolling interest in Timber Funds.

(b) The nine months ended September 30, 2020 includes $35.4 million from a Large Disposition.

	Three Months Ended September 30,		Nine Months Ended September 30,	
NON-CASH COST OF LAND AND IMPROVED DEVELOPMENT	2020	2019	2020	2019
Real Estate (a)	$7,259	$4,339	$72,340	$9,985
Total	$7,259	$4,339	$72,340	$9,985

(a) The nine months ended September 30, 2020 includes $51.6 million from a Large Disposition.

(Dollar amounts in thousands unless otherwise stated)

7. DEBT

Our debt consisted of the following at September 30, 2020:

	September 30, 2020
Debt, excluding Timber Funds:	
Term Credit Agreement borrowings due 2028 at a variable interest rate of 1.8% at September 30, 2020 (a)	$350,000
Senior Notes due 2022 at a fixed interest rate of 3.75%	325,000
Incremental Term Loan Agreement borrowings due 2026 at a variable interest rate of 2.1% at September 30, 2020 (b)	300,000
2020 Incremental Term Loan Facility borrowings due 2025 at a variable interest rate of 2.0% at September 30, 2020 (c)	250,000
Revolving Credit Facility borrowings due 2025 at an average variable interest rate of 1.7% at September 30, 2020	20,000
New Zealand subsidiary noncontrolling interest shareholder loan due 2025 at a fixed interest rate of 2.95%	22,735
Northwest Farm Credit Services Credit Facility with quarterly interest-only payments, collateralized by Core Timberlands, with the following tranches (d)	
Due 2025 at a fixed interest rate of 6.1%	11,690
Due 2028 at a fixed interest rate of 4.1%	12,052
Due 2033 at a fixed interest rate of 5.3%	19,497
Due 2036 at a fixed interest rate of 5.4%	9,898
Total debt, excluding Timber Funds	1,320,872
Less: Deferred financing costs, excluding Timber Funds	(2,667)
Long-term debt, net of deferred financing costs, excluding Timber Funds	1,318,205
Debt, Timber Funds:	
Fund II Mortgages Payable, collateralized by Fund II timberlands with quarterly interest payments, as follows: (d)	
Due 2022 at a fixed interest rate of 2.0% (e)	11,000
Due 2022 at a fixed interest rate of 2.0% (e)	14,000
Fund III Mortgages Payable, collateralized by Fund III timberlands with quarterly interest payments, as follows (d):	
Due 2023 at a fixed interest rate of 5.1%	19,695
Due 2024 at a fixed interest rate of 4.5%	15,708
Total debt, Timber Funds	60,403
Less: Deferred financing costs, Timber Funds	(12)
Long-term debt, net of deferred financing costs, Timber Funds	60,391
Long-term debt, net of deferred financing costs	$1,378,596

(a) As of September 30, 2020, the periodic interest rate on the term credit agreement (the “Term Credit Agreement”) was LIBOR plus 1.600%. We estimate the effective fixed interest rate on the term loan facility to be approximately 3.2% after consideration of interest rate swaps and estimated patronage refunds.

(b) As of September 30, 2020, the periodic interest rate on the incremental term loan (the “Incremental Term Loan Agreement”) was LIBOR plus 1.900%. We estimate the effective fixed interest rate on the incremental term loan facility to be approximately 2.8% after consideration of interest rate swaps and estimated patronage refunds.

(c) As of September 30, 2020, the periodic interest rate on the 2020 incremental term loan (the “2020 Incremental Term Loan Facility”) was LIBOR plus 1.850%. We estimate the effective fixed interest rate on the incremental term loan facility to be approximately 2.3% after consideration of interest rate swaps and estimated patronage refunds.

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

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

(Dollar amounts in thousands unless otherwise stated)

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

	Excluding Timber Funds	Timber Funds	Total
2020	—	—	—
2021	—	—	—
2022	325,000	25,000	350,000
2023	—	17,980	17,980
2024	—	14,400	14,400
Thereafter	987,735	—	987,735
Total Debt	$1,312,735	$57,380	$1,370,115

2020 DEBT ACTIVITY

U.S. Debt — Excluding Timber Funds

On April 1, 2020, we entered into a Second Amendment to Credit Agreement to increase the limit on our Revolving Credit Facility from $200 million to $250 million and extend its maturity date from August 5, 2020 to April 1, 2025. Additionally, the maturity date of the Term Credit Agreement was extended from August 5, 2024 to April 1, 2028. In connection herewith, we recorded deferred financing costs in the amount of $0.5 million which are being amortized over the term of the Term Credit Agreement.

On April 13, 2020, we entered into an Accordion Increase Agreement to further increase the limit on the Revolving Credit Facility from $250 million to $300 million. In connection herewith, we recorded deferred financing costs in the amount of $1.2 million which are being amortized over the term of the Revolving Credit Facility.

On April 16, 2020, we entered into a Third Amendment and Incremental Term Loan Agreement, which provided for the advancement of a five-year $250 million senior unsecured incremental term loan facility. In connection herewith, we recorded deferred financing costs in the amount of $0.8 million which are being amortized over the term of the 2020 Incremental Term Loan Facility. The proceeds from the 2020 Incremental Term Loan Facility were used to fund our acquisition of Pope Resources.

During the nine months ended September 30, 2020, we made borrowings of $70.0 million and repayments of $132.0 million on our Revolving Credit Facility**.** At September 30, 2020, we had available borrowings of $279.1 million under the Revolving Credit Facility, net of $0.9 million to secure our outstanding letters of credit.

U.S. Debt — Timber Funds

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

New Zealand

In June 2020, the New Zealand subsidiary renewed its NZ$20 million working capital facility for an additional 12-month term. During the nine months ended September 30, 2020, the New Zealand subsidiary made no borrowings or repayments on its working capital facility. At September 30, 2020, the New Zealand subsidiary had NZ$20.0 million of available borrowings under its working capital facility.

(Dollar amounts in thousands unless otherwise stated)

In September 2020, the New Zealand subsidiary made a capital distribution to its partners on a pro rata basis in order to redeem certain equity interests. A portion of this capital distribution was reinvested by the partners in shareholder loans to the New Zealand subsidiary. Our capital distribution and portion of the shareholder loan are eliminated in consolidation. The capital distribution to the minority shareholder and its reinvestment in the shareholder loan resulted in the recording of a noncontrolling interest share redemption of $5.1 million and a loan payable by the New Zealand subsidiary in the amount of $23.3 million due in 2025 at a fixed interest rate of 2.95%. As of September 30, 2020, the outstanding balance on the shareholder loan is $22.7 million. See Note 5 — Noncontrolling Interests for more information regarding the New Zealand subsidiary.

LONG-TERM DEBT ASSUMED IN THE POPE RESOURCES MERGER

Northwest Farm Credit Services Credit Facility

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

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

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

(a) Estimated effective fixed interest rates as of September 30, 2020 after consideration of estimated patronage refunds.

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

Fund II Mortgage Payable

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

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

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

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

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

(Dollar amounts in thousands unless otherwise stated)

Fund III Mortgage Payable

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

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

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

(a) Estimated effective fixed interest rates as of September 30, 2020 after consideration of estimated patronage refunds.
(b) The fair market value premium will be amortized as a benefit to interest expense over the maturity term of each mortgage.

DEBT COVENANTS — EXCLUDING TIMBER FUNDS

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

The covenants listed below, which are the most significant financial covenants in effect as of September 30, 2020, are calculated on a trailing 12-month basis:

	Covenant Requirement	Actual Ratio	Favorable
Covenant EBITDA to consolidated interest expense should not be less than	2.5 to 1	9.42 to 1	6.92
Covenant debt to covenant net worth plus covenant debt shall not exceed	65 %	48 %	17 %

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

The covenants listed below, which are the most significant financial covenants in effect as of September 30, 2020, are calculated on a trailing 12-month basis:

	Covenant Requirement	Actual Ratio	Favorable
Covenant loan-to-appraised value shall not exceed	50%	11%	39 %
Covenant EBITDA to consolidated interest expense should not be less than	2.5 to 1	9.42 to 1	6.92
Covenant debt to covenant net worth plus covenant debt shall not exceed	65 %	48 %	17 %

In addition to these financial covenants listed above, the 2022 Notes, Term Credit Agreement, Incremental Term Loan Agreement, 2020 Incremental Term Loan Facility, Revolving Credit Facility, and NWFCS Credit Facility include customary covenants that limit the incurrence of debt and the disposition of assets, among others. At September 30, 2020, we were in compliance with all applicable covenants.

DEBT COVENANTS — TIMBER FUNDS

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

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

Both Timber Funds are in compliance with their respective debt covenants as of September 30, 2020.

(Dollar amounts in thousands unless otherwise stated)

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

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

In the merger with Pope Resources, we acquired HBU properties with an estimated fair value of $27.7 million. This includes development properties in the town of Port Gamble, Washington, development projects in Gig Harbor, Kingston, and Bremerton, Washington and various other assets.

Changes in higher and better use timberlands and real estate development investments from December 31, 2019 to September 30, 2020 are shown below:

	Higher and Better Use Timberlands and Real Estate Development Investments		
	Land and Timber	Development Investments	Total
Non-current portion at December 31, 2019	$58,091	$23,700	$81,791
Plus: Current portion (a)	274	12,389	12,663
Total Balance at December 31, 2019	58,365	36,089	94,454
Non-cash cost of land and improved development	(882)	(4,947)	(5,829)
Timber depletion from harvesting activities and basis of timber sold in real estate sales	(619)	—	(619)
Capitalized real estate development investments (b)	—	5,448	5,448
HBU properties acquired in merger with Pope Resources (c)	27,722	—	27,722
Capital expenditures (silviculture)	211	—	211
Intersegment transfers	(3,979)	—	(3,979)
Total Balance at September 30, 2020	80,818	36,590	117,408
Less: Current portion (a)	(326)	(8,796)	(9,122)
Non-current portion at September 30, 2020	$80,492	$27,794	$108,286

(a) The current portion of Higher and Better Use Timberlands and Real Estate Development Investments is recorded in Inventory. See Note 21 — Inventory for additional information.
(b) Capitalized real estate development investments include $0.4 million of capitalized interest.
(c) Based on preliminary estimates of fair value as of May 8, 2020. See Note 2 - Merger with Pope Resources for additional information.

(Dollar amounts in thousands unless otherwise stated)

9. COMMITMENTS

At September 30, 2020, the future minimum payments under non-cancellable commitments were as follows:

	Environmental Remediation (a)	Development Projects (b)	Commitments (c)	Total
Remaining 2020	$460	$5,190	$3,644	$9,294
2021	3,238	161	14,289	17,688
2022	1,786	220	17,210	19,216
2023	1,775	232	17,946	19,953
2024	1,775	232	15,036	17,043
Thereafter	2,684	2,770	39,350	44,804
	$11,718	$8,805	$107,475	$127,998

(a) Environmental remediation represents our estimate of potential liability associated with environmental contamination in Port Gamble, Washington.

(b) Primarily consisting of payments expected to be made on our Wildlight and Richmond Hill development projects.

(c) Commitments include payments expected to be made on foreign exchange contracts, timberland deeds and other purchase obligations.

(Dollar amounts in thousands unless otherwise stated)

10. INCOME TAXES

Rayonier is a REIT under the Internal Revenue Code and therefore generally does not pay U.S. federal or state income tax. Through the Mergers, Rayonier transferred all of its assets to the Operating Partnership on May 8, 2020. See Note 1 - Basis of Presentation for more information. As a result, Rayonier owns a 96.8% interest in the Operating Partnership and conducts substantially all of its timberland operations through the Operating Partnership. The taxable income or loss generated by the Operating Partnership is passed through and reported to its unit holders (including the Company) on a Schedule K-1 for inclusion in each unitholder's income tax return. Certain operations, including log trading and certain real estate activities, such as the entitlement, development and sale of HBU properties, are conducted through our TRS. The TRS subsidiaries are subject to United States federal and state corporate income tax. The New Zealand timber operations are conducted by the New Zealand subsidiary, which is subject to corporate-level tax at 28% in New Zealand and is treated as a partnership for U.S. income tax purposes.

PROVISION FOR INCOME TAXES

The Company's tax expense is principally related to corporate-level tax in New Zealand and non-resident withholding tax on repatriation of earnings from New Zealand. The following table contains the income tax expense recognized on the Consolidated Statements of Income and Comprehensive Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Income tax expense	($720)	($2,251)	($7,416)	($10,208)

ANNUAL EFFECTIVE TAX RATE

The Company's effective tax rate after discrete items is over the 21.0% U.S. statutory rate due to a higher proportion of our taxable income resulting from New Zealand operations. The following table contains the Company's annualized effective tax rate after discrete items:

	Nine Months Ended September 30,	
	2020	2019
Annualized effective tax rate after discrete items	29.9 %	16.6 %

11. CONTINGENCIES

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

12. ENVIRONMENTAL REMEDIATION LIABILITIES

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

In connection to the merger with Pope Resources, we assumed ownership of certain real estate in Port Gamble, Washington where hazardous substances had previously been discovered, requiring environmental remediation under these laws. Prior to the merger, Pope Resources had completed required remediation on the Port Gamble Bay, performed remedial investigation and drafted a cleanup action plan for the Port Gamble millsite, and started discussions relating to alleged natural resource damages.

Since completing the merger with Pope Resources, we have made $0.2 million in payments associated with our environmental remediation efforts. As of September 30, 2020, we have accrued $11.7 million for environmental remediation, which represents our current estimate of the fair value of remaining cleanup cost and most likely outcome to various contingencies. These estimates were based on assumptions that we believe to be reasonable; however, actual results may differ from these estimates. See Note 2 - Merger with Pope Resources for information regarding our preliminary estimates of fair value. It is expected that the millsite cleanup and NRD restoration will occur over the next two to three years, while the monitoring of the Port Gamble Bay, millsite and landfills containing dredged and excavated contaminated sediments will continue for an additional 10 to 15 years. The NRD costs might change as the scope of the restoration projects become more clearly defined. It is reasonably possible that these components of the liability may increase as the project progresses. Management continues to monitor the Port Gamble cleanup process and will make adjustments as needed. Should any future circumstances result in a change to the estimated cost of the project, we will record an appropriate adjustment to the liability in the period it becomes known and when we can reasonably estimate the amount. For further information on the timing and amount of future payments related to our environmental remediation liabilities, see Note 9 - Commitments.

(Dollar amounts in thousands unless otherwise stated)

13. GUARANTEES

We provide financial guarantees as required by creditors, insurance programs, and various governmental agencies.

As of September 30, 2020, the following financial guarantees were outstanding:

Financial Commitments (a)	Maximum Potential Payment
Standby letters of credit	$885
Surety bonds (b)	9,324
Total financial commitments	$10,209

(a) We have not recorded any liabilities for these financial commitments in our Consolidated Balance Sheets. The guarantees are not subject to measurement, as the guarantees are dependent on our own performance.

(b) Surety bonds are issued primarily to secure performance obligations related to various operational activities, to provide collateral for our Wildlight development project in Nassau County, Florida and in connection with pending and completed sales from the Harbor Hill project in Gig Harbor, Washington. These surety bonds expire at various dates during 2020, 2021 and 2022 and are expected to be renewed as required.

In conjunction with the Contribution discussed in Note 1 - Basis of Presentation, the 2022 Notes assumed by the Operating Partnership are fully and unconditionally guaranteed on a joint and several basis by Rayonier Inc. and Rayonier TRS Holdings, Inc.

Financial Commitments	Maximum Potential Payment
Senior Notes due 2022 (a)	$325,000
Total financial commitments	$325,000

(a) The Senior Notes due 2022 are classified as Long-Term Debt in our Consolidated Balance Sheets. See Note 7 - Debt for additional information.

(Dollar amounts in thousands unless otherwise stated)

14. (LOSS) EARNINGS PER SHARE AND PER UNIT

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(Loss) Earnings per common share - basic				
Numerator:				
Net (Loss) Income	($9,498)	$1,528	$17,378	$50,241
Less: Net loss (income) attributable to noncontrolling interest in the Operating Partnership	25	—	(195)	—
Less: Net loss (income) attributable to noncontrolling interests in consolidated affiliates	8,715	(1,961)	9,647	(7,129)
Net (loss) income attributable to Rayonier Inc.	($758)	($433)	$26,830	$43,112
Denominator:				
Denominator for basic (loss) earnings per common share - weighted average shares	136,351,271	129,325,181	132,948,124	129,293,562
Basic (loss) earnings per common share attributable to Rayonier Inc.:	($0.01)	—	$0.20	$0.33
(Loss) Earnings per common share - diluted				
Numerator:				
Net (Loss) Income	($9,498)	$1,528	$17,378	$50,241
Less: Net loss (income) attributable to noncontrolling interest in consolidated affiliates	8,715	(1,961)	9,647	(7,129)
Less: Net loss (income) attributable to noncontrolling interest in the Operating Partnership	25 (a)	—	—	—
Net (loss) income attributable to Rayonier Inc. used for determining (Loss) Earnings per common share - diluted	($758)	($433)	$27,025	$43,112
Denominator:				
Denominator for basic (loss) earnings per common share - weighted average shares	136,351,271	129,325,181	132,948,124	129,293,562
Add: Dilutive effect of:				
Stock options	—	—	492	13,405
Performance shares, restricted shares and restricted stock units	—	—	159,018	345,495
Noncontrolling interests in common units	— (a)	—	2,352,822	—
Denominator for diluted (loss) earnings per common share - adjusted weighted average shares	136,351,271	129,325,181	135,460,456	129,652,462
Diluted (loss) earnings per common share attributable to Rayonier Inc.:	($0.01)	—	$0.20	$0.33

(a) For the three months ended September 30, 2020, net loss attributable to noncontrolling interest in the Operating Partnership was included in the numerator for diluted (loss) earnings per share as the Company generated a net loss attributable to Rayonier Inc. during the quarter. Also as a result of the net loss attributable to Rayonier Inc. during the three months ended September 30, 2020, the incremental shares related to noncontrolling interests in common units were excluded from the denominator of diluted loss per share.

(Dollar amounts in thousands unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Anti-dilutive shares excluded from the computations of diluted (loss) earnings per common share:				
Stock options, performance shares, restricted shares, restricted stock units and noncontrolling interests in common units (a)	5,038,514	611,740	471,999	421,853
Total	5,038,514	611,740	471,999	421,853

(a) For the three months ended September 30, 2020 and September 30, 2019, the incremental shares related to stock options, performance shares, restricted shares, restricted stock units and noncontrolling interests in common units were not included in the computation of diluted loss per share as their inclusion would have had an anti-dilutive effect.

The following table provides details of the calculations of basic and diluted (loss) earnings per common unit of the Operating Partnership:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(Loss) earnings per common unit - basic				
Numerator:				
Net (Loss) Income	($9,498)	$1,528	$17,378	$50,241
Less: Net loss (income) attributable to noncontrolling interests in consolidated affiliates	8,715	(1,961)	9,647	(7,129)
Net (loss) income available to unitholders	($783)	($433)	$27,025	$43,112
Denominator:				
Denominator for basic (loss) earnings per common unit - weighted average units	140,797,217	129,325,181	135,300,946	129,293,562
Basic (loss) earnings per common unit attributable to Rayonier, L.P.:	($0.01)	—	$0.20	$0.33
(Loss) earnings per common unit - diluted				
Numerator:				
Net (Loss) Income	($9,498)	$1,528	$17,378	$50,241
Less: Net loss (income) attributable to noncontrolling interests in consolidated affiliates	8,715	(1,961)	9,647	(7,129)
Net (loss) income available to unitholders	($783)	($433)	$27,025	$43,112
Denominator:				
Denominator for basic (loss) earnings per common unit - weighted average units	140,797,217	129,325,181	135,300,946	129,293,562
Add: Dilutive effect of unit equivalents:				
Stock options	—	—	492	13,405
Performance shares, restricted shares and restricted stock units	—	—	159,018	345,495
Denominator for diluted (loss) earnings per common unit - adjusted weighted average units	140,797,217	129,325,181	135,460,456	129,652,462
Diluted (loss) earnings per common unit attributable to Rayonier, L.P.:	($0.01)	—	$0.20	$0.33

(Dollar amounts in thousands unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Anti-dilutive unit equivalents excluded from the computations of diluted (loss) earnings per common unit:				
Stock options, performance shares, restricted shares and restricted stock units (a)	592,568	611,740	471,999	421,853
Total	592,568	611,740	471,999	421,853

(a) For the three months ended September 30, 2020 and September 30, 2019, the incremental unit equivalents related to stock options, performance shares, restricted shares and restricted stock units were not included in the computation of diluted loss per unit as their inclusion would have had an anti-dilutive effect.

15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to market risk related to potential fluctuations in foreign currency exchange rates and interest rates. We use derivative financial instruments to mitigate the financial impact of exposure to these risks.

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

FOREIGN CURRENCY EXCHANGE AND OPTION CONTRACTS

The functional currency of Rayonier New Zealand Limited, and the New Zealand subsidiary is the New Zealand dollar. The New Zealand subsidiary is exposed to foreign currency risk on export sales and ocean freight payments which are mainly denominated in U.S. dollars. The New Zealand subsidiary typically hedges 50% to 90% of its estimated foreign currency exposure with respect to the following twelve months forecasted sales and purchases, less distributions, and up to 75% of the forward 12 to 18 months. Additionally, the New Zealand subsidiary will occasionally hedge up to 50% of its estimated foreign currency exposure with respect to the following 18 to 48 months forecasted sales and purchases, less distributions, when the New Zealand dollar is at a cyclical low versus the U.S. dollar. Foreign currency exposure from the New Zealand subsidiary's trading operations is typically hedged based on the following three months forecasted sales and purchases. As of September 30, 2020, foreign currency exchange contracts and foreign currency option contracts had maturity dates through April 2022 and August 2021, respectively.

Foreign currency exchange and option contracts hedging foreign currency risk on export sales and ocean freight payments qualify for cash flow hedge accounting. We may de-designate these cash flow hedge relationships in advance or at the occurrence of the forecasted transaction. The portion of gains or losses on the derivative instrument previously accumulated in other comprehensive loss for de-designated hedges remains in accumulated other comprehensive loss until the forecasted transaction affects earnings. Changes in the value of derivative instruments after de-designation are recorded in earnings.

INTEREST RATE SWAPS

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

(Dollar amounts in thousands unless otherwise stated)

The following table contains information on the outstanding interest rate swaps as of September 30, 2020:

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

(a) All interest rate swaps have been designated as interest rate cash flow hedges and qualify for hedge accounting.

(b) The interest rate swap entered in June 2020, was an off-market derivative, meaning it contained an embedded financing element, which the counterparties recovered through an incremental charge in the fixed rate over what would have been charged for an at-market swap.

(c) Rate is before estimated patronage payments.

TREASURY LOCKS

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

The following table contains information on the expired treasury lock agreements entered into during the nine months ended September 30, 2020:

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

(a) At inception, all treasury locks were designated as interest rate cash flow hedges and qualified for hedge accounting.

(b) See Note 7 — Debt for more information. We anticipate extending the term of the 2020 Incremental Term Loan facility for an additional five-year term upon maturity.

INTEREST RATE SWAP LOCKS

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

Prior to expiration, we de-designated and partially cash settled $11.1 million of the interest rate swap locks and converted them into interest rate swap agreements. To the extent we de-designate or terminate a cash flow hedging relationship and the associated hedged item continues to exist, any unrealized gain or loss of the cash flow hedge at the time of de-designation remains in accumulated other comprehensive loss and is amortized using the straight-line method through interest expense over the remaining life of the hedged item. Incremental amounts recorded in accumulated other comprehensive loss in connection with the settled interest rate swap locks were ($1.4) million, which will be reclassified to earnings through interest expense over the life of the anticipated issued debt.

(Dollar amounts in thousands unless otherwise stated)

The following table contains information on the terminated interest rate swap lock agreements as of September 30, 2020:

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

(a) All interest rate swap locks have been designated as interest rate cash flow hedges and qualify for hedge accounting.

(b) These interest rate swap locks were off-market derivatives, meaning they contained an embedded financing element, which the counterparties recovered through an incremental charge in the fixed rate over what would have been charged for an at-market swap lock.

(c) See Note 7 — Debt for information. We anticipate extending the term of the 2020 Incremental Term Loan facility for an additional five-year term upon maturity.

FORWARD-STARTING INTEREST RATE SWAPS

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

The following table contains information on the outstanding forward-starting interest rate swaps as of September 30, 2020:

Outstanding Forward-Starting Interest Rate Swaps (a)						
Date Entered Into	Term	Notional Amount	Fixed Rate of Swap	Related Debt Facility	Forward Date	Maximum Period Ending for Forecasted Issuance Date
February 2020	10 years	$325,000	1.40 %	Anticipated refinancing of Senior Notes due 2022	April 2022	April 2022
March 2020	4 years	100,000	0.88 %	Term Credit Agreement	August 2024	N/A
May 2020	4 years	50,000	0.74 %	Term Credit Agreement	August 2024	N/A

(a) All forward-starting interest rate swaps have been designated as interest rate cash flow hedges and qualify for hedge accounting.

CARBON OPTIONS

The New Zealand subsidiary enters into carbon options from time to time to sell carbon assets at certain prices. Changes in fair value of the carbon option contracts are recorded in “Interest and other miscellaneous (expense) income, net” as the contracts do not qualify for hedge accounting treatment. As of September 30, 2020, all existing carbon option contracts have expired.

(Dollar amounts in thousands unless otherwise stated)

The following tables demonstrate the impact, gross of tax, of the Company's derivatives on the Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2020 and 2019:

		Three Months Ended September 30,	
	Income Statement Location	2020	2019
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other comprehensive income (loss)	$1,946	($2,870)
Foreign currency option contracts	Other comprehensive income (loss)	358	(300)
Interest rate products	Other comprehensive income (loss)	2,417	(9,592)
	Interest Expense	3,783	(549)

		Nine Months Ended September 30,	
	Income Statement Location	2020	2019
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other comprehensive income (loss)	$1,806	($1,971)
Foreign currency option contracts	Other comprehensive income (loss)	85	(330)
Interest rate products	Other comprehensive income (loss)	(91,203)	(38,558)
	Interest Expense	6,951	(2,414)
Derivatives not designated as hedging instruments:			
Foreign currency exchange contracts	Interest and other miscellaneous (expense) income, net	—	135
Carbon option contracts	Interest and other miscellaneous income, net	563	414

During the next 12 months, the amount of the September 30, 2020 AOCI balance, net of tax, expected to be reclassified into earnings as a result of the maturation of the Company's derivative instruments is a gain of approximately $1.1 million.

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

	Notional Amount	
	September 30, 2020	December 31, 2019
Derivatives designated as cash flow hedges:		
Foreign currency exchange contracts	$47,650	$56,350
Foreign currency option contracts	32,000	22,000
Interest rate swaps	900,000	650,000
Forward-starting interest rate swaps	475,000	—
Derivative not designated as a hedging instrument:		
Carbon options (a)	—	9,592

(a) Notional amount for carbon options is calculated as the number of units outstanding multiplied by the spot price as of the end of the period.

(Dollar amounts in thousands unless otherwise stated)

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

	Location on Balance Sheet	Fair Value Assets / (Liabilities) (a)	
		September 30, 2020	December 31, 2019
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other current assets	$1,252	$424
	Other assets	1,293	390
	Other current liabilities	(96)	(172)
Foreign currency option contracts	Other current assets	563	151
	Other assets	—	209
	Other current liabilities	(174)	(27)
	Other non-current liabilities	—	(30)
Interest rate swaps	Other assets	—	2,614
	Other non-current liabilities	(61,308)	(11,068)
Forward-starting interest rate swaps	Other non-current liabilities	(20,980)	—
Derivative not designated as a hedging instrument:			
Carbon options	Other current liabilities	—	(607)
Total derivative contracts:			
Other current assets		$1,815	$575
Other assets		1,293	3,213
Total derivative assets		$3,108	$3,788
Other current liabilities		(270)	(806)
Other non-current liabilities		(82,288)	(11,098)
Total derivative liabilities		($82,558)	($11,904)

(a) See Note 16 — Fair Value Measurements for further information on the fair value of our derivatives including their classification within the fair value hierarchy.

OFFSETTING DERIVATIVES

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

(Dollar amounts in thousands unless otherwise stated)

16. FAIR VALUE MEASUREMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The following table presents the carrying amount and estimated fair values of our financial instruments as of September 30, 2020 and December 31, 2019, using market information and what we believe to be appropriate valuation methodologies under GAAP:

	September 30, 2020			December 31, 2019		
		Fair Value			Fair Value	
Asset (Liability) (a)	Carrying Amount	Level 1	Level 2	Carrying Amount	Level 1	Level 2
Cash and cash equivalents, excluding Timber Funds	$75,178	$75,178	—	$68,735	$68,735	—
Cash and cash equivalents, Timber Funds	2,973	2,973	—	—	—	—
Restricted cash (b)	475	475	—	1,233	1,233	—
Current maturities of long-term debt, excluding Timber Funds	—	—	—	(82,000)	—	(82,000)
Long-term debt, excluding Timber Funds (c)	(1,318,205)	—	(1,325,204)	(973,129)	—	(981,500)
Long-term debt, Timber Funds (c)	(60,391)	—	(60,628)	—	—	—
Interest rate swaps (d)	(61,308)	—	(61,308)	(8,454)	—	(8,454)
Forward-starting interest rate swaps (d)	(20,980)	—	(20,980)	—	—	—
Foreign currency exchange contracts (d)	2,449	—	2,449	642	—	642
Foreign currency option contracts (d)	389	—	389	303	—	303
Carbon option contracts (d)	—	—	—	(607)	—	(607)
Marketable equity securities (e)	—	—	—	10,582	10,582	—
Noncontrolling Interests in the Operating Partnership (f)	117,530	117,530	—	—	—	—

(a) We did not have Level 3 assets or liabilities at September 30, 2020 and December 31, 2019.

(b) Restricted cash represents the proceeds from like-kind exchange sales deposited with a third-party intermediary and cash held in escrow for a real estate sale. See Note 22 — Restricted Cash for additional information.

(c) The carrying amount of long-term debt is presented net of capitalized debt costs on non-revolving debt. See Note 7 — Debt for additional information.

(d) See Note 15 — Derivative Financial Instruments and Hedging Activities for information regarding the Consolidated Balance Sheets classification of our derivative financial instruments.

(e) Investments in marketable securities are classified in “Other Assets” based on the nature of the securities and their availability for use in current operations.

(f) Noncontrolling Interests in the Operating Partnership is neither an asset or liability and is classified as temporary equity in the Company’s Consolidated Balance Sheets. This relates to the ownership of Rayonier, L.P. Common Units by various individuals and entities other than the Company.

We use the following methods and assumptions in estimating the fair value of our financial instruments:

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

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

(Dollar amounts in thousands unless otherwise stated)

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

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

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

Carbon option contracts — The fair value of carbon option contracts is determined by a mark-to-market valuation using the Black-Scholes option pricing model, which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Marketable equity securities — The fair value of marketable equity securities is determined by quoted prices in their active market.

Noncontrolling Interests in the Operating Partnership — The fair value of noncontrolling interests in the Operating Partnership is determined based on the period-end closing price of Rayonier Inc. common shares.

The following table presents marketable equity securities that have been in a continuous unrealized gain position for less than 12 months and for more than 12 months or greater at September 30, 2020 and December 31, 2019:

	September 30, 2020				December 31, 2019			
	Carrying Amount	Less than 12 Months	12 Months or Greater	Total	Carrying Amount	Less than 12 Months	12 Months or Greater	Total
Fair value of marketable equity securities	—	—	—	—	$10,582	10,582	—	10,582
Unrealized (losses) gains	—	—	—	—	—	3,043	—	3,043

(Dollar amounts in thousands unless otherwise stated)

17. EMPLOYEE BENEFIT PLANS

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

As of September 30, 2020, we have paid $2.9 million in pension contributions. These contributions, in conjunction with improvements in plan asset performance have improved the plan's funding status so that we are no longer required to make mandatory 2020 pension contributions.

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

Components of Net Periodic Benefit Cost (Credit)	Income Statement Location	Pension		Postretirement	
		Three Months Ended September 30,		Three Months Ended September 30,	
		2020	2019	2020	2019
Service cost	Selling and general expenses	—	—	$2	$1
Interest cost	Interest and other miscellaneous (expense) income, net	677	799	13	13
Expected return on plan assets (a)	Interest and other miscellaneous (expense) income, net	(876)	(777)	—	—
Amortization of losses	Interest and other miscellaneous (expense) income, net	215	112	2	—
Net periodic benefit cost		$16	$134	$17	$14

Components of Net Periodic Benefit Cost (Credit)	Income Statement Location	Pension		Postretirement	
		Nine Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Service cost	Selling and general expenses	—	—	$5	$4
Interest cost	Interest and other miscellaneous (expense) income, net	2,029	2,398	38	40
Expected return on plan assets (a)	Interest and other miscellaneous (expense) income, net	(2,628)	(2,330)	—	—
Amortization of losses	Interest and other miscellaneous (expense) income, net	646	337	6	—
Net periodic benefit cost		$47	$405	$49	$44

(a) The weighted-average expected long-term rate of return on plan assets used in computing 2020 net periodic benefit cost for pension benefits is 5.7%

DEFINED CONTRIBUTION PLANS

Upon completion of the merger with Pope Resources, former Pope Resources employees were immediately eligible to participate in the Rayonier 401(k) plan. Pope Resources employees' years of service were credited to the 401(k) plan for vesting purposes. Former Pope Resources employees have the option to rollover their former 401(k) account balance into our 401(k) plan. As discussed above, the defined benefit pension plan is currently frozen. In lieu of the pension plan, employees are eligible to receive an enhanced match contribution.

(Dollar amounts in thousands unless otherwise stated)

18. INCENTIVE STOCK PLANS

REPLACEMENT RESTRICTED STOCK AWARDS FROM THE MERGERS

As a result of the Mergers, Rayonier issued 69,176 shares of restricted stock awards ("replacement awards") in connection with unvested Pope Resources restricted units. Eligible outstanding Pope Resources restricted units were canceled and exchanged for replacement awards, pursuant to an exchange ratio in the merger agreement designed to maintain the intrinsic value of the awards immediately prior to the exchange.

In accordance with ASC 805, these awards are considered to be replacement awards. Exchanges of share-based payment awards in conjunction with a business combination are modifications in accordance with ASC 718, *Compensation — Stock Compensation* ("ASC 718"). As a result, the portion of the fair-value of replacement awards attributable to pre-merger services were included in measuring the consideration transferred in the business combination. The fair value of the replacement awards was estimated to be approximately $1.7 million of which $0.2 million was attributable to pre-merger services. See Note 2 — Merger with Pope Resources for additional information.

REPLACEMENT AWARD EXPENSE

The replacement awards issued have similar vesting provisions as the terms of existing Rayonier restricted stock. Expense for the replacement awards that were not fully vested prior to the date of the merger will continue to be recognized over a weighted average remaining service period of approximately 21 months unless a qualifying termination occurs.

A qualifying termination of an awardee will result in the acceleration of vesting and expense recognition in the period that the qualifying termination occurs. Qualifying terminations during the three and nine months ended September 30, 2020 resulted in the accelerated vesting of 3,973 and 15,049 of the replacement awards and recognition of approximately $0.1 million and $0.3 million of expense, respectively. This accelerated vesting expense is included in merger-related integration costs as described in Note 20 — Charges for Integration and Restructuring.

A summary of the replacement awards granted as a result of the Mergers is presented below:

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Replacement restricted shares granted	—	69,176
Weighted average price of replacement restricted shares granted	—	$24.01
Replacement restricted shares vested as a result of acceleration due to qualifying terminations	3,973	15,049
Grant date fair value of replacement restricted shares vested	$24.01	$24.01
Intrinsic value of replacement restricted shares outstanding (a)	$1,431	$1,431
Cash used to purchase common shares from employees with vested replacement shares to pay minimum withholding tax requirements	—	$44

(a) Intrinsic value of restricted stock outstanding is based on the market price of the Company's stock at September 30, 2020.

For additional information related to our incentive stock plans, see Note 17 — Incentive Stock Plans in the Company's 2019 Form 10-K.

(Dollar amounts in thousands unless otherwise stated)

19. OTHER OPERATING EXPENSE, NET

Other operating expense, net consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Loss on foreign currency remeasurement, net of cash flow hedges	($976)	($895)	($2,263)	($1,585)
Gain on sale or disposal of property and equipment	19	—	26	56
Log trading marketing fees	—	102	50	239
Costs related to the merger with Pope Resources (a)	(430)	—	(16,415)	—
Miscellaneous expense, net	(266)	(72)	(645)	(1,509)
Total	($1,653)	($865)	($19,247)	($2,799)

(a) Includes legal, accounting, due diligence, consulting and other costs related to the merger with Pope Resources. See Note 2 - Merger with Pope Resources and Note 20 - Charges for Integration and Restructuring for additional information.

20. CHARGES FOR INTEGRATION AND RESTRUCTURING

During 2020, we have incurred and accrued for termination benefits (primarily severance) and accelerated share-based payment costs based upon actual and expected qualifying terminations of certain employees as a result of restructuring decisions made concurrent with and subsequent to the Mergers. We have also incurred non-recurring professional services costs for investment banking, legal, consulting, accounting and certain other fees directly attributable to the Mergers.

A summary of the charges for integration and restructuring related to the Mergers is presented below:

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Termination benefits	$70	$651
Acceleration of share-based compensation related to qualifying terminations (Note 18)	92	324
Professional services	239	13,553
Other integration and restructuring costs	29	1,887
Total integration and restructuring charges related to the Mergers	$430	$16,415

Changes in accrued severance related to restructuring during the nine months ended September 30, 2020 were as follows:

	Nine Months Ended September 30, 2020
Accrued severance as of March 31, 2020	—
Charges	581
Payments	(334)
Accrued severance as of June 30, 2020	$247
Charges	70
Payments	(71)
Accrued severance as of September 30, 2020	$246

Accrued severance is recorded within “Accrued Payroll and Benefits” in our Consolidated Balance Sheets. The majority of the accrued severance balance as of September 30, 2020 is expected to be paid within one year.

(Dollar amounts in thousands unless otherwise stated)

21. INVENTORY

As of September 30, 2020 and December 31, 2019, our inventory consisted entirely of finished goods, as follows:

	September 30, 2020	December 31, 2019
Finished goods inventory		
Real estate inventory (a)	$9,122	$12,663
Log inventory	4,645	1,855
Total inventory	$13,767	$14,518

(a) Represents the cost of HBU real estate (including capitalized development investments) under contract to be sold. See Note 8 — Higher And Better Use Timberlands and Real Estate Development Investments for additional information.

22. RESTRICTED CASH

In order to qualify for like-kind exchange ("LKE") treatment, the proceeds from real estate sales must be deposited with a third-party intermediary. These proceeds are accounted for as restricted cash until a suitable replacement property is acquired. In the event LKE purchases are not completed, the proceeds are returned to us after 180 days and reclassified as available cash. As of September 30, 2020 and December 31, 2019, we had $0.5 million and $1.2 million, respectively, of proceeds from real estate sales classified as restricted cash which were deposited with an LKE intermediary as well as cash held in escrow for a real estate sale.

The following table contains the amounts of restricted cash recorded in the Consolidated Balance Sheets and Consolidated Statements of Cash Flows for the nine months ended September 30, 2020:

	September 30, 2020
Restricted cash held in escrow	$475
Total restricted cash shown in the Consolidated Balance Sheets	475
Cash and cash equivalents	78,151
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$78,626

(Dollar amounts in thousands unless otherwise stated)

23. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in AOCI by component for the nine months ended September 30, 2020 and the year ended December 31, 2019. All amounts are presented net of tax and exclude portions attributable to noncontrolling interest.

	Foreign currency translation (loss) gains	Net investment hedges of New Zealand subsidiary	Cash flow hedges	Employee benefit plans	Total Rayonier, L.P.	Allocation to Operating Partnership	Total Rayonier Inc.
Balance as of December 31, 2018	($1,010)	$1,321	$21,965	($22,037)	$239	—	$239
Other comprehensive (loss) income before reclassifications	784	—	(29,251)	(1,799)	(30,266)	—	(30,266)
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	(1,624)	449 (b)	(1,175)	—	(1,175)
Net other comprehensive (loss) income	784	—	(30,875)	(1,350)	(31,441)	—	(31,441)
Balance as of December 31, 2019	($226)	$1,321	($8,910)	($23,387)	($31,202)	—	($31,202)
Other comprehensive loss before reclassifications	(6,862)	—	(88,723) (a)	—	(95,585)	—	(95,585)
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	5,519	652 (b)	6,171	(989)	5,182
Net other comprehensive (loss) income	(6,862)	—	(83,204)	652	(89,414)	(989)	(90,403)
Balance as of September 30, 2020	($7,088)	$1,321	($92,114)	($22,735)	($120,616)	($989)	($121,605)

(a) Includes $91.2 million of other comprehensive loss related to interest rate swaps, treasury locks, interest rate swap locks and forward-starting interest rate swaps. See Note 15 — Derivative Financial Instruments and Hedging Activities for additional information.

(b) This component of other comprehensive (loss) income is included in the computation of net periodic pension and post-retirement costs. See Note 17 — Employee Benefit Plans for additional information.

The following table presents details of the amounts reclassified in their entirety from AOCI to net income for the nine months ended September 30, 2020 and September 30, 2019:

Details about accumulated other comprehensive (loss) income components	Amount reclassified from accumulated other comprehensive (loss) income		Affected line item in the income statement
	September 30, 2020	September 30, 2019	
Realized (gain) loss on foreign currency exchange contracts	($2,568)	$580	Other operating expense, net
Realized loss (gain) on foreign currency option contracts	(15)	(71)	Other operating expense, net
Noncontrolling interest	594	(117)	Comprehensive (loss) income attributable to noncontrolling interest
Realized loss (gain) on interest rate contracts	6,951	(2,414)	Interest expense
Income tax expense from net gain on foreign currency contracts	557	(110)	Income tax expense
Net loss (gain) from accumulated other comprehensive income	$5,519	($2,132)	

(Dollar amounts in thousands unless otherwise stated)

24. VARIABLE INTEREST ENTITIES

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

In the Mergers, we became manager of three private equity timber funds, Fund II, Fund III, and Fund IV, and obtained ownership interests in the Funds of 20%, 5%, and 15%, respectively. We determined, based upon an analysis under the variable interest entity guidance, that we have the power to direct the activities that most significantly impact the Funds' economic success. Therefore, we are considered the primary beneficiary and are required under ASC 810 — *Consolidation* to consolidate the Funds. For further information on the Funds, see Note 5 — Noncontrolling Interests.

The assets, liabilities and equity of the Funds as of September 30, 2020, were as follows:

Timber Funds	September 30, 2020
Assets:	
Cash and cash equivalents	$2,973
Accounts receivable	4,437
Prepaid expenses	38
Other current assets	361
Total current assets	7,809
Timber and timberlands, net of depletion and amortization	452,777
Total assets	$460,586
Liabilities and Equity:	
Accounts payable	$907
Intercompany payable (a)	552
Accrued taxes	353
Accrued interest	432
Deferred revenue	275
Other current liabilities	732
Total current liabilities	3,251
Long-term debt, net of deferred financing costs	60,391
Funds' equity	396,944
Total liabilities and equity	$460,586

(a) Includes management fees and other expenses payable to the Operating Partnership. These amounts are eliminated in the Consolidated Balance Sheets.

(Dollar amounts in thousands unless otherwise stated)

Ferncliff Investors

We also acquired in the Mergers an ownership interest in a real estate joint venture entity. We determined, based upon an analysis under the variable interest entity guidance, that we have the power to direct the activities that most significantly impact the joint venture's economic success. Therefore, we are considered the primary beneficiary and are required under ASC 810 — *Consolidation* to consolidate Ferncliff Investors. For further information on Ferncliff Investors, see Note 5 — Noncontrolling Interests.

The assets, liabilities and equity of Ferncliff Investors as of September 30, 2020, were as follows:

Ferncliff Investors	**September 30, 2020**
Assets:	
Cash and cash equivalents	$2
Prepaid expenses	740
Total current assets	742
Investment in real estate joint venture entity	2,927
Advances to real estate joint venture entity	1,000
Total assets	$4,669
Liabilities and equity:	
Intercompany payable (a)	$8
Total current liabilities	8
Ferncliff Investors' equity	4,661
Total liabilities and equity	$4,669

(a) Includes miscellaneous expenses payable to the Operating Partnership. These amounts are eliminated in the Consolidated Balance Sheets.

25. ASSETS HELD FOR SALE

Assets held for sale is composed of properties under contract and expected to be sold within 12 months that also meet the other relevant held-for sale criteria in accordance with ASC 360-10-45-9. As of September 30, 2020, the basis in properties meeting this classification was $9.7 million. Since the basis in these properties was less than the fair value, including costs to sell, no impairment was recognized. As of December 31, 2019, there were no properties classified as assets held for sale.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

When we refer to "Rayonier" or "the Company" we mean Rayonier Inc. and its consolidated subsidiaries. References to the "Operating Partnership" mean Rayonier, L.P. and its consolidated subsidiaries. References to "we," "us," or "our," mean collectively Rayonier Inc., the Operating Partnership and entities/subsidiaries owned or controlled by Rayonier Inc. and/or the Operating Partnership. References herein to "Notes to Financial Statements" refer to the Notes to Consolidated Financial Statements of Rayonier Inc. and Rayonier, L.P. included in Item 1 of this report.

This MD&A is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors which may affect future results. Our MD&A should be read in conjunction with our Consolidated Financial Statements included in Item 1 of this report, the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K"), the audited consolidated financial statements of Rayonier Operating Company LLC as of and for the years ended December 31, 2019, 2018 and 2017 included in Exhibit 99.4 of the Operating Partnership's Amendment No. 1 to the Current Report on Form 8-K filed with the SEC on July 17, 2020 and information contained in our subsequent reports filed with the Securities and Exchange Commission (the "SEC").

FORWARD-LOOKING STATEMENTS

Certain statements in this document regarding anticipated financial outcomes, including our earnings guidance, if any, business and market conditions, outlook, expected dividend rate, our business strategies, including the recent acquisition of Pope Resources, expected harvest schedules, timberland acquisitions and dispositions, the anticipated benefits of our business strategies, and other similar statements relating to our future events, developments, or financial or operational performance or results, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as "may," "will," "should," "expect," "estimate," "believe," "intend," "project," "anticipate" and other similar language. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. While management believes that these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. The risk factors contained in Item 1A — *Risk Factors* in the Company's 2019 Form 10-K, in this Report on Form 10-Q and similar discussions included in other reports that we subsequently file with the SEC, among others, could cause actual results or events to differ materially from our historical experience and those expressed in forward-looking statements made in this document.

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

NON-GAAP MEASURES

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

OUR COMPANY

We are a leading timberland real estate investment trust ("REIT") with assets located in some of the most productive softwood timber growing regions in the United States and New Zealand. We invest in timberlands and actively manage them to provide current income and attractive long-term returns to our shareholders. We conduct our business through an umbrella partnership real estate investment trust ("UPREIT") structure in which our assets are owned by our Operating Partnership and its subsidiaries. Rayonier manages the Operating Partnership as its sole general partner. Our revenues, operating income and cash flows are primarily derived from the following core business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Timber Funds, Real Estate, and Trading. As of September 30, 2020, we owned or leased under long-term agreements approximately 2.7 million acres of timberlands located in the U.S. South (1.75 million acres), U.S. Pacific Northwest (507,000 acres) and New Zealand (416,000 gross acres or 296,000 net plantable acres). We also act as the managing member in a private equity timber fund business with three funds comprising approximately 141,000 acres. On a "look-through basis," our ownership in the timber fund business equates to approximately 17,000 acres.

SEGMENT INFORMATION

The Southern Timber, Pacific Northwest Timber, New Zealand Timber, and Timber Funds segments include all activities related to the harvesting of timber and other non-timber income activities, such as the licensing of properties for hunting, the leasing of properties for mineral extraction and cell towers, and carbon credit sales. Our New Zealand operations are conducted by Matariki Forestry Group, a joint venture (the "New Zealand subsidiary"), in which we maintain a 77% ownership interest. The Timber Funds segment operations are managed by ORM LLC, a subsidiary acquired in the merger with Pope Resources. We own approximately 20% of Fund II, 5% of Fund III and 15% of Fund IV. When referring to our proportionate ownership share of the Timber Funds segment, we will refer to the sums as "look-through" totals. See Note 5 - Noncontrolling Interests for additional information regarding our noncontrolling interests in the New Zealand Timber and Timber Funds segments.

The Real Estate segment includes all U.S. and New Zealand land or leasehold sales disaggregated into six sales categories: Improved Development, Unimproved Development, Rural, Timberland & Non-Strategic, Conservation Easement and Large Dispositions. It also includes residential and commercial lease activity, primarily in the town of Port Gamble, Washington.

The Trading segment primarily reflects the log trading activities that support our New Zealand operations. The Trading segment complements the New Zealand Timber segment by providing added market intelligence, increasing the scale of export operations and achieving cost savings that directly benefit the New Zealand Timber segment. It also provides additional market intelligence that benefits our Southern and Pacific Northwest export log marketing. During the third quarter, Matariki Forests Trading Limited (MFT), a subsidiary of the Matariki Forestry Group, entered into an export services joint venture with a third-party forest manager, in which it maintains a 50% ownership interest. This joint venture aligns with the Trading segment's objectives of increasing scale efficiencies, market presence, and cost savings.

ENVIRONMENTAL MATTERS

PORT GAMBLE ENVIRONMENTAL REMEDIATION

In the merger with Pope Resources, we acquired the town of Port Gamble, Washington. Portions of this property require environmental remediation under federal and state environmental laws, and remediation activities are currently ongoing. As such, through the preliminary purchase price allocation for the merger with Pope Resources, we recognized environmental liabilities for the estimated fair value of liabilities assumed. See Note 2 - Merger with Pope Resources for additional information on the preliminary allocation of purchase price. For additional information on our environmental liabilities see Note 9 - Commitments and Note 12 - Environmental Liabilities.

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

Discovery and Initial Actions

In Port Gamble, Washington, hazardous substances were previously discovered requiring environmental remediation under federal and state environmental laws. The real estate subject to environmental remediation requirements was the location of a sawmill operated by Pope & Talbot, Inc. ("P&T") from 1853 to 1995. P&T continued to lease various portions of the site for its operations until 2002. During the time P&T operated in Port

Gamble, it also conducted shipping, log storage, and log transfer operations in the tidal and subtidal waters of Port Gamble Bay, some of which were under a lease from the Washington State Department of Natural Resources ("DNR") that lasted from 1974 to 2004. P&T's operations resulted in the release of hazardous substances that impacted the upland and submerged portions of the site. These substances include various hydrocarbons, cadmium, and toxins associated with wood waste and the production of wood products.

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

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

In-water Cleanup

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

Millsite Cleanup

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

Natural Resources Damages

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

INDUSTRY AND MARKET CONDITIONS

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

As the current novel coronavirus (“COVID-19”) pandemic continues to evolve, the expected duration and the extent of economic disruption it may ultimately cause remain uncertain. On March 19, 2020, the U.S. Department of Homeland Security issued a memorandum identifying the forest products industry as a “critical infrastructure industry,” which is expected to continue operating through the duration of the pandemic. Our New Zealand operations remained fully-operational during the third quarter after a government-mandated shutdown halted production from March 25, 2020 to April 27, 2020. In our Southern Timber segment, demand for pulpwood and grade lumber products remain strong as housing construction and repair and remodeling activity has rebounded sharply since the outset of the pandemic. In our Pacific Northwest Timber and Timber Funds segments, improved domestic lumber markets have driven sawtimber pricing higher while the deterioration of pulp export markets and higher lumber mill residuals have resulted in lower pulpwood prices. New Zealand Timber log markets have generally normalized to pre-COVID-19 levels of activity, although competition from lower-cost log and lumber imports into China have continued to impact export markets. Local, state and federal governments continue to evaluate policies and restrictions in order to mitigate the spread of COVID-19. Additional government-mandated shutdowns or shelter-in-place orders in markets in which we operate could negatively impact our results. Further, prolonged periods of lower overall business activity as a result of COVID-19 could cause significant damage to the underlying economy, which would likely impact U.S. timber markets. We will continue to monitor COVID-19 and its impact on the markets in which we operate going forward.

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

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

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates. For a full description of our critical accounting policies, see Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* in the Company's 2019 Form 10-K.

BUSINESS COMBINATIONS

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

DISCUSSION OF TIMBER INVENTORY AND SUSTAINABLE YIELD

See Item 1 — *Business* — *Discussion of Timber Inventory and Sustainable Yield* in the Company's 2019 Form 10-K.

OUR TIMBERLANDS

Our timber operations are comprised of our core timberland holdings, which are disaggregated into three geographically distinct reporting segments: Southern Timber, Pacific Northwest Timber and New Zealand Timber in addition to our timber fund holdings, which represents our ownership in Timber Funds II, III and IV. The following tables provide a breakdown of our timberland holdings as of September 30, 2020 and December 31, 2019:

	Core Timberland Holdings					
(acres in 000s)	As of September 30, 2020			As of December 31, 2019		
	Owned	Leased	Total	Owned	Leased	Total
Southern						
Alabama	226	14	240	226	14	240
Arkansas	—	7	7	—	7	7
Florida	328	63	391	331	63	394
Georgia	608	72	680	628	77	705
Louisiana	140	—	140	128	—	128
Mississippi	—	—	—	67	—	67
Oklahoma	92	—	92	92	—	92
South Carolina	16	—	16	18	—	18
Texas	183	—	183	184	—	184
	1,593	156	1,749	1,674	161	1,835
Pacific Northwest						
Oregon	61	—	61	61	—	61
Washington	442	4	446	318	—	318
	503	4	507	379	—	379
New Zealand (a)	185	231	416	185	229	414
Total	2,281	391	2,672	2,238	390	2,628

(a) Represents legal acres owned and leased by the New Zealand subsidiary, in which we own a 77% interest. As of September 30, 2020, legal acres in New Zealand consisted of 296,000 plantable acres and 120,000 non-productive acres.

	Timber Fund Holdings			
(acres in 000s)	As of September 30, 2020		As of December 31, 2019	
	Total	Look-through	Total	Look-through
Timber Funds				
Oregon	51	7	—	—
Washington	71	9	—	—
California	19	1	—	—
Total	141	17	—	—

(acres in 000s)	Total Timberland under Management As of September 30, 2020 Total	As of December 31, 2019 Total
Southern	1,749	1,835
Pacific Northwest	507	379
New Zealand	416	414
Timber Funds	141	—
Total	2,813	2,628

The following tables detail activity for owned and leased acres in our core timberland holdings by state from December 31, 2019 to September 30, 2020:

(acres in 000s)	Acres Owned				
	December 31, 2019	Acquisitions	Sales	Other	September 30, 2020
Southern					
Alabama	226	—	—	—	226
Florida	331	—	(8)	5	328
Georgia	628	—	(20)	—	608
Louisiana	128	12	—	—	140
Mississippi	67	—	(67)	—	—
Oklahoma	92	—	—	—	92
South Carolina	18	—	(2)	—	16
Texas	184	—	(1)	—	183
	1,674	12	(98)	5	1,593
Pacific Northwest					
Oregon	61	—	—	—	61
Washington	318	120	—	4	442
	379	120	—	4	503
New Zealand (a)	185	—	—	—	185
Total	2,238	132	(98)	9	2,281

(a) Represents legal acres owned by the New Zealand subsidiary, in which we have a 77% interest.

(acres in 000s)	Acres Leased				
	December 31, 2019	New Leases	Sold/Expired Leases (a)	Other	September 30, 2020
Southern					
Alabama	14	—	—	—	14
Arkansas	7	—	—	—	7
Florida	63	—	—	—	63
Georgia	77	—	(5)	—	72
	161	—	(5)	—	156
Pacific Northwest					
Washington (b)	—	4	—	—	4
New Zealand (c)	229	2	—	—	231
Total	390	6	(5)	—	391

(a) Includes acres previously under lease that have been harvested and activity for the relinquishment of leased acres.
(b) Primarily timber reservations acquired in the merger with Pope Resources.
(c) Represents legal acres leased by the New Zealand subsidiary, in which we have a 77% interest.

The following table details activity in our timber fund holdings by state from December 31, 2019 to September 30, 2020:

(acres in 000s)	Acres Owned				
	December 31, 2019	Acquisitions	Sales	Other	September 30, 2020
Fund II					
Oregon	—	18	—	—	18
Washington	—	13	—	—	13
Total Fund II	—	31	—	—	31
Look-through share of Fund II	—	6	—	—	6
Fund III					
Oregon	—	13	—	—	13
Washington	—	25	—	—	25
California	—	19	—	—	19
Total Fund III	—	57	—	—	57
Look-through share of Fund III	—	3	—	—	3
Fund IV					
Oregon	—	20	—	—	20
Washington	—	33	—	—	33
Total Fund IV	—	53	—	—	53
Look-through share of Fund IV	—	8	—	—	8
Total Timber Funds	—	141	—	—	141
Look-through share of Funds	—	17	—	—	17

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

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

Financial Information (in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Sales				
Southern Timber	$47.7	$41.3	$147.4	$148.3
Pacific Northwest Timber	28.9	18.8	86.1	57.9
New Zealand Timber	62.8	62.0	142.1	181.3
Timber Funds	9.9	—	17.4	—
Real Estate				
Improved Development	1.3	4.5	7.8	5.0
Unimproved Development	—	—	8.4	15.4
Rural (a)	23.2	4.2	52.9	30.5
Timberland & Non-Strategic (a)	—	—	9.6	1.3
Conservation Easement	3.1	—	3.1	—
Deferred Revenue/Other (b)	1.1	0.5	(0.5)	0.5
Large Dispositions	—	—	116.0	—
Total Real Estate	28.8	9.2	197.4	52.7
Trading	22.2	25.2	65.5	92.7
Intersegment Eliminations	(1.4)	(0.1)	(2.3)	(0.1)
Total Sales	$198.9	$156.4	$653.6	$532.8
Operating Income (Loss)				
Southern Timber	$5.1	$9.5	$31.4	$45.8
Pacific Northwest Timber	(1.8)	(3.6)	(9.5)	(11.1)
New Zealand Timber	10.7	10.1	21.1	38.6
Timber Funds	(12.4)	—	(14.3)	—
Real Estate (b)(c)	9.5	0.4	61.1	25.9
Trading	(0.6)	—	(0.5)	0.3
Corporate and Other	(8.7)	(5.4)	(37.3)	(18.6)
Operating Income	1.8	11.0	52.0	80.9
Interest expense, interest income and other	(10.6)	(7.2)	(27.2)	(20.5)
Income tax expense	(0.7)	(2.3)	(7.4)	(10.2)
Net (Loss) Income	(9.5)	1.5	17.4	50.2
Less: Net loss (income) attributable to noncontrolling interest in consolidated affiliates	8.7	(1.9)	9.6	(7.1)
Net (Loss) Income Attributable to Rayonier, L.P.	($0.8)	($0.4)	$27.0	$43.1
Less: Net loss (income) attributable to noncontrolling interest in the Operating Partnership	—	—	(0.2)	—
Net (Loss) Income Attributable to Rayonier Inc.	($0.8)	($0.4)	$26.8	$43.1
Adjusted EBITDA (d)				
Southern Timber	$26.1	$22.5	$85.8	$91.4
Pacific Northwest Timber	9.1	2.7	22.8	8.0
New Zealand Timber	18.1	17.7	38.2	59.7
Timber Funds	0.2	—	0.8	—
Real Estate	22.2	5.4	65.7	41.1
Trading	(0.6)	—	(0.5)	0.3
Corporate and Other	(7.9)	(5.1)	(19.9)	(17.7)
Total Adjusted EBITDA	$67.2	$43.2	$192.9	$182.8

(a) The three and nine months ended September 30, 2019 reflect the reclassification of certain real estate sales between the Rural and Timberland & Non-Strategic sales categories to better align with the way management internally evaluates real estate sales. See Note 3 — Revenue for additional information.
(b) Includes deferred revenue adjustments and marketing fees related to Improved Development sales in addition to residential and commercial lease revenue.
(c) The nine months ended September 30, 2020 include $28.7 million from a Large Disposition.
(d) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators.

Southern Timber Overview	Three Months Ended September 30, 2020	2019	Nine Months Ended September 30, 2020	2019
Sales Volume (in thousands of tons)				
Pine Pulpwood	881	829	3,017	2,705
Pine Sawtimber	551	369	1,728	1,575
Total Pine Volume	1,432	1,198	4,746	4,280
Hardwood	51	82	116	209
Total Volume	1,483	1,280	4,862	4,490
Percentage Delivered Sales	46 %	37 %	39 %	34 %
Percentage Stumpage Sales	54 %	63 %	61 %	66 %
Net Stumpage Pricing (dollars per ton)				
Pine Pulpwood	$15.50	$15.53	$15.86	$17.01
Pine Sawtimber	25.02	23.16	25.79	25.43
Weighted Average Pine	$19.16	$17.88	$19.48	$20.10
Hardwood	11.03	20.47	11.40	17.26
Weighted Average Total	$18.88	$18.05	$19.28	$19.97
Summary Financial Data (in millions of dollars)				
Timber Sales	$42.2	$33.0	$131.2	$121.0
Less: Cut, Haul & Freight	(14.2)	(9.9)	(37.5)	(31.4)
Net Stumpage Sales	$28.0	$23.1	$93.7	$89.7
Non-Timber Sales	5.5	8.3	16.2	27.3
Total Sales	$47.7	$41.3	$147.4	$148.3
Operating Income	$5.1	$9.5	$31.4	$45.8
(+) Timber write-offs resulting from casualty events (a)	6.0	—	6.0	—
(+) Depreciation, depletion and amortization	15.0	13.0	48.4	45.6
Adjusted EBITDA (b)	$26.1	$22.5	$85.8	$91.4
Other Data				
Period-End Acres (in thousands)	1,749	1,825	1,749	1,825

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

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

Pacific Northwest Timber Overview	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Sales Volume (in thousands of tons)				
Pulpwood	62	56	231	172
Sawtimber	284	205	976	622
Total Volume	346	261	1,207	794
Sales Volume (converted to MBF)				
Pulpwood	5,912	5,277	21,853	16,286
Sawtimber	38,892	28,039	129,144	83,587
Total Volume	44,804	33,316	150,997	99,873
Percentage Delivered Sales	95 %	100 %	89 %	100 %
Percentage Sawtimber Sales	82 %	79 %	81 %	79 %
Delivered Log Pricing (in dollars per ton)				
Pulpwood	$32.12	$37.87	$36.01	$41.89
Sawtimber	93.34	78.26	81.01	78.36
Weighted Average Log Price	$82.44	$69.64	$72.06	$70.47
Summary Financial Data (in millions of dollars)				
Timber Sales	$27.5	$18.2	$83.5	$55.9
Less: Cut and Haul	(12.4)	(10.6)	(41.0)	(33.0)
Net Stumpage Sales	$15.1	$7.6	$42.5	$22.9
Non-Timber Sales	1.4	0.6	2.6	1.9
Total Sales	$28.9	$18.8	$86.1	$57.9
Operating Loss	($1.8)	($3.6)	($9.5)	($11.1)
(+) Depreciation, depletion and amortization	10.9	6.3	32.2	19.2
Adjusted EBITDA (a)	$9.1	$2.7	$22.8	$8.0
Other Data				
Period-End Acres (in thousands)	507	379	507	379
Sawtimber (in dollars per MBF)	$677	$575	$621	$591
Estimated Percentage of Export Volume	9 %	18 %	10 %	20 %

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

New Zealand Timber Overview	Three Months Ended September 30, 2020	2019	Nine Months Ended September 30, 2020	2019
Sales Volume (in thousands of tons)				
Domestic Pulpwood (Delivered)	136	132	343	369
Domestic Sawtimber (Delivered)	220	235	497	634
Export Pulpwood (Delivered)	38	34	82	111
Export Sawtimber (Delivered)	381	354	863	927
Total Volume	776	754	1,786	2,042
Delivered Log Pricing (in dollars per ton)				
Domestic Pulpwood	$34.71	$38.47	$33.65	$38.91
Domestic Sawtimber	70.24	75.29	69.30	80.17
Export Sawtimber	94.42	95.51	95.86	106.81
Weighted Average Log Price	$76.50	$78.68	$75.99	$85.68
Summary Financial Data (in millions of dollars)				
Timber Sales	$59.3	$59.3	$135.7	$175.0
Less: Cut and Haul	(23.8)	(23.2)	(54.6)	(66.3)
Less: Port and Freight Costs	(13.3)	(13.6)	(29.8)	(35.9)
Net Stumpage Sales	$22.2	$22.6	$51.3	$72.8
Non-Timber Sales / Carbon Credits	3.5	2.7	6.4	6.3
Total Sales	$62.8	$62.0	$142.1	$181.3
Operating Income	$10.7	$10.1	$21.1	$38.6
(+) Depreciation, depletion and amortization	7.3	7.6	17.1	21.1
Adjusted EBITDA (a)	$18.1	$17.7	$38.2	$59.7
Other Data				
New Zealand Dollar to U.S. Dollar Exchange Rate (b)	0.6614	0.6554	0.6459	0.6676
Net Plantable Period-End Acres (in thousands)	296	295	296	295
Export Sawtimber (in dollars per JAS m^3)	$109.78	$111.05	$111.46	$124.19
Domestic Sawtimber (in $NZD per tonne)	$116.83	$126.36	$118.02	$132.10

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

(b) Represents the period-average rate.

Timber Funds Overview	Three Months Ended September 30, 2020	2019	Nine Months Ended September 30, 2020	2019
Sales Volume (in thousands of tons)				
Pulpwood	9	—	19	—
Sawtimber	101	—	181	—
Total Volume	110	—	200	—
Summary Financial Data (in millions of dollars)				
Timber Sales	$8.6	—	$15.3	—
Less: Cut and Haul	(3.4)	—	(6.4)	—
Net Stumpage Sales	$5.2	—	$8.9	—
Timberland Management Fees	1.3	—	2.2	—
Total Sales	$9.9	—	$17.4	—
Operating Loss	($12.4)	—	($14.3)	—
Operating loss attributable to NCI in Timber Funds	10.3	—	12.3	—
(+) Timber write-offs resulting from casualty events attributable to Rayonier (a)	1.8	—	1.8	—
(+) Depreciation, depletion and amortization (“Look-through”)	0.5	—	1.0	—
Adjusted EBITDA (b)	$0.2	—	$0.8	—
Other Data				
Period-End Acres (in thousands)	141	—	141	—
“Look-through” Period-End Acres (in thousands)	17	—	17	—

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

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

Trading Overview	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Sales Volume (in thousands of tons)				
U.S. Pacific Northwest	1	—	1	1
NZ Trading - Domestic	6	9	21	66
NZ Trading - Export	245	261	704	809
Total Volume	252	270	726	876
Summary Financial Data (in millions of dollars)				
Trading Sales	$22.1	$25.0	$65.0	$92.1
Non-Timber Sales	0.1	0.2	0.5	0.7
Total Sales	$22.2	$25.2	$65.5	$92.7
Operating (Loss) Income	($0.6)	—	($0.5)	$0.3
Adjusted EBITDA (a)	($0.6)	—	($0.5)	$0.3

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

Real Estate Overview	Three Months Ended September 30, 2020	2019	Nine Months Ended September 30, 2020	2019
Sales (in millions of dollars)				
Improved Development	$1.3	$4.5	$7.8	$5.0
Unimproved Development	—	—	8.4	15.4
Rural (a)	23.2	4.2	52.9	30.5
Timberland & Non-Strategic - U.S. (a)	—	—	9.6	1.3
Conservation Easement	3.1	—	3.1	—
Deferred Revenue/Other (c)	1.1	0.5	(0.5)	0.5
Large Dispositions (b)	—	—	116.0	—
Total Sales	$28.8	$9.2	$197.4	$52.7
Acres Sold				
Improved Development	4.1	21.7	126.1	23.7
Unimproved Development	—	—	570	791
Rural (a)	10,482	1,291	18,816	8,677
Timberland & Non-Strategic - U.S. (a)	75	32	11,983	797
Large Dispositions (b)	—	—	66,946	—
Total Acres Sold	10,562	1,345	98,441	10,289
Gross Price per Acre (dollars per acre)				
Improved Development	$329,412	$207,325	$61,626	$211,166
Unimproved Development	—	—	14,780	19,507
Rural (a)	2,218	3,262	2,810	3,518
Timberland & Non-Strategic - U.S. (a)	553	1,749	805	1,585
Large Dispositions (b)	—	—	1,733	—
Weighted Average (Total) (d)	$2,332	$6,513	$2,499	$5,076
Weighted Average (Adjusted) (e)	$2,206	$3,225	$2,262	$4,600
Conservation Easement (dollars per acre)	$1,443	—	$1,443	—
Sales (Excluding Large Dispositions)	$28.8	$9.2	$81.4	$52.7
Operating Income	$9.5	$0.4	$61.1	$25.9
(+) Depreciation, depletion and amortization - U.S.	5.5	0.7	12.6	5.2
(+) Non-cash cost of land and improved development - U.S.	7.3	4.3	20.7	10.0
(–) Large Dispositions (b)	—	—	(28.7)	—
Adjusted EBITDA (f)	$22.2	$5.4	$65.7	$41.1

(a) The three and nine months ended September 30, 2019 reflects the reclassification of certain real estate sales between the Rural and Timberland & Non-Strategic sales categories to better align with the way management internally evaluates real estate sales. See Note 3 - Revenue for additional information.

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

(c) Includes deferred revenue adjustments and marketing fees related to Improved Development sales in addition to residential and commercial lease revenue.

(d) Excludes Conservation Easement and Large Dispositions.

(e) Excludes Improved Development, Conservation Easement and Large Dispositions.

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

Capital Expenditures By Segment (in millions of dollars)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Timber Capital Expenditures				
Southern Timber				
Reforestation, silviculture and other capital expenditures	$3.7	$3.8	$13.4	$12.3
Property taxes	1.7	1.7	5.1	5.3
Lease payments	0.2	0.3	1.5	2.2
Allocated overhead	1.0	1.0	3.3	3.2
Subtotal Southern Timber	$6.6	$6.8	$23.3	$22.9
Pacific Northwest Timber				
Reforestation, silviculture and other capital expenditures	1.1	2.1	4.3	5.7
Property taxes	0.2	0.2	0.6	0.6
Allocated overhead	1.1	0.8	3.0	2.3
Subtotal Pacific Northwest Timber	$2.5	$3.1	$7.9	$8.7
New Zealand Timber				
Reforestation, silviculture and other capital expenditures	3.2	3.3	6.7	7.2
Property taxes	0.2	0.2	0.5	0.5
Lease payments	1.0	1.1	2.2	3.2
Allocated overhead	0.7	0.6	2.0	2.0
Subtotal New Zealand Timber	$5.1	$5.2	$11.4	$12.9
Total Timber Segments Capital Expenditures	$14.2	$15.1	$42.6	$44.5
Timber Funds (“Look-through”) (a)	0.1	—	0.2	—
Real Estate	—	—	0.2	0.2
Corporate	—	0.6	—	0.6
Total Capital Expenditures	$14.3	$15.8	$43.1	$45.3
Timberland Acquisitions				
Southern Timber	—	$26.4	$24.2	$42.3
Pacific Northwest Timber	—	—	—	3.6
New Zealand Timber	0.1	29.1	0.1	36.0
Timberland Acquisitions	$0.1	$55.5	$24.4	$81.9
Real Estate Development Investments (b)	$1.9	$2.4	$5.4	$3.3

(a) The three and nine months ended September 30, 2020 exclude $0.9 million and $1.6 million, respectively, in capital expenditures attributable to noncontrolling interests in Timber Funds.
(b) The nine months ended September 30, 2019 includes $3.7 million of reimbursements from community development bonds.

The following tables summarize sales, operating income (loss) and Adjusted EBITDA variances for September 30, 2020 versus September 30, 2019 (millions of dollars):

Sales	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Intersegment Eliminations	Total
Three Months Ended September 30, 2019	$41.3	$18.8	$62.0	—	$9.2	$25.2	($0.1)	$156.4
Volume	3.7	2.5	1.7	—	60.0	(1.7)	—	66.2
Price	1.2	5.0	(1.0)	—	(44.2)	(1.2)	—	(40.2)
Non-timber sales	(2.8)	0.8	0.8	—	—	(0.1)	—	(1.3)
Foreign exchange (a)	—	—	0.2	—	—	—	—	0.2
Other	4.3 (b)	1.8 (b)	(0.9) (c)	9.9 (d)	3.8 (e)	—	(1.3) (f)	17.6
Three Months Ended September 30, 2020	$47.7	$28.9	$62.8	$9.9	$28.8	$22.2	($1.4)	$198.9

(a) Net of currency hedging impact.
(b) Includes variance due to stumpage versus delivered sales.
(c) Includes variance due to domestic versus export sales.
(d) Timber Funds was a new segment in Q2 2020. Includes $7.7 million of sales attributable to noncontrolling interest in Timber Funds. Also includes $1.3 million of sales related to timberland investment management fees paid to us by the timber funds.
(e) Includes $3.1 million of Conservation Easement sales, $0.3 million of deferred revenue adjustments and $0.4 million of residential and commercial lease revenue.
(f) Includes $1.3 million of Intersegment eliminations related to timberland management fees paid to us by the timber funds and reported as sales within the Timber Funds segment.

Sales	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Intersegment Eliminations	Total
Nine Months Ended September 30, 2019	$148.3	$57.9	$181.3	—	$52.7	$92.7	($0.1)	$532.8
Volume	7.4	11.9	(21.7)	—	107.7	(15.8)	—	89.5
Price	(3.4)	7.7	(12.7)	—	(81.1)	(11.2)	—	(100.7)
Non-timber sales	(11.1)	0.7	0.3	—	—	(0.2)	—	(10.3)
Foreign exchange (a)	—	—	(2.3)	—	—	—	—	(2.3)
Other	6.2 (b)	7.9 (b)	(2.8) (c)	17.4 (d)	118.1 (e)	—	(2.2) (f)	144.6
Nine Months Ended September 30, 2020	$147.4	$86.1	$142.1	$17.4	$197.4	$65.5	($2.3)	$653.6

(a) Net of currency hedging impact.
(b) Includes variance due to stumpage versus delivered sales.
(c) Includes variance due to domestic versus export sales.
(d) Timber Funds was a new segment in Q2 2020. Includes $13.5 million of sales attributable to noncontrolling interest in Timber Funds. Also includes $2.2 million of sales related to timberland investment management fees paid to us by the timber funds.
(e) Real Estate includes $116.0 million in Large Dispositions, $3.1 million of Conservation Easement and $0.4 million of of residential and commercial lease revenue, partially offset by $1.4 million of deferred revenue adjustments.
(f) Includes $2.2 million million of Intersegment eliminations related to timberland management fees paid to us by the timber funds and reported as sales within the Timber Funds segment.

Operating Income (Loss)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
Three Months Ended September 30, 2019	$9.5	($3.6)	$10.1	—	$0.4	—	($5.4)	$11.0
Volume	1.6	—	0.4	—	26.4	—	—	28.4
Price	1.2	5.0	(1.0)	—	(44.1)	—	—	(38.9)
Cost	1.6	(1.4)	—	—	0.2	(0.5)	(2.8)	(2.9)
Non-timber income	(2.9)	0.8	0.9	—	—	(0.1)	—	(1.3)
Foreign exchange (a)	—	—	(0.2)	—	—	—	—	(0.2)
Depreciation, depletion & amortization	0.1	(2.6)	0.5	—	(0.9)	—	(0.1)	(3.0)
Non-cash cost of land and improved development	—	—	—	—	24.5	—	—	24.5
Other (b)	(6.0)	—	—	(12.4)	3.0	—	(0.4)	(15.8)
Three Months Ended September 30, 2020	$5.1	($1.8)	$10.7	($12.4)	$9.5	($0.6)	($8.7)	$1.8

(a) Net of currency hedging impact.
(b) Southern Timber includes $6.0 million in timber write-offs resulting from casualty events. Timber Funds was a new segment in Q2 2020 and includes a $10.3 million operating loss attributable to noncontrolling interest in Timber Funds and a $2.1 million operating loss attributable to Rayonier, these losses include $7.3 million and $1.8 million in timber write-offs resulting from casualty events respectively. Real Estate includes Conservation Easement sales, deferred revenue adjustments and marketing fees related to Improved Development sales in addition to residential and commercial lease revenue. Corporate and Other includes $0.4 million in costs related to the merger with Pope Resources.

Operating Income (Loss)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
Nine Months Ended September 30, 2019	$45.8	($11.1)	$38.6	—	$25.9	$0.3	($18.6)	$80.9
Volume	3.6	(0.7)	(6.8)	—	73.6	—	—	69.7
Price	(3.4)	7.7	(12.7)	—	(81.1)	—	—	(89.5)
Cost	1.6	(2.9)	(0.3)	—	0.2	(0.6)	(2.2)	(4.2)
Non-timber income	(11.2)	0.7	0.6	—	—	(0.2)	—	(10.1)
Foreign exchange (a)	—	—	0.8	—	—	—	—	0.8
Depreciation, depletion & amortization	1.0	(3.2)	0.9	—	2.8	—	(0.1)	1.4
Non-cash cost of land and improved development	—	—	—	—	8.5	—	—	8.5
Other (b)	(6.0)	—	—	(14.3)	31.2	—	(16.4)	(5.5)
Nine Months Ended September 30, 2020	$31.4	($9.5)	$21.1	($14.3)	$61.1	($0.5)	($37.3)	$52.0

(a) Net of currency hedging impact.
(b) Southern Timber includes $6.0 million in timber write-offs resulting from casualty events. Timber Funds was a new segment in Q2 2020 and includes a $12.3 million operating loss attributable to noncontrolling interest in Timber Funds and $2.0 million operating loss attributable to Rayonier, these losses include $7.3 million and $1.8 million in timber write-offs resulting from casualty events respectively. Real Estate includes $28.7 million from Large Dispositions in addition to Conservation Easement sales and residential and commercial lease revenue, partially offset by deferred revenue adjustments and marketing fees related to Improved Development sales. Corporate and Other includes $16.4 million in costs related to the merger with Pope Resources.

Adjusted EBITDA (a)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
Three Months Ended September 30, 2019	$22.5	$2.7	$17.7	—	$5.4	—	($5.1)	$43.2
Volume	3.7	2.0	0.6	—	57.5	—	—	63.8
Price	1.2	5.0	(1.0)	—	(44.1)	—	—	(38.9)
Cost	1.6	(1.4)	—	—	0.2	(0.5)	(2.8)	(2.9)
Non-timber income	(2.9)	0.8	0.9	—	—	(0.1)	—	(1.3)
Foreign exchange (b)	—	—	(0.1)	—	—	—	—	(0.1)
Other (c)	—	—	—	0.2	3.2	—	—	3.4
Three Months Ended September 30, 2020	$26.1	$9.1	$18.1	$0.2	$22.2	($0.6)	($7.9)	$67.2

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators below.
(b) Net of currency hedging impact.
(c) Timber Funds was a new segment in Q2 2020. Real Estate includes Conservation Easement sales, deferred revenue adjustments and marketing fees related to Improved Development sales in addition to residential and commercial lease revenue.

Adjusted EBITDA (a)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
Nine Months Ended September 30, 2019	$91.4	$8.0	$59.7	—	$41.1	$0.3	($17.7)	$182.8
Volume	7.4	9.3	(9.2)	—	103.9	—	—	111.4
Price	(3.4)	7.7	(12.7)	—	(81.1)	—	—	(89.5)
Cost	1.6	(2.9)	(0.3)	—	0.2	(0.6)	(2.2)	(4.2)
Non-timber income	(11.2)	0.7	0.6	—	—	(0.2)	—	(10.1)
Foreign exchange (b)	—	—	0.1	—	—	—	—	0.1
Other (c)	—	—	—	0.8	1.6	—	—	2.4
Nine Months Ended September 30, 2020	$85.8	$22.8	$38.2	$0.8	$65.7	($0.5)	($19.9)	$192.9

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators below.
(b) Net of currency hedging impact.
(c) Timber Funds was a new segment in Q2 2020. Real Estate includes Conservation Easement sales and residential and commercial lease revenue, partially offset by deferred revenue adjustments and marketing fees related to Improved Development sales.

SOUTHERN TIMBER

Third quarter sales of $47.7 million increased $6.4 million, or 15%, versus the prior year period primarily due to higher volumes, partially offset by lower pipeline easement revenue. Harvest volumes increased 16% to 1.48 million tons versus 1.28 million tons in the prior year period due to strong demand for sawtimber and pulpwood products. Average pine sawtimber stumpage prices increased 8% to $25.02 per ton versus $23.16 per ton in the prior year period, primarily due to improved demand for domestic and export grade timber coupled with favorable geographic mix. Average pine pulpwood stumpage prices were flat at $15.50 per ton versus $15.53 per ton in the prior year period. Overall, weighted-average stumpage prices (including hardwood) increased 5% to $18.88 per ton versus $18.05 per ton in the prior year period, primarily driven by higher sawtimber prices coupled with an 8% increase in sawtimber mix. Operating income of $5.1 million decreased $4.4 million versus the prior year period due to the write-off of timber basis as a result of Hurricane Laura ($6.0 million) and lower non-timber income ($2.9 million), partially offset by higher volumes ($1.6 million), higher net stumpage prices ($1.2 million), lower lease and other expenses ($1.6 million) and lower depletion rates ($0.1 million). Third quarter Adjusted EBITDA of $26.1 million was $3.6 million above the prior year period.

Year-to-date sales of $147.4 million decreased $0.9 million, or 1% versus the prior year period. Harvest volumes increased 8% to 4.86 million tons versus 4.49 million tons in the prior year period, primarily due to strong pulpwood and sawtimber demand. Average pine sawtimber stumpage prices increased 7% to $25.79 per ton versus $25.43 per ton in the prior year period due to strong lumber markets and continued price tension between domestic and export markets. Average pine pulpwood stumpage prices decreased 7% to $15.86 per ton versus $17.01 per ton in the prior year period, primarily due to an increase in available log supply resulting from drier ground conditions versus the prior year period. Overall, weighted-average stumpage prices (including hardwood) decreased 3% to $19.28 per ton versus $19.97 per ton in the prior year period. Operating income of $31.4 million decreased $14.4 million versus the prior year period due to the write-off of timber basis as a result of Hurricane Laura ($6.0 million), lower non-timber income ($11.2 million) and lower net stumpage prices ($3.4 million), partially offset by higher volumes ($3.6 million), lower lease and other expenses ($1.6 million) and lower depletion rates ($1.0 million).

PACIFIC NORTHWEST TIMBER

Third quarter sales of $28.9 million increased $10.1 million, or 54%, versus the prior year period. Harvest volumes increased 33% to 346,000 tons versus 261,000 tons in the prior year period primarily due to improved sawtimber demand coupled with 55,000 tons of incremental volume from the acquired Pope Resources timberlands. Average delivered sawtimber prices increased 19% to $93.34 per ton versus $78.26 per ton in the prior year period, primarily due to improved domestic lumber markets coupled with a higher percentage of Douglas-fir sawtimber. Average delivered pulpwood prices decreased 15% to $32.12 per ton versus $37.87 per ton in the prior year period, as the deterioration of pulpwood export markets and higher lumber mill residuals resulted in excess domestic supply. Operating loss of $1.8 million improved $1.7 million versus the prior year period due to higher net stumpage prices ($5.0 million) and higher non-timber income ($0.8 million), partially offset by higher depletion rates ($2.6 million) and higher overhead and road maintenance costs ($1.4 million). Third quarter Adjusted EBITDA of $9.1 million was $6.4 million above the prior year period.

Year-to-date sales of $86.1 million increased $28.3 million, or 49%, versus the prior year period. Harvest volumes increased 52% to 1,207,000 tons versus 794,000 tons in the the prior year period primarily due to improved sawtimber demand and 110,000 tons of incremental volume from the acquired Pope Resources timberlands. Average delivered sawtimber prices increased 3% to $81.01 per ton versus $78.36 per ton in the prior year period, primarily due to gradually improving domestic lumber markets throughout 2020 coupled with a higher percentage of Douglas fir sawtimber. Average delivered pulpwood prices decreased 14% to $36.01 per ton versus $41.89 per ton in the prior year period, primarily due to excess supply resulting from a weaker pulp export market and higher lumber mill residuals. Operating loss of $9.5 million improved $1.7 million versus the prior year period due to higher net stumpage prices ($7.7 million) and higher non-timber income ($0.7 million), partially offset by higher depletion rates ($3.2 million), higher overhead and other costs ($2.9 million) and higher other variable costs ($0.7 million).

NEW ZEALAND TIMBER

Third quarter sales of $62.8 million increased $0.8 million, or 1%, versus the prior year period. Harvest volumes increased 3% to 776,000 tons versus 754,000 tons in the prior year period. Average delivered prices for export sawtimber decreased 1% to $94.42 per ton versus $95.51 per ton in the prior year period, while average delivered prices for domestic sawtimber decreased 7% to $70.24 per ton versus $75.29 per ton in the prior year period. The slight decrease in export sawtimber prices was driven primarily by a buildup of China log inventories and continued competition from lower-cost European log and lumber imports into China. The decrease in domestic sawtimber prices (in U.S. dollar terms) was partially offset by the slight rise in the NZ$/US$ exchange rate (US$0.661 per NZ$1.00 versus US$0.655 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices decreased 8% versus the prior year period, generally lagging the prior negative trend in the export market. Operating income of $10.7 million increased $0.6 million versus the prior year period as a result of higher volumes ($0.4 million), higher carbon credit sales ($0.9 million) and lower depletion rates ($0.5 million), partially offset by lower net stumpage prices ($1.0 million) and unfavorable foreign exchange impacts ($0.2 million). Third quarter Adjusted EBITDA of $18.1 million was $0.4 million above the prior year period.

Year-to-date sales of $142.1 million decreased $39.1 million, or 22% versus the prior year. Harvest volumes decreased 13% to 1.79 million tons versus 2.04 million tons in the prior year, primarily due to the government-mandated shutdown of all non-essential activity (including the harvesting and transport of logs) from late-March through late-April. Average delivered prices for export sawtimber decreased 10% to $95.86 per ton versus $106.81 per ton in the prior year period, while average delivered prices for domestic sawtimber decreased 14% to $69.30 per ton versus $80.17 per ton in the prior year. The decrease in export sawtimber prices was driven primarily by lower demand resulting from the COVID-19 lockdown in China and increased competition from lower-cost log and lumber imports into China. The decrease in domestic sawtimber prices (in US dollars terms) was driven in part by the fall in the NZ$/US$ exchange rate (US$0.65 per NZ$1.00 versus US$0.67 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices decreased 11% versus the prior year period, generally lagging the negative trend of the export market. Operating Income of $21.1 million decreased $17.5 million versus the prior year period as a result of lower net stumpage prices ($12.7 million), lower volumes ($6.8 million), and higher costs ($0.3 million), partially offset by favorable foreign exchange impacts ($0.8 million), lower depletion rates ($0.9 million), and higher non-timber income ($0.6 million). Year-to-date Adjusted EBITDA of $38.2 million was $21.5 million below the prior year period.

TIMBER FUNDS

The Timber Funds segment generated third quarter sales of $9.9 million on harvest volumes of 110,000 tons, and operating loss of $12.4 million. Third quarter operating loss included timber write-offs of $9.2 million resulting from two fires in Oregon. Third quarter Adjusted EBITDA was $0.2 million.

Since the May 8, 2020 merger with Pope Resources, the Timber Funds segment has generated sales of $17.4 million on harvest volumes of 200,000 tons and operating loss of $14.3 million. Year-to-date operating loss includes timber write-offs of $9.2 million resulting from fires in Oregon. Year-to-date Adjusted EBITDA was $0.8 million.

REAL ESTATE

Real Estate Sales Category Reclassification

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

Third quarter sales of $28.8 million increased $19.6 million versus the prior year period while operating income of $9.5 million increased $9.0 million versus the prior year period due to a higher number of acres sold (10,562 acres sold versus 1,345 acres sold in the prior year period), partially offset by a decrease in weighted-average prices ($2,332 per acre versus $6,513 per acre in the prior year period).

Improved Development sales of $1.3 million included $1.0 million of sales in the Wildlight development project north of Jacksonville, Florida consisting of 15 residential lots ($65,000 per lot or $377,000 per acre) in addition to a $0.3 million sale of development property in Kitsap County, Washington ($247,000 per acre). This compares to prior year period sales of $4.5 million, which consisted of 21.7 acres of commercial property ($207,000 per acre) in the Wildlight development project.

There were no Unimproved Development sales in the third quarter or the prior year period.

Rural sales of $23.2 million consisted of 10,482 acres at an average price of $2,218 per acre. This compares to prior year period sales of $4.2 million, which consisted of 1,291 acres at an average price of $3,262 per acre.

Timberland and Non-Strategic sales in the current quarter and the prior year quarter were negligible.

During the third quarter, we began reporting Conservation Easement sales as a new sales category within the Real Estate segment. Since Conservation Easement sales involve the sale of certain land use rights rather than an outright sale of the land, these sales are not reflected in our average price per acre metrics for the Real Estate segment.

Conservation Easement sales during the quarter were $3.1 million and covered 2,150 acres in Kitsap and Mason Counties, Washington ($1,450 per acre). There were no Conservation Easement sales in the prior year period.

Third quarter Adjusted EBITDA of $22.2 million was $16.8 million above the prior year period.

Year-to-date sales of $197.4 million increased $144.7 million versus the prior year period, while operating income of $61.1 million increased $35.2 million versus the prior year period. Year-to-date sales and operating income includes $116.0 million and $28.7 million, respectively, from Large Dispositions. Sales and operating income increased in the first nine months primarily due to higher volumes (98,441 acres sold versus 10,289 acres sold in the prior year period), partially offset by lower weighted-average prices. Year-to-date Adjusted EBITDA of $65.7 million increased $24.6 million versus the prior year.

TRADING

Third quarter sales of $22.2 million decreased $3.0 million versus the prior year period due to lower volumes and prices. Sales volumes decreased 7% to 252,000 tons versus 270,000 tons in the prior year period. The Trading segment generated operating loss of $0.6 million versus breakeven results in the prior year period, due to lower trading margins resulting from lower volumes and prices as well as higher shipping expenses.

Year-to-date sales of $65.5 million decreased $27.2 million versus the prior year period primarily due to lower volumes and prices and lower export demand as a result of the COVID-19 pandemic. Sales volumes decreased 17% to 726,000 tons versus 876,000 tons in the prior year period. Operating loss and Adjusted EBITDA of ($0.5) million decreased $0.7 million versus the prior year period.

OTHER ITEMS

CORPORATE AND OTHER EXPENSE / ELIMINATIONS

Third quarter corporate and other operating expenses of $8.7 million increased $3.3 million versus the prior year period, primarily due to higher employee benefit costs ($1.8 million), legal expenses ($0.7 million), costs related to the Pope Resources merger ($0.4 million) and other overheads ($0.4 million). The increase in employee benefit costs was primarily driven by an increase in the annual bonus accrual due to an improved outlook for the year as well as additional headcount from the Pope Resources merger.

Year-to-date corporate and other operating expenses of $37.3 million increased $18.8 million versus the prior year period due to costs related to the Pope Resources merger ($16.4 million), higher employee benefit costs ($2.3 million) and other expenses ($0.1 million).

INTEREST EXPENSE

Third quarter and year-to-date interest expense of $10.4 million and $28.4 million, respectively, increased $2.4 million and $4.8 million, respectively, versus the prior year periods due to higher outstanding debt following the Pope Resources merger.

INTEREST AND OTHER MISCELLANEOUS (EXPENSE) INCOME, NET

Third quarter other miscellaneous (expense) income, net was ($0.1) million versus $0.8 million in the prior year period. The prior year period included favorable mark-to-market adjustments on marketable equity securities and dividend income. Year-to-date interest and other miscellaneous (expense) income, net of $1.2 million, includes favorable mark-to-market adjustments on marketable equity securities and carbon options.

INCOME TAX EXPENSE

Third quarter and year-to-date income tax expense, of $0.7 million and $7.4 million decreased $1.5 million and $2.8 million versus the prior year periods. The New Zealand subsidiary is the primary driver of income tax expense.

OUTLOOK

In our Southern Timber segment, we expect continued strong sawtimber demand and pricing, partially offset by lower-priced salvage volume and market impacts from Hurricane Laura. In our Pacific Northwest Timber segment, we expect continued strong log demand and pricing. In our New Zealand Timber segment, our operations continue to normalize following the COVID-19 disruptions earlier this year, and we anticipate modest improvements in both export and domestic pricing. In our Real Estate segment, we continue to see strong demand and a favorable transaction pipeline across our sales categories. Overall, we remain very encouraged by the stability of our business and the strength of our end markets despite the ongoing uncertainty associated with the COVID-19 pandemic.

LIQUIDITY AND CAPITAL RESOURCES

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

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

On September 10, 2020, we entered into a distribution agreement with a group of sales agents through which we may sell common shares, from time to time, having an aggregate sales price of up to $300 million. There were no shares issued under the ATM program during the three months ended September 30, 2020, and all $300 million authorized under the program remained available for issuance.

SUMMARY OF LIQUIDITY AND FINANCING COMMITMENTS

(millions of dollars)	September 30, 2020	December 31, 2019
Cash and cash equivalents (excluding Timber Funds)	$75.2	$68.7
Total debt (excluding Timber Funds) (a)	1,312.7	1,057.0
Noncontrolling interest in Operating Partnership	117.5	—
Shareholders’ equity	1,851.1	1,537.6
Total capitalization (total debt plus permanent and temporary equity)	3,281.3	2,594.6
Debt to capital ratio	40 %	41 %
Net debt to enterprise value (b)(c)	26 %	19 %

(a) Total debt as of September 30, 2020 and December 31, 2019 reflects principal on long-term debt, gross of deferred financing costs and net of fair market value adjustments.

(b) Net debt is calculated as total debt less cash and cash equivalents.

(c) Enterprise value is calculated as the number of shares outstanding multiplied by the Company’s share price plus net debt as of September 30, 2020 and December 31, 2019.

SUMMARY OF GUARANTOR FINANCIAL INFORMATION

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

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

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

The summarized balance sheet information for the consolidated obligor group of debt issued by Rayonier, L.P. for the nine months ended September 30, 2020 and year ended December 31, 2019 are provided in the table below:

(in millions)	September 30, 2020	December 31, 2019
Current assets	$69.9	$51.7
Non-current assets	47.3	48.8
Current liabilities	24.5	100.2
Non-current liabilities	2,029.9	1,632.7
Due to non-guarantors	647.4	587.0

The summarized results of operations information for the consolidated obligor group of debt issued by Rayonier, L.P. for the nine months ended September 30, 2020 and year ended December 31, 2019 are provided in the table below:

(in millions)	September 30, 2020	December 31, 2019
Cost and expenses	($36.2)	($22.0)
Operating loss	(36.2)	(22.0)
Net loss	(64.5)	(54.2)
Revenue from non-guarantors	653.6	711.6

CASH FLOWS

The following table summarizes our cash flows from operating, investing and financing activities for the nine months ended September 30, 2020 and 2019:

(millions of dollars)	2020	2019
Cash provided by (used for):		
Operating activities	$138.0	$164.2
Investing activities	(184.8)	(132.8)
Financing activities	55.7	(125.2)

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities decreased $26.2 million primarily due to costs related to the Pope Resources merger ($16.4 million) and lower working capital ($15.1 million), partially offset by higher operating results.

CASH USED FOR INVESTING ACTIVITIES

Cash used for investing activities increased $52.0 million versus the prior year period primarily due to the net cash consideration transferred in our merger with Pope Resources ($231.1 million) and higher real estate development investments ($2.0 million), partially offset by proceeds from a Large Disposition ($115.7 million), a decrease in timberland acquisitions ($57.5 million), lower capital expenditures ($0.6 million) and other investing activities ($7.3 million).

CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES

Cash provided by financing activities increased $180.8 million from the prior year period primarily due to an increase in net borrowings ($188.0 million) and decreases in share repurchases ($7.9 million), partially offset by increases in debt issuance costs ($2.5 million), offering issuance costs ($0.5 million), dividends paid on common stock ($3.0 million), distributions to consolidated affiliates ($0.9 million), distributions to noncontrolling interests in the Operating Partnership ($2.4 million), noncontrolling interests in consolidated affiliates redemption of shares ($5.1 million) and decreases in proceeds from the issuance of common shares under the Company's incentive stock plan ($0.7 million).

EXPECTED 2020 EXPENDITURES

Capital expenditures in 2020 are expected to be between $66 million and $69 million, excluding capital expenditures attributable to the Timber Funds and any strategic timberland acquisitions we may make. Capital expenditures are expected to primarily consist of seedling planting, fertilization and other silvicultural activities, property taxes, lease payments, allocated overhead and other capitalized costs. Aside from capital expenditures, we may also acquire timberland as we actively evaluate acquisition opportunities.

We anticipate real estate development investments in 2020 to be between $10 million and $12 million, net of reimbursements from community development bonds. Expected real estate development investments include approximately $5.2 million of committed spending primarily related to Wildlight, our mixed-use community development project located north of Jacksonville, Florida and our Richmond Hill mixed-use development project located south of Savannah, Georgia. Uncommitted real estate developments can be managed as market conditions change. We are continuing to monitor the impacts of the COVID-19 pandemic on our real estate development business and expect to periodically adjust our 2020 real estate development investments based on end market conditions and the anticipated timing of improved development sales.

Including shares issued in the merger with Pope Resources, the Company's 2020 dividend payments are expected to be approximately $145 million assuming no change in the quarterly dividend rate of $0.27 per share or material changes in the number of shares outstanding. Additionally, distributions to noncontrolling interests in the Operating Partnership are expected to be approximately $3.6 million assuming no material changes in the number of Redeemable Common Units outstanding.

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

We have no mandatory pension contribution requirements in the current year.

Cash tax payments in 2020 are expected to be approximately $0.8 million, primarily related to the New Zealand subsidiary.

PERFORMANCE AND LIQUIDITY INDICATORS

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

Management uses CAD as a liquidity measure. CAD is a non-GAAP measure of cash generated during a period that is available for common stock dividends, distributions to noncontrolling interest in the Operating Partnership, distributions to the New Zealand minority shareholder, repurchase of the Company's common shares, debt reduction, timberland acquisitions and real estate development investments. CAD is defined as cash provided by operating activities adjusted for capital spending (excluding timberland acquisitions and real estate development investments), CAD attributable to noncontrolling interest in Timber Funds, working capital and other balance sheet changes. CAD is not necessarily indicative of the CAD that may be generated in future periods.

Management uses Adjusted EBITDA as a performance measure. Adjusted EBITDA is a non-GAAP measure that management uses to make strategic decisions about the business and that investors can use to evaluate the operational performance of the assets under management. It removes the impact of specific items that management believes do not directly reflect the core business operations on an ongoing basis attributable to Rayonier. We define Adjusted EBITDA as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, non-operating income and expense, operating loss attributable to noncontrolling interest in Timber Funds, costs related to the merger with Pope Resources, timber write-offs resulting from casualty events and Large Dispositions.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net Income to Adjusted EBITDA Reconciliation				
Net (loss) income	($9.5)	$1.5	$17.4	$50.2
Operating loss attributable to NCI in Timber Funds	10.3	—	12.3	—
Interest, net attributable to NCI in Timber Funds	0.2	—	0.3	—
Income Tax expense attributable to NCI in Timber Funds	0.1	—	0.2	—
Net Income (Excluding NCI in Timber Funds)	1.1	1.5	30.2	50.2
Interest, net and miscellaneous income attributable to Rayonier	10.2	7.4	27.9	21.2
Income tax expense attributable to Rayonier	0.6	2.3	7.3	10.2
Depreciation, depletion and amortization attributable to Rayonier	39.6	27.8	112.2	91.9
Non-cash cost of land and improved development	7.3	4.3	20.7	10.0
Timber write-offs resulting from casualty events attributable to Rayonier (a)	7.9	—	7.9	—
Non-operating expense (income)	0.2	(0.2)	(1.0)	(0.8)
Costs related to the merger with Pope Resources (b)	0.4	—	16.4	—
Large Dispositions (c)	—	—	(28.7)	—
Adjusted EBITDA	$67.2	$43.2	$192.9	$182.8

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

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

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

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

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
September 30, 2020								
Operating income (loss)	$5.1	($1.8)	$10.7	($12.4)	$9.5	($0.6)	($8.7)	$1.8
Operating loss attributable to NCI in Timber Funds	—	—	—	10.3	—	—	—	10.3
Timber write-offs resulting from casualty events attributable to Rayonier (a)	6.0	—	—	1.8	—	—	—	7.9
Depreciation, depletion and amortization	15.0	10.9	7.3	0.5	5.5	—	0.4	39.6
Non-cash cost of land and improved development	—	—	—	—	7.3	—	—	7.3
Costs related to the merger with Pope Resources (b)	—	—	—	—	—	—	0.4	0.4
Adjusted EBITDA	$26.1	$9.1	$18.1	$0.2	$22.2	($0.6)	($7.9)	$67.2
September 30, 2019								
Operating income (loss)	$9.5	($3.6)	$10.1	—	$0.4	—	($5.4)	$11.0
Depreciation, depletion and amortization	13.0	6.3	7.6	—	0.7	—	0.3	27.8
Non-cash cost of land and improved development	—	—	—	—	4.3	—	—	4.3
Adjusted EBITDA	$22.5	$2.7	$17.7	—	$5.4	—	($5.1)	$43.2

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

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

Nine Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Timber Funds	Real Estate	Trading	Corporate and Other	Total
September 30, 2020								
Operating income (loss)	$31.4	($9.5)	$21.1	($14.3)	$61.1	($0.5)	($37.3)	$52.0
Operating loss attributable to NCI in Timber Funds	—	—	—	12.3	—	—	—	12.3
Timber write-offs resulting from casualty events attributable to Rayonier (a)	6.0	—	—	1.8	—	—	—	7.9
Depreciation, depletion and amortization	48.4	32.2	17.1	1.0	12.6	—	1.0	112.2
Non-cash cost of land and improved development	—	—	—	—	20.7	—	—	20.7
Costs related to merger with Pope Resources (b)	—	—	—	—	—	—	16.4	16.4
Large Dispositions (c)	—	—	—	—	(28.7)	—	—	(28.7)
Adjusted EBITDA	$85.8	$22.8	$38.2	$0.8	$65.7	($0.5)	($19.9)	$192.9
September 30, 2019								
Operating income (loss)	$45.8	($11.1)	$38.6	—	$25.9	$0.3	($18.6)	$80.9
Depreciation, depletion and amortization	45.6	19.2	21.1	—	5.2	—	0.9	91.9
Non-cash cost of land and improved development	—	—	—	—	10.0	—	—	10.0
Adjusted EBITDA	$91.4	$8.0	$59.7	—	$41.1	$0.3	($17.7)	$182.8

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

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

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

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

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash provided by operating activities	$138.0	$164.2
Capital expenditures (a)	(44.7)	(45.3)
Costs related to the merger with Pope Resources (b)	16.4	—
CAD attributable to NCI in Timber Funds	(0.1)	—
Working capital and other balance sheet changes	14.6	(3.3)
CAD	124.2	115.6
Mandatory debt repayments	—	—
CAD after mandatory debt repayments	124.2	115.6
Cash used for investing activities	($184.8)	($132.8)
Cash provided by (used for) financing activities	$55.7	($125.2)

(a) Capital expenditures during the nine months ended September 30, 2020 exclude timberland acquisitions. Excluding the Pope Resources acquisition, timberland acquisitions were $24.4 million and $81.9 million, respectively, during the nine months ended September 30, 2020 and September 30, 2019.

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

The following table provides supplemental cash flow data (in millions):

	Nine Months Ended September 30, 2020	2019
Purchase of timberlands (a)	($24.4)	($81.9)
Real Estate Development Investments	(5.4)	(3.3)
Distributions to noncontrolling interest in consolidated affiliates	(8.2)	(7.3)

(a) The nine months ended September 30, 2020 excludes timberland acquired in the merger with Pope Resources. See Note 2 - Merger with Pope Resources for additional information.

LIQUIDITY FACILITIES

2020 DEBT ACTIVITY

See Note 7 — Debt for additional information.

OFF-BALANCE SHEET ARRANGEMENTS

We utilize off-balance sheet arrangements to provide credit support for certain suppliers and vendors in case of their default on critical obligations, and collateral for outstanding claims under our previous workers' compensation self-insurance programs. These arrangements consist of standby letters of credit and surety bonds. As part of our ongoing operations, we also periodically issue guarantees to third parties. Off-balance sheet arrangements are not considered a source of liquidity or capital resources and do not expose us to material risks or material unfavorable financial impacts. See Note 13 — Guarantees for details on the letters of credit and surety bonds as of September 30, 2020.

CONTRACTUAL FINANCIAL OBLIGATIONS

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

The following table aggregates our contractual financial obligations as of September 30, 2020 and anticipated cash spending by period:

		Payments Due by Period			
Contractual Financial Obligations (in millions)	**Total**	**Remaining 2020**	**2021-2022**	**2023-2024**	**Thereafter**
Long-term debt, excluding Timber Funds (a)	$1,312.7	—	$325.0	—	$987.7
Long-term debt, Timber Funds (b)	57.4	—	25.0	32.4	—
Interest payments on long-term debt, excluding Timber Funds (c)	156.7	11.3	59.6	41.3	44.5
Interest payments on long-term debt, Timber Funds	6.4	0.5	3.9	2.0	—
Operating leases — timberland (d)	176.1	3.9	15.6	14.1	142.5
Operating leases — PP&E, offices (d)	7.1	0.4	2.6	1.8	2.3
Commitments — derivatives (e)	106.5	3.5	30.7	32.9	39.4
Commitments — environmental remediation (f)	11.7	0.5	5.0	3.5	2.7
Commitments — other (g)	9.8	5.3	1.2	0.5	2.8
Total contractual cash obligations	$1,844.4	$25.4	$468.6	$128.5	$1,221.9

(a) The book value of long-term debt, excluding Timber Funds, net of deferred financing costs and fair market value adjustments, is currently recorded at $1,318.2 million on our Consolidated Balance Sheet, but upon maturity the liability will be $1,312.7 million. See Note 7 — Debt for additional information.

(b) The book value of long-term debt for the Timber Funds, net of fair market value adjustments, is currently recorded at $60.4 million on our Consolidated Balance Sheet, but upon maturity the liability will be $57.4 million. See Note 7 - Debt for additional information.

(c) Projected interest payments for variable rate debt were calculated based on outstanding principal amounts and interest rates as of September 30, 2020.

(d) Excludes anticipated renewal options.

(e) Commitments — derivatives represents payments expected to be made on derivative financial instruments (foreign exchange contracts, interest rate swaps and forward-starting interest rate swaps). See Note 15 — Derivative Financial Instruments and Hedging Activities.

(f) Commitments — environmental remediation represents our estimate of potential liability associated with environmental contamination at Port Gamble. See Note 12 - Environmental Liabilities.

(g) Commitments — other includes payments expected to be made on the Wildlight and Richmond Hill development projects, payments made on timberland deeds and other purchase obligations.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

We are exposed to interest rate risk through our variable rate debt, primarily due to changes in LIBOR. However, we use interest rate swaps to manage our exposure to interest rate movements on our term credit agreements by swapping existing and anticipated future borrowings from floating rates to fixed rates. As of September 30, 2020, we had $920 million of U.S. variable rate debt, including $20 million outstanding on our revolving credit facility and $900 million outstanding on our term credit agreements.

The notional amount of outstanding interest rate swap contracts with respect to our term credit agreements at September 30, 2020 was $900 million. The maturity date of the Term Credit Agreement was extended from August 2024 to April 2028, with the associated interest rate swaps maturing in August 2024. We have entered into forward starting interest rate swaps to cover $150 million of the Term Credit Agreement through the extended maturity date. The Incremental Term Loan Agreement and associated interest rate swaps mature in May 2026, and the 2020 Incremental Term Loan Agreement matures in April 2025 and the associated interest rate swaps mature in June 2030. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in a corresponding increase/decrease in interest payments and expense of approximately $0.2 million over a 12-month period.

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk. The estimated fair value of our long-term fixed rate debt excluding the Timber Funds at September 30, 2020 was $405 million compared to the $393 million principal amount. The estimated fair value of our Timber Funds' long-term fixed rate debt at September 30, 2020 was $60.6 million compared to the $57.4 million principal amount. We use interest rates of debt with similar terms and maturities to estimate the fair value of our debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical one-percentage point increase/decrease in prevailing interest rates at September 30, 2020 would result in a corresponding decrease/increase in the fair value of our long-term fixed rate debt of approximately $11 million.

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

The following table summarizes our outstanding debt, interest rate swaps and average interest rates, by year of expected maturity and their fair values at September 30, 2020:

(Dollars in thousands)	2020	2021	2022	2023	2024	Thereafter	Total	Fair Value
Variable rate debt:								
Principal amounts	—	—	—	—	—	$920,000	$920,000	$920,000
Average interest rate (a)(b)	—	—	—	—	—	1.92 %	1.92 %	
Fixed rate debt, excluding Timber Funds:								
Principal amounts	—	—	$325,000	—	—	$67,735	$392,735	$405,204
Average interest rate (b)	—	—	3.75 %	—	—	4.46 %	3.87 %	
Fixed rate debt, Timber Funds:								
Principal amounts	—	—	$25,000	$17,980	$14,400	—	$57,380	$60,628
Average interest rate (b)	—	—	1.95 %	5.10 %	4.45 %	—	3.56 %	
Interest rate swaps:								
Notional amount	—	—	—	—	$350,000	$550,000	$900,000	($61,308)
Average pay rate (b)	—	—	—	—	2.28 %	1.31 %	1.69 %	
Average receive rate (b)	—	—	—	—	0.15 %	0.15 %	0.15 %	
Forward-starting interest rate swaps								
Notional amount	—	—	—	—	—	$475,000	$475,000	($20,980)
Average pay rate (b)	—	—	—	—	—	1.22 %	1.22 %	
Average receive rate (b)	—	—	—	—	—	0.15 %	0.15 %	

(a) Excludes estimated patronage refunds.
(b) Interest rates as of September 30, 2020.

Foreign Currency Exchange Rate Risk

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

Sales and Expense Exposure

At September 30, 2020, the New Zealand subsidiary had foreign currency exchange contracts with a notional amount of $48 million and foreign currency option contracts with a notional amount of $32 million outstanding related to foreign export sales and ocean freight payments. The amount hedged represents a portion of forecasted U.S. dollar denominated export timber and log trading sales proceeds over the next 24 months and next 3 months, respectively.

The following table summarizes our outstanding foreign currency exchange rate risk contracts at September 30, 2020:

(Dollars in thousands)	0-1 months	1-2 months	2-3 months	3-6 months	6-12 months	12-18 months	18-24 months	Total	Fair Value
Foreign exchange contracts to sell U.S. dollar for New Zealand dollar									
Notional amount	$7,650	$4,000	$3,000	$7,000	$14,000	$11,000	$1,000	$47,650	$2,449
Average contract rate	1.5188	1.5189	1.5189	1.5191	1.5186	1.5175	1.5169	1.5185	
Foreign currency option contracts to sell U.S. dollar for New Zealand dollar									
Notional amount	—	$2,000	$2,000	$12,000	$16,000	—	—	$32,000	$389
Average strike price	—	1.5781	1.5777	1.5787	1.5848	—	—	1.5817	

Item 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Rayonier Inc.

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

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

Based on an evaluation of the Company’s disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of September 30, 2020.

In the quarter ended September 30, 2020, based upon the evaluation required by Rule 13a-15(d) under the Exchange Act, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

Rayonier, L.P.

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

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

Based on an evaluation of the Operating Partnership’s disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, management, including Rayonier’s Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of September 30, 2020.

In the quarter ended September 30, 2020, based upon the evaluation required by Rule 13a-15(d) under the Exchange Act, there were no changes in internal controls over financial reporting that would materially affect or are reasonably likely to materially affect internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1A. RISK FACTORS

Our operations are subject to a number of risks. When considering an investment in our securities, you should carefully read and consider these risks, together with all other information in this Quarterly Report on Form 10-Q. If any of the events described in the following risk factors actually occur, our business, financial condition or operating results, as well as the market price of our securities, could be materially adversely affected. The information presented below updates the risk factors set forth in Part I, “Item 1A. Risk Factors,” of the Company’s 2019 Form 10-K.

Coronavirus (COVID-19) Pandemic

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

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

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

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

Item 1. LEGAL PROCEEDINGS

The information set forth in Note 11 — Contingencies in the “Notes to Consolidated Financial Statements” under Item 1 of Part I of this report is incorporated herein by reference.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Rayonier Inc.

REGISTERED SALES OF EQUITY SECURITIES

From time to time, the Company may issue shares of common stock in exchange for common units in the Operating Partnership. Such shares are issued based on an exchange ratio of one share for each common unit in the Operating Partnership. During the quarter ended September 30, 2020, the Company issued 1,000 common shares in exchange for an equal number of common units in the Operating Partnership pursuant to the agreement of the Operating Partnership.

ISSUER PURCHASES OF EQUITY SECURITIES

In February 2016, the Board of Directors approved the repurchase of up to $100 million of Rayonier's common shares (the "share repurchase program") to be made at management's discretion. The program has no time limit and may be suspended or discontinued at any time. There were no shares repurchased under this program in the third quarter of 2020. Based on the period-end closing stock price of $26.44 at September 30, 2020, there was $87.7 million, or approximately 3,318,020 shares, remaining under this program.

The following table provides information regarding our purchases of Rayonier common shares during the quarter ended September 30, 2020:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (c)
July 1 to July 31	—	—	—	3,157,971
August 1 to August 31	139	$27.85	—	2,996,190
September 1 to September 30	1,046	$26.44	—	3,318,020
Total	1,185		—	

(a) Includes 1,185 shares of the Company's common shares purchased in July, August and September from current and former employees in non-open market transactions. The shares were sold by current and former employees of the Company in exchange for cash that was used to pay withholding taxes associated with the vesting of share-based awards under the Company's Incentive Stock Plan. The price per share surrendered is based on the closing price of the Company's common shares on the respective vesting dates of the awards.

(b) Purchases made in open-market transactions under the $100 million share repurchase program announced on February 10, 2016.

(c) Maximum number of shares authorized to be purchased under the share repurchase program at the end of July, August and September are based on month-end closing stock prices of $27.78, $29.28 and $26.44, respectively.

Rayonier, L.P.

UNREGISTERED SALES OF EQUITY SECURITIES

There were no unregistered sales of equity securities made by the Operating Partnership during the quarter ended September 30, 2020.

ISSUER PURCHASES OF EQUITY SECURITIES

Pursuant to the Operating Partnership's limited partnership agreement, limited partners have the right to redeem their common units in the Operating Partnership for cash, or at our election, shares of Rayonier Common Stock on a one-for-one basis. During the quarter ended September 30, 2020, 1,000 common units in the Operating Partnership held by limited partners were redeemed in exchange for shares of Rayonier Common Stock.

Item 6. EXHIBITS

10.1	Rayonier Incentive Stock Plan, as amended*	Filed herewith
10.2	Executive Severance Pay Plan, as amended*	Filed herewith
22.1	List of Guarantor Subsidiaries	Incorporated by reference to Exhibit 22.1 to the Registrant's June 30, 2020 Form 10-Q
31.1	Rayonier Inc. - Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Rayonier Inc. - Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.3	Rayonier, L.P. - Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.4	Rayonier, L.P. - Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Rayonier Inc. - Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Rayonier, L.P. - Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following financial information from our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020, formatted in Extensible Business Reporting Language ("XBRL"), includes: (i) the Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months Ended September 30, 2020 and 2019; (ii) the Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019; (iii) the Consolidated Statements of Changes in Shareholders' Equity for the Nine Months Ended September 30, 2020 and 2019; (iv) the Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2020 and 2019; and (v) the Notes to Consolidated Financial Statements	Filed herewith
104	The cover page from the Company's Quarterly Report on Form 10-Q from the quarter ended September 30, 2020, formatted in Inline XBRL (included as Exhibit 101).	

*Management contract or compensatory plan

SIGNATURES

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

RAYONIER INC.

By: /s/ APRIL TICE

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

Date: November 2, 2020

RAYONIER, L.P.

By: RAYONIER INC., its sole general partner

By: /s/ APRIL TICE

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

Date: November 2, 2020

EXHIBIT 10.1

RAYONIER INCENTIVE STOCK PLAN

1. Purpose

The purpose of the Rayonier Incentive Stock Plan is to attract and retain highly qualified employees and directors and to motivate and reward performance that will lead to sustained increases in shareholder value. The Plan furthers opportunities for share ownership by our employees in order to increase their proprietary interest in Rayonier Inc. and, as a result, their interest in our long-term success and their commitment to creating shareholder value.

2. Definitions

When used herein, the following terms shall have the indicated meaning:

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

"Award" means an award granted to any Key Employee in accordance with the provisions of the Plan in the form of Options, Rights, Performance Shares, Restricted Stock, Restricted Stock Units or any combination of the foregoing.

"Award Agreement" means the written agreement or document, including electronic communication, evidencing each Award granted to a Key Employee under the Plan.

"Beneficiary" means the estate of a Key Employee or such other beneficiary or beneficiaries lawfully designated pursuant to Section 11 to receive the amount, if any, payable under the Plan upon the death of a Key Employee.

"Board" means the Board of Directors of the Company.

"Change in Control" has the meaning set forth in Section 10(b).

"Clawback Policy" has the meaning set forth in Section 17.

"Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. (All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.)

"Committee" means the Compensation and Management Development Committee of the Board or such other committee as may be designated by the Board to administer the Plan.

"Company" means Rayonier Inc. and its subsidiaries, successors and assigns.

"Effective Date" has the meaning set forth in Section 20.

"Fair Market Value", unless otherwise indicated in the provisions of this Plan, means, as of any date, the closing price for one share of Stock on the New York Stock Exchange on that date or, if no sales of Stock have taken place on such date, the closing price on the most recent date on which selling prices were quoted, the determination to be made in the discretion of the Committee.

"GAAP" means U.S. Generally Accepted Accounting Principles.

"Incentive Stock Option" means a stock option qualified under Section 422 of the Code.

“Key Employee” means an employee (including any officer or director who is also an employee) of any Participating Company whose responsibilities and decisions, in the judgment of the Committee, directly affect the performance of the Company and its subsidiaries. References to the term “Key Employees” shall be read to include “Non-employee Directors” in the application of Sections 3, 5, 7, 8, 9 and 11 through 17 of the Plan as the context may require in relationship to Awards to Non-employee Directors hereunder. Except as otherwise may be determined by the Board, a Non-employee Director’s ceasing to be a director of the Company shall be treated in the same manner as a voluntary termination of employment by a Key Employee on such date.

“Non-employee Director” means a member of the Board who is not otherwise an employee of the Company.

“Option” means an Incentive Stock Option or a non-qualified stock option awarded under Section 5 of the Plan.

“Original Plan” means the 2004 Rayonier Incentive Stock and Management Bonus Plan, as subsequently amended and restated.

“Participating Company” means the Company or any subsidiary or other affiliate of the Company; provided, however, for Incentive Stock Options only, “Participating Company” means the Company or any corporation that, at the time such Option is granted, qualifies as a “subsidiary” of the Company under Section 424(f) of the Code.

“Performance Goals” means or may be expressed in terms of any of the following business criteria measured on an absolute or relative basis, and in each case measurable as objective goals: (i) net income or net earnings (before or after taxes), (ii) earnings per share, (iii) operating income, (iv) operating cash flow, (v) free cash flow, (vi) recurring cash flow, (vii) cash available for distribution, (viii) revenue growth, (ix) earnings before income taxes and depreciation, (x) earnings before interest, taxes, depreciation and amortization, (xi) margins (including but not limited to gross or operating margins), (xii) reductions in operating expenses, (xiii) sales or return on sales, (xiv) stock price (including, but not limited to, growth measures and total stockholder return), (xiv) return measures (including but not limited to return on equity, return on total capital, return on invested capital and return on assets), (xv) economic value added, (xvii) expense targets, (xviii) cost reductions and savings, (xix) attainment of budget goals, (xx) increase in surplus, (xxi) productivity improvements, (xxii) attainment of strategic or operational initiatives, (xxiii) an executive’s attainment of personal objectives with respect to any of the foregoing criteria or other criteria, such as growth and profitability, customer satisfaction, market share, leadership effectiveness, business development, operational efficiency or operational improvement, strategic or operational initiatives, negotiating transactions and sales or developing long term business goals, (xxiv) any other financial or business measures as may be determined by the Committee, and (xxv) any combination of the foregoing. A Performance Goal may be measured over a Performance Period on a periodic, annual, cumulative or average basis and may be established on a corporate-wide basis or established with respect to one or more operating units, divisions, subsidiaries, acquired businesses, minority investments, partnerships or joint ventures. Unless otherwise determined by the Committee, the Performance Goals will be determined using GAAP consistently applied during a Performance Period, or on a non-GAAP basis with any such exclusions or adjustments as the Committee may determine from time to time.

"Performance Objective" means the level or levels of performance required to be attained with respect to specified Performance Goals in order that a Key Employee shall become entitled to specified rights in connection with a Performance Share or other Award subject to performance-based vesting criteria. The level or levels of performance specified with respect to a Performance Goal may be established in absolute terms, as objectives relative to performance in prior periods, as an objective compared to the performance of one or more peer companies or an index covering multiple companies, or otherwise as the Committee may determine.

"Performance Period" means the period of time designated by the Committee, during which performance will be measured in order to determine a Key Employee's entitlement to receive payment of a Performance Share.

"Performance Share" means a performance share awarded under Section 6 of the Plan.

"Plan" means this Rayonier Incentive Stock Plan, which amends and restates the Original Plans, as the same may be further amended, administered or interpreted from time to time.

"Plan Year" means the calendar year.

"Retirement" means an employee's separation from service having met the age and service requirements that would have resulted in the employee's being eligible to receive immediate retirement benefits under a Participating Company qualified defined benefit pension plan, but without regard to whether or not such employee participates in such pension plan.

"Restricted Stock" means Stock awarded under Section 7 of the Plan subject to such restrictions as the Committee deems appropriate or desirable.

"Restricted Stock Unit" means a contractual right to receive a share of Stock at a future date subject to such terms and conditions as may be established by the Committee, including the attainment of Performance Goals or service-based vesting criteria. If determined by the Committee and provided in the Award Agreement, all or a portion of a Restricted Stock Unit Award may be settled in cash.

"Right" means a stock appreciation right awarded in connection with an Option under Section 5 of the Plan.

"Share Limit" has the meaning set forth in Section 3 of the Plan.

"Shareholder Approval" shall mean approval of holders of a majority of the shares of Stock represented and voting in person or by proxy at an annual or special meeting of shareholders of the Company where a quorum is present.

"Stock" means the common shares of the Company.

"Successor Corporation" has the meaning set forth in Section 14(b) of the Plan.

"Total Disability" means a determination that a Key Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of at least twelve (12) months, as determined by the Committee upon the basis of such evidence as the Committee deems appropriate or necessary. A determination that the Key Employee is eligible for full long-term disability payments under the Company's long-term disability plan, as may be in effect from time to time, shall be conclusive evidence of Total Disability.

3. **Shares Subject to the Plan**

(a) The total number of shares of Stock that may be issued pursuant to Awards under the Plan shall not exceed 7,241,663, together with any shares of Stock reserved for issuance as Awards under Original Plan. The shares of Stock may be authorized, but unissued, or reacquired shares of Stock. Subject to Section 3(b), the number of shares available for issuance under the Plan shall be reduced by: (i) 1 share for each share of stock issued pursuant to an Option or a Right granted under Section 5, and (ii) 2.27 shares for each share of Stock issued pursuant to a Performance Share, Restricted Stock Award or Restricted Stock Unit granted under Section 6, Section 7 or Section 8. Shares may be issued in connection with a merger or acquisition as permitted by NYSE Listed Company Manual Section 303A.08, and such issuance shall not reduce the number of shares available for issuance under the Plan. No more than 1,000,000 shares of Stock may be cumulatively available for Awards of Incentive Stock Options under the Plan. For any Plan Year, no individual employee may receive an Award of Options, Performance Shares, Restricted Stock, Restricted Stock Units or Rights for more than four percent (4%) of the total number of shares authorized under the Plan (with respect to any Key Employee, his or her "Share Limit"). The number of shares available in each category hereunder shall be subject to adjustment as provided in Section 14 in connection with a Stock split, Stock dividend, or other extraordinary transaction affecting the Stock.

For any Plan Year, the value of Awards granted to an individual Non-employee Director (which are limited to Options, Restricted Stock and Restricted Stock Unit Awards pursuant to Section 4(b)) may not exceed $350,000, calculating the value of any such Awards based on the grant date fair value of such Awards for financial reporting purposes. Any Awards granted to an individual while he or she is an employee of the Company but not a Non-employee Director, shall not count against the limitation in the preceding sentence.

(b) Subject to the above limitations, shares of Stock to be issued under the Plan may be made available from the authorized but unissued shares, or from shares purchased in the open market. For the purpose of computing the total number of shares of Stock available for future Awards under the Plan, shares of Stock shall be reserved for issuance under outstanding Performance Share programs (or any other Awards subject to performance-based vesting criteria) at the maximum award level and counted against the foregoing limitations. If any Awards under the Plan are forfeited, terminated, expire unexercised, are settled in cash in lieu of Stock, are exchanged for other Awards or are released from a reserve for failure to meet the maximum payout under a program, the shares of Stock that were theretofore subject to or reserved for such Awards shall again be available for Awards under the Plan to the extent of such forfeiture, expiration of such Awards or so released from a reserve. To the extent there is issued a share of Common Stock pursuant to an Award that counted as 2.27 shares against the number of shares available for issuance under the Plan pursuant to Section 3(a) and such share of Common Stock again becomes available for issuance under the Plan pursuant to this Section 3(b), then the number of shares of Common Stock available for issuance under the Plan shall increase by 2.27 shares. Any shares that are exchanged (either actually or constructively) by optionees as full or partial payment to the Company of the purchase price of shares being acquired through the exercise of an Option granted under the Plan will not be available for subsequent Awards. If any shares subject to an Award are not delivered to a Key Employee because such shares are withheld for the payment of taxes or the Award is exercised through a reduction of shares subject to the Award (*i.e.*, "net exercised") or an appreciation distribution in respect of a Right is paid in shares of Common Stock, the number of shares subject to the Award that are not delivered to the Key Employee shall not remain available for subsequent issuance under the Plan. If the exercise price of any Award is satisfied by tendering shares of Common Stock held by the Key Employee (either by actual delivery or attestation), then the number of shares so tendered shall not be available for subsequent issuance under the Plan.

4. **Grant of Awards and Award Agreements**

(a) Subject to the provisions of the Plan, the Committee shall (i) determine and designate from time to time those Key Employees or groups of Key Employees to whom Awards are to be granted; (ii) determine the form or forms of Award to be granted to any Key Employee; (iii) determine the amount or number of shares of Stock subject to each Award, and (iv) determine the terms and conditions of each Award.

(b) The Board shall serve to administer and interpret the Plan with respect to any grants of Awards made to Non-employee Directors. Non-employee Directors shall only be eligible for Options pursuant to Section 5, Restricted Stock under Section 7 and/or Restricted Stock Units under Section 8. Non-employee Directors shall not be entitled to receive any Rights or Performance Shares. Any such Awards, and all duties, powers and authority given to the Committee in this Plan, including those provided for in this Section 4, in Section 12 and elsewhere in the Plan, in connection with Awards to Key Employees shall be deemed to be given to the Board in its sole discretion in connection with Awards to Non-employee Directors. The Board may request of the Committee, its Nominating and Corporate Governance Committee or of any other Board committee comprised of independent directors, its recommendation on the level of Awards for this purpose. Except as may be specifically provided by the Board at the time of grant or in the applicable Award Agreement, the provisions of Sections 10, 15 and 16 shall not apply in respect of Awards made to Non-employee Directors.

(c) Each Award granted under the Plan shall be evidenced by a written Award Agreement, which may be electronic. Such agreement shall be subject to and incorporate the express terms and conditions, if any, required under the Plan or required by the Committee, including such covenants and agreements with respect to the subject matter of Sections 15 and 16 as the Committee may determine in its sole discretion.

5. **Stock Options and Rights**

(a) With respect to Options and Rights, the Committee shall (i) authorize the granting of Incentive Stock Options, nonqualified Options, or any combination thereof; (ii) authorize the granting of Rights that may be granted in connection with all or part of any Option granted under this Plan, either concurrently with the grant of the Option or at any time thereafter during the term of the Option; (iii) determine the number of shares of Stock subject to each Option or the number of shares of Stock that shall be used to determine the value of a Right; and (iv) determine the time or times when and the manner in which each Option or Right shall be exercisable and the duration of the exercise period.

(b) Any Option issued hereunder that is intended to qualify as an Incentive Stock Option shall be subject to such limitations or requirements as may be necessary for the purposes of Section 422 of the Code or any regulations and rulings thereunder to the extent and in such form as determined by the Committee in its discretion.

(c) Rights may be granted to any Key Employee, in the discretion of the Committee.

(d) The exercise period for Options and any related Rights shall not exceed ten years from the date of grant.

(e) The Option price per share shall be determined by the Committee at the time any Option is granted and shall be not less than the Fair Market Value of one share of Stock on the date the Option is granted.

(f) No part of any Option or Right may be exercised until the Key Employee who has been granted the Award shall have remained in the employ of a Participating Company for such period after the date of grant as the Committee may specify, if any, and the Committee may further require exercisability in installments.

(g) The Option purchase price, and any required tax withholding obligations, shall be paid to the Company at the time of exercise either in cash or Stock already owned by the optionee, or by the withholding of shares that would otherwise be delivered upon exercise, or any combination thereof, having a total Fair Market Value equal to the purchase price and any required tax withholding obligation. The Committee shall determine acceptable methods for tendering Stock as payment upon exercise of an Option and related tax withholding and may impose such limitations and prohibitions on the use of Stock to exercise an Option as it deems appropriate.

(h) In case of termination of employment, the following provisions shall apply:

(A) If a Key Employee who has been granted an Option shall die before such Option has expired, his or her Options, to the extent vested at the date of death, may be exercised in full by the person or persons to whom the Key Employee's rights under the Option pass by will, or if no such person has such right, by his or her executors or administrators, at any time, or from time to time, in each such case, such heir, executor or administrator may exercise the Option within five years after the date of the Key Employee's death or within such other period, and subject to such terms and conditions as the Committee may specify, but in all events not later than the expiration date specified in Section 5(d) above. Unless the Committee or the Award Agreement shall specify otherwise, unvested Options shall be forfeited as of the date of the Key Employee's death.

(B) If the Key Employee's employment by any Participating Company terminates because of his or her Retirement, any such Options not fully exercisable immediately prior to such optionee's Retirement shall become fully exercisable upon such Retirement unless the Committee, in its sole discretion, shall otherwise determine. Key Employee may exercise his or her Options, in full at any time, or from time to time, within five years after the date of the termination of his or her employment or within such other period, and subject to such terms and conditions as the Committee may specify, but not later than the expiration date specified in Section 5(d) above.

(C) If the Key Employee's employment by any Participating Company terminates because of his or her Total Disability, he or she may exercise his or her Options, to the extent vested at the date of the termination of his or her employment, at any time, or from time to time, within five years after the date of the termination of his or her employment or within such other period, and subject to such terms and conditions as the Committee may specify, but not later than the expiration date specified in Section 5(d) above. Upon a Key Employee's termination due to Total Disability, his or her unvested Options shall be forfeited as of the date of the termination unless the Committee or the Award Agreement shall specify otherwise.

(D) Except as provided in Section 10, if the Key Employee shall voluntarily resign before eligibility for Retirement or he or she is terminated for cause as determined by the Committee, the Options shall be cancelled coincident with the effective date of the termination of employment.

(E) If the Key Employee's employment terminates for any other reason, he or she may exercise his or her Options, to the extent vested at the date of the termination of his or her employment, at any time, or from time to time, within three months after the date of the termination of his or her employment or within such other period, and subject to such terms and conditions as the Committee may specify, but not later than the expiration date specified in Section 5(d) above. Unless the Committee or the Award Agreement shall specify otherwise, unvested Options shall be forfeited as of the effective date of the termination.

This Section 5(h) shall also apply with respect to any Rights granted in connection with an Option.

(i) No Option or Right granted under the Plan shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the optionee, an Option or Right shall be exercisable only by the Key Employee to whom the Option or Right is granted.

(j) With respect to an Incentive Stock Option, the Committee shall specify such terms and provisions as the Committee may determine to be necessary or desirable in order to qualify such Option as an "incentive stock option" within the meaning of Section 422 of the Code.

(k) With respect to the exercisability and settlement of Rights:

(A) Upon exercise of a Right, the Key Employee shall be entitled, subject to such terms and conditions as the Committee may specify, to receive all or a portion of the excess of (i) the Fair Market Value of a specified number of shares of Stock at the time of exercise, as determined by the Committee, over (ii) a specified amount that shall not, subject to Section 5(e), be less than the Fair Market Value of such specified number of shares of Stock at the time the Right is granted. Upon exercise of a Right, payment of such excess shall be made by the issuance or transfer to the Key Employee of whole shares of Stock or cash with a Fair Market Value at such time equal to any excess, all as determined by the Committee. The Company will not issue a fractional share of Stock and, if a fractional share would otherwise be issuable, the Company shall pay cash equal to the Fair Market Value of the fractional share of Stock at such time.

(B) In the event of the exercise of such Right, the Company's obligation in respect of any related Option or such portion thereof will be discharged by payment of the Right so exercised.

6. **Performance Shares**

(a) Subject to the provisions of the Plan, the Committee shall (i) determine and designate from time to time those Key Employees or groups of Key Employees to whom Awards of Performance Shares are to be made, (ii) determine the Performance Period and Performance Objectives applicable to such Awards, (iii) determine the form of settlement of a Performance Share, whether in Stock or cash, as provide in the Award Agreement, and (iv) generally determine the terms and conditions of each such Award. At any date, each Performance Share shall have a value equal to the Fair Market Value of a share of Stock at such date; provided that the Committee may limit the aggregate amount payable upon the settlement of any such Award.

(b) The Committee shall determine a Performance Period of not less than two nor more than five years with respect to the award of Performance Shares. Performance Periods may overlap and Key Employees may participate simultaneously with respect to Performance Shares for which different Performance Periods are prescribed.

(c) The Committee shall determine the Performance Objectives of Awards of Performance Shares. Performance Objectives may vary from Key Employee to Key Employee and between groups of Key Employees and shall be based upon such Performance Goals as the Committee may deem appropriate. The Performance Objectives shall be established by the Committee prior to, or reasonably promptly following the inception of, a Performance Period.

(d) Following the completion of each Performance Period, the Committee shall determine whether the Performance Objective and other material terms for paying amounts in respect of each Performance Share Award related to that Performance Period have been achieved or met. Unless the Committee determines otherwise, Performance Share Awards shall not be settled until the Committee has made the determination specified under this Section 6(d).

(e) The Committee is authorized at any time during or after a Performance Period to reduce, increase or eliminate the Performance Share Award of any Key Employee for any reason, including, without limitation, changes in the position or duties of any Key Employee with the Participating Company during or after a Performance Period, whether due to any termination of employment (including death, disability, retirement, voluntary termination or termination with or without cause) or otherwise. In addition, to the extent necessary to preserve the intended economic effects of the Plan to the Participating Company and the Key Employee, the Committee shall have the discretion to adjust Performance Objectives, the Performance Share Awards or both to take into account: (i) a change in corporate capitalization, (ii) a corporate transaction, such as any merger of the Company or any subsidiary into another corporation, any consolidation of the Company or any subsidiary into another corporation, any separation of the Company or any subsidiary (including a spin-off or the distribution of stock or property of the Company or any subsidiary), any reorganization of the Company or any subsidiary or a large, special and non-recurring dividend paid or distributed by the Company (whether or not such reorganization comes within the definition of Section 368 of the Code), (iii) any partial or complete liquidation of the Company or any subsidiary, (iv) a change in accounting or other relevant rules or regulations (any adjustment pursuant to this Clause (iv) shall be subject to the timing requirements in the definition of Performance Goal set forth in Section 2 of the Plan), or (v) any other unusual, non-recurring, non-core or other event, as determined by the Committee in its discretion.

(f) When establishing the Performance Objectives for Performance Shares, the Committee may provide with respect to any such Award that the evaluation of Performance Objectives shall exclude or otherwise equitably adjust for any specified circumstance or event that occurs during a Performance Period, including by way of example, but not limited to, the following: (i) asset write-downs or impairment charges; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; (iv) reorganization and restructuring; (v) acquisitions or divestitures and expenses related thereto; (vi) foreign exchange gains and losses; or (vii) any other unusual or infrequently occurring items or any other special or designated items, events or circumstances as the Committee may in its discretion determine.

(g) At the beginning of a Performance Period, the Committee shall determine for each Key Employee or group of Key Employees the number of Performance Shares or the percentage of Performance Shares that shall be paid to the Key Employee or member of the group of Key Employees if Performance Objectives are met in whole or in part.

(h) If a Key Employee terminates service with all Participating Companies during a Performance Period because of death, Total Disability, Retirement, or under other circumstances where the Committee in its sole discretion finds that a waiver would be in the best interests of the Company, that Key Employee may, as determined by the Committee, be entitled to an Award of Performance Shares at the end of the Performance Period based upon the extent to which the Performance Objectives were satisfied at the end of such period, which Award, in the discretion of the Committee, may be maintained without change or reduced and prorated for the portion of the Performance Period during which the Key Employee was employed by any Participating Company; provided, however, the Committee may provide for an earlier payment in settlement of such Performance Shares in such amount and under such terms and conditions as the Committee deems appropriate or desirable. If a Key Employee terminates service with all Participating Companies during a Performance Period for any other reason, then such Key Employee shall not be entitled to any Award with respect to that Performance Period unless the Committee shall otherwise determine.

(i) Each Award of a Performance Share shall be paid in shares of Stock, with payment to commence as soon as practicable after the end of the relevant Performance Period but no earlier than following the determination made in Section 6(d) hereof. To the extent provided at the beginning of a Performance Period and in the applicable Award Agreement, dividends with respect to such Award (if any) shall be deemed invested in additional shares of Stock or credited to the Award and paid in cash following, and to the extent of, vesting of the Award. Subject to the terms of the applicable program and notwithstanding the foregoing, the Award may also be paid in shares of Restricted Stock, Restricted Stock Units or cash, as set forth in the Award Agreement, in the discretion of the Committee.

(j) A Key Employee shall not be granted Performance Shares for all of the Performance Periods commencing in the same calendar year that permit the Key Employee to earn Stock covering more than the Share Limit in respect of such Key Employee. In addition, separate and apart from the limit in the previous sentence, with respect to Performance Share Awards to be settled in cash, a Key Employee shall not be granted Performance Share Awards for all of the Performance Periods commencing in a calendar year that permit the Key Employee in the aggregate to earn a cash payment in excess of the Fair Market Value of the Share Limit determined as of the first day of the first Performance Period commencing in such calendar year.

(k) Performance Share Awards may be structured in the form of Restricted Stock, Restricted Stock Units or any substantially similar instrument evidencing the right to receive a share of Stock or, in the discretion of the Committee, cash at some future date upon the lapse of the applicable restrictions established by the Committee or upon the satisfaction of any applicable Performance Goals established by the Committee hereunder.

7. **Restricted Stock**

(a) Restricted Stock shall be subject to a restriction period (after which restrictions will lapse), which shall mean a period commencing on the date the Award is granted and ending on such date as the Committee shall determine (the "Restriction Period"). The Committee may provide for the lapse of restrictions in installments where deemed appropriate.

(b) Except when the Committee determines otherwise pursuant to Section 7(d), if a Key Employee terminates employment with all Participating Companies for any reason before the expiration of the Restriction Period, all shares of Restricted Stock still subject to restriction shall be forfeited by the Key Employee and shall be reacquired by the Company.

(c) Except as otherwise provided in this Section 7, no shares of Restricted Stock received by a Key Employee shall be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of during the Restriction Period.

(d) In cases of death, Total Disability or Retirement or in cases of other circumstances deemed appropriate by the Committee, the Committee may, in its sole discretion when it finds that a waiver would be in the best interests of the Company, elect to waive all or part of any remaining restrictions with respect to such Key Employee's Restricted Stock.

(e) The Committee may require, under such terms and conditions as it deems appropriate or desirable, that the certificates for Stock delivered under the Plan may be held in custody by a bank or other institution, or that the Company may itself hold such shares in custody until the Restriction Period expires or until restrictions thereon otherwise lapse, and may require, as a condition of any Award of Restricted Stock, that the Key Employee shall have delivered a stock power endorsed in blank relating to the Restricted Stock.

(f) Nothing in this Section 7 shall preclude a Key Employee from exchanging any shares of Restricted Stock subject to the restrictions contained herein for any other shares of Stock that are similarly restricted.

(g) Subject to Section 7(e) and Section 9, each Key Employee entitled to receive Restricted Stock under the Plan shall be issued a certificate for the shares of Stock (or alternatively, an applicable book entry shall be made for noncertificated shares of Stock). Such certificate shall be registered in the name of the Key Employee, and shall bear an appropriate legend reciting the terms, conditions and restrictions, if any, applicable to such Award and shall be subject to appropriate stop-transfer orders.

8. **Restricted Stock Units**

(a) Restricted Stock Units shall be subject to a Restriction Period (after which restrictions will lapse), which shall mean a period commencing on the date the Award is granted and ending on such date as the Committee shall determine. The Committee may provide for the lapse of restrictions in installments where deemed appropriate.

(b) Except when the Committee determines otherwise pursuant to Section 8(d), if a Key Employee terminates employment with all Participating Companies for any reason before the expiration of the Restriction Period, all Restricted Stock Units still subject to restriction shall be forfeited by the Key Employee.

(c) Except as otherwise provided in this Section 8, no Restricted Stock Units received by a Key Employee shall be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of during the Restriction Period.

(d) In cases of death, Total Disability or Retirement or in cases of in cases of other circumstances deemed appropriate by the Committee, the Committee may, in its sole discretion when it finds that a waiver would be in the best interests of the Company, elect to waive all or part of any remaining restrictions with respect to such Key Employee's Restricted Stock Units.

(e) Restricted Stock Units are contractual rights only, and no Stock will be issued in respect of Restricted Stock Units unless and until the terms and conditions established by the Committee are obtained or satisfied. Restricted Stock Units do not carry any rights of a shareholder, including voting rights, and subject to Section 8(f), do not carry a right to receive an amount in respect of dividends.

(f) The Committee may, in its sole discretion, provide that Awards of Restricted Stock Units earn dividend equivalents. Any such dividend equivalents shall be accumulated and credited to an account for the Key Employee, settled in cash or shares of Stock, and paid at the time and subject to any terms and conditions, in each case, as determined by the Committee. If the Committee so determines, dividend equivalents shall be subject to the same terms and conditions, including vesting restrictions, as the Award with respect to which the dividend equivalents are credited ("Restricted Dividend Equivalents"). The Committee may further determine that any Restricted Dividend Equivalents so credited to a Key Employee's account shall accrue interest at a rate per annum specified by the Committee. Any such credited Restricted Dividend Equivalents, and accrued interest if any, shall be paid as soon as administratively practicable following the time the related Restricted Stock Units vest and are paid to the Key Employee. For the avoidance of doubt, to the extent an Award of Restricted Stock Units is terminated, cancelled or forfeited in whole or in part, due to failure to meet performance conditions or otherwise, any Restricted Dividend Equivalents, and accrued interest if any, credited with respect to such Award shall be terminated, cancelled or forfeited at the same time and to the same extent as such Award.

9. **Certificates for Awards of Stock**

(a) The Company shall not be required to issue or deliver any shares of Stock prior to (i) the listing of such shares on any stock exchange on which the Stock may then be listed and (ii) the completion of any registration or qualification of such shares under any federal or state law, or any ruling or regulation of any government body that the Company shall, in its sole discretion, determine to be necessary or advisable.

(b) All certificates for shares of Stock delivered under the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. The foregoing provisions of this Section 9(b) shall not be effective if and to the extent that the shares of Stock delivered under the Plan are covered by an effective and current registration statement under the Securities Act of 1933, or if and so long as the Committee determines that application of such provisions is no longer required or desirable. In making such determination, the Committee may rely upon an opinion of counsel for the Company. The rules applicable to certificates hereunder shall apply equally to noncertificated shares of Stock held pursuant to any electronic, book entry or other means or record of ownership and transfer.

(c) Except for the restrictions on Restricted Stock under Section 7, each Key Employee who receives Stock in settlement of an Award shall have all of the rights of a shareholder with respect to such shares, including the right to vote the shares and receive dividends and other distributions. No Key Employee awarded an Option, a Right, Restricted Stock Unit or Performance Share shall have any right as a shareholder with respect to any shares covered by his or her Option, Right, Restricted Stock Unit or Performance Share prior to the date of issuance to him or her of such shares.

10. **Change in Control**

Notwithstanding any provisions in this Plan to the contrary:

(a) Options and Rights shall not terminate and shall continue to be fully exercisable for a period of seven months following the occurrence of a Change in Control in the case of an employee who is terminated other than for just cause or who voluntarily terminates his or her employment because he or she in good faith believes that as a result of such Change in Control he or she is unable effectively to discharge the duties of the position he or she occupied just prior to the occurrence of such Change in Control. For purposes of Section 10 only, termination shall be for “just cause” only if such termination is based on fraud, misappropriation or embezzlement on the part of the employee that results in a final conviction of a felony. Under no circumstances, however, shall any Option or Right be exercised beyond the expiration date of its original term.

(b) For purposes of this Plan, “Change in Control” means the occurrence of any one or more of the following events:

(i) subject to the conditions contained in the final paragraph of this definition, the filing of a report on Schedule 13D with the Securities and Exchange Commission pursuant to Section 13(d) of the Act disclosing that any person, other than the Company or any employee benefit plan sponsored by the Company, is the beneficial owner, as defined in Rule 13d-3 under the Act (“Beneficial Owner”), directly or indirectly, of securities representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding Voting Securities (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Voting Securities); or

(ii) the purchase by any person, other than the Company or any employee benefit plan sponsored by the Company, of Voting Securities pursuant to a tender offer or exchange offer to acquire any Voting Securities of the Company (or securities convertible into such Voting Securities) for cash, securities, or any other consideration, provided that after consummation of the offer, the person in question is the Beneficial Owner, directly or indirectly, of securities representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding Voting Securities (all as calculated under clause (i) of this definition); or

(iii) the approval by the shareholders of the Company and the subsequent consummation of any transaction pursuant to which the Company is merged with or into, or is consolidated with, or becomes the subsidiary of another corporation, or pursuant to which Common Shares of the Company would be converted into cash, securities, or any other consideration of a third party, or any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company (any such merger or other transaction, sale, lease, exchange or other transfer referred to as a “Business Combination”), unless following such Business Combination, all or substantially all of the individuals and entities who were the Beneficial Owners of the outstanding Voting Securities immediately prior to such Business Combination are the Beneficial Owners, directly or indirectly, of more than fifty percent (50%) of the combined voting power of the outstanding voting securities (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire voting securities) entitled to vote generally in the election of directors of the Successor Entity in substantially the same proportions as their ownership of the outstanding Voting Securities immediately prior to such Business Combination (for purposes of this provision, the term “Successor Entity” means the entity resulting from the Business Combination, including without limitation, an entity which, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries); or

(iv) a change in the composition of the Board of the Company or the board of directors of any Successor Entity at any time during any consecutive 24-month period such that Continuing Directors cease for any reason to constitute at least a majority of the Board.

For purposes of this definition of "Change in Control," the term "Voting Securities" means any securities of the Company that vote generally in the election of members of the Board, and the term "Continuing Directors" means those members of the Board who either were directors at the beginning of a consecutive 24-month period or were elected during such period by or on the nomination or recommendation of at least seventy percent (70%) of the then-existing Board, excluding for this purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened proxy contest with respect to election or removal of directors or other actual or threatened solicitation of proxies or consents by on or behalf of a "person" (as used in Section 13(d) of the Act) other than the Board.

So long as there has not been a Change in Control within the meaning of clause (iv) above, the Board may adopt by a vote of at least seventy percent (70%) of the Continuing Directors a resolution to the effect that the occurrence of an event described in clause (i) (a "Clause (i) Event") does not constitute a "Change in Control" (an "Excluding Resolution") or a resolution to the effect that the occurrence of a Clause (i) Event does constitute a "Change in Control" (an "Including Resolution"). The adoption of an Excluding Resolution with respect to any Clause (i) Event shall not deprive the Board of the right to adopt an Including Resolution with respect to such Clause (i) Event at a later date. A Clause (i) Event shall not in and of itself constitute a "Change in Control" until the earlier of (x) the effective date of an Including Resolution with respect thereto or (y) the passage of a period of 30 calendar days after the occurrence thereof without an Excluding Resolution having been adopted with respect thereto; notwithstanding the adoption of an Excluding Resolution within the 30-day period referred to in (y), an Including Resolution may subsequently be adopted with respect to the relevant Clause (i) Event while it continues to exist, in which event a "Change in Control" shall be deemed to have occurred for purposes of this definition upon the effective date of such Including Resolution. The provisions of this paragraph of the definition of "Change in Control" relate only to situations where a Clause (i) Event has occurred and no Change in Control within the meaning of clause (ii), (iii), or (iv) of the preceding paragraph has occurred, and nothing in this paragraph shall derogate from the principle that the occurrence of an event described in clause (ii), (iii), or (iv) of the preceding paragraph shall be deemed an immediate Change in Control regardless of whether or not a Clause (i) Event has occurred and an Excluding Resolution or Including Resolution become effective.

11. **Beneficiary**

The Beneficiary of a Key Employee shall be the Key Employee's estate, which shall be entitled to receive the Award, if any, payable under the Plan upon his or her death. A Key Employee may file with the Company a written designation of one or more persons as a Beneficiary in lieu of his or her estate, who shall be entitled to receive the Award, if any, payable under the Plan upon his or her death, subject to the enforceability of the designation under applicable law at that time. A Key Employee may from time-to-time revoke or change his or her Beneficiary designation, with or without the consent of any prior Beneficiary as required by applicable law, by filing a new designation with the Company. Subject to the foregoing, the last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to the Key Employee's death, and in no event shall it be effective as of a date prior to such receipt. If the Committee is in doubt as to the right of any person to receive such Award, the Company may retain such Award, without liability for any interest thereon, until the Committee determines the rights thereto, or the Company may pay such Award into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Company therefore.

12. **Administration of the Plan**

(a) Each member of the Committee shall be a member of the Board, a "non-employee director" within the meaning of Rule 16b-3(b)(3)(i) under the Act or successor rule or regulation.

(b) All decisions, determinations or actions of the Committee made or taken pursuant to grants of authority under the Plan shall be made or taken in the sole discretion of the Committee and shall be final, conclusive and binding on all persons for all purposes.

(c) The Committee shall have full power, discretion and authority to interpret, construe and administer the Plan and any part thereof, and its interpretations and constructions thereof and actions taken thereunder shall be, except as otherwise determined by the Board, final, conclusive and binding on all persons for all purposes.

(d) The Committee's decisions and determinations under the Plan need not be uniform and may be made selectively among Key Employees, whether or not such Key Employees are similarly situated.

(e) The Committee may, in its sole discretion, delegate such of its powers as it deems appropriate; provided, however, that the Committee may not delegate its responsibility to (i) make Awards to executive officers of the Company or (ii) determine the satisfaction of Performance Objectives with respect to Performance Shares or other Award subject to performance-based vesting criteria. The Committee may also appoint agents to assist in the day-to-day administration of the Plan and may delegate the authority to execute documents under the Plan to one or more members of the Committee or to one or more officers of the Company.

(f) If a Change in Control has not occurred and if the Committee determines that a Key Employee has taken action inimical to the best interests of any Participating Company, the Committee may, in its sole discretion, terminate in whole or in part such portion of any Option (including any related Right) as has not yet become exercisable at the time of termination, terminate any Performance Share Award for which the Performance Period has not been completed or terminate any Award of Restricted Stock or Restricted Stock Units for which the Restriction Period has not lapsed.

13. **Amendment, Extension or Termination**

The Board may, at any time, amend or terminate the Plan. However, no amendment shall, without Shareholder Approval, (a) alter the group of persons eligible to participate in the Plan, (b) except as provided in Section 14, increase the maximum number of shares of Stock that are available for Awards under the Plan, or (c) except for adjustments pursuant to Section 14 or as otherwise provided for in the Plan, decrease the Option price for any outstanding Option or Right after the date the Option or Right is granted, or cancel or accept the surrender of any outstanding Option or Right at a time when its exercise price exceeds the fair market value of the underlying Stock, in exchange for another Award, cash or other property or the grant of a new Option or Right with a lower price than the Option or Right being surrendered. If a Change in Control has occurred, no amendment or termination shall impair the rights of any person with respect to a prior Award.

14. **Adjustments in Event of Change in Common Stock and Change in Control**

(a) Adjustments: In the event of any recapitalization, reclassification, split-up or consolidation of shares of Stock or stock dividend, merger or consolidation of the Company or sale by the Company of all or a portion of its assets, the Committee shall make such adjustments in the Stock subject to Awards, including Stock subject to purchase by an Option, or the terms, conditions or restrictions on Stock or Awards, including the price payable upon the exercise of such Option, as the Committee deems equitable; provided however, that in the event of a stock split, stock dividend or consolidation of shares, the number of shares subject to an outstanding Option and the exercise price thereof, and the number of outstanding Performance Shares or Restricted Stock Units, shall be proportionately adjusted to reflect such action.

(b) Change in Control: In the event of a merger of the Company with or into another company or a Change in Control, each outstanding Award will be treated as the Committee determines, including, without limitation, that each Award be assumed or cancelled or that an equivalent option or right be substituted by the successor corporation or a Parent or Subsidiary of the successor corporation (the "Successor Corporation"). The Committee will not be required to treat all Awards similarly in the transaction.

For the purposes of this subsection (b), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) or, in the case of a Right upon the exercise of which the Committee determines to pay cash, or a Restricted Stock Unit or Performance Share which the Administrator can determine to pay in cash, the fair market value of the consideration received in the merger or Change in Control by holders of Stock for each share held on the effective date of the transaction; provided, however, that if such consideration received in the Change in Control is not solely common stock of the Successor Corporation, the Committee may, with the consent of the Successor Corporation, provide for the consideration to be received upon the exercise of an Option or Right or upon the payout of a Restricted Stock Unit or Performance Share, for each share of Stock subject to such Award, to be solely common stock of the Successor Corporation equal in fair market value to the per share consideration received by holders of Stock in the Change in Control.

Notwithstanding anything in this Section 14(b) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more Performance Goals will not be considered assumed if the Company or its successor modifies any of such Performance
Goals without the Key Executive's consent; provided, however, a modification to such
Performance Goals only to reflect the Successor Corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

15. **Forfeiture of Gains on Exercise**

Except following a Change in Control, if the Key Employee terminates employment in breach of any covenants and conditions subsequent set forth in Section 16 and becomes employed by a competitor of the Company within one year after the date of exercise of any Option or the receipt, settlement or payment of any Award, the Key Employee shall pay to the Company an amount equal to any gain from the exercise of the Option or the value of the Award other than Options, in each case measured by the amount reported as taxable compensation to the Key Employee by the Company for federal income tax purposes and in the case of Options that are Incentive Stock Options, in an amount equal to the amount that would have been reported as taxable income were such Options not incentive stock options, and in each case without regard to any subsequent fluctuation in the market price of the shares of Stock. Any such amount due hereunder shall be paid by the Key Employee within thirty days of becoming employed by a competitor. By accepting an Option or other Award hereunder, the Key Employee is authorizing the Company to withhold, to the extent permitted by law, the amount owed to the Company hereunder from any amounts that the Company may owe to the Key Employee in any capacity whatsoever.

16. **Conditions Subsequent**

Except after a Change in Control, the exercise of any Option or Right and the receipt of any Award shall be subject to the satisfaction of the following conditions subsequent which shall apply while the Key Employee is employed by the Company and for a period of twelve months after termination of employment with the Company: (i) that Key Employee refrain from engaging in any activity that in the opinion of the Committee is competitive with any activity of the Company or any subsidiary, excluding any activity undertaken upon the written approval or request of the Company, (ii) that Key Employee refrain from otherwise acting in a manner inimical or in any way contrary to the best interests of the Company as defined by the Committee, and (iii) that the Key Employee furnish the Company such information with respect to the satisfaction of the foregoing conditions subsequent as the Committee shall reasonably request.

17. **Clawback Policy**

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

18. **Miscellaneous**

(a) Nothing in this Plan or any Award granted hereunder shall confer upon any employee any right to continue in the employ of any Participating Company or interfere in any way with the right of any Participating Company to terminate his or her employment at any time. No Award payable under the Plan shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of any Participating Company for the benefit of its employees unless the Company shall determine otherwise. No Key Employee shall have any claim to an Award until it is actually granted under the Plan. To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as provided in Section 7(e) with respect to Restricted Stock.

(b) The Committee may cause to be made, as a condition precedent to the payment of any Award, or otherwise, appropriate arrangements with the Key Employee or his or her Beneficiary, for the withholding of any federal, state, local or foreign taxes.

(c) The Plan and the grant of Awards shall be subject to all applicable federal, state and local laws, rules, and regulations and to such approvals by any government or regulatory agency as may be required.

(d) The terms of the Plan shall be binding upon the Company and its successors and assigns.

(e) Captions preceding the sections hereof are inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision hereof.

19. Provisions Related to Code Section 409A

(a) To the extent applicable, the Plan is intended to be compliant with the requirements of Code Section 409A, and the Plan and Award Agreements shall be interpreted and administered accordingly, though no guarantee or warranty of such compliance is made to any individual.

(b) Notwithstanding anything in the Plan or in any Award Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Code Section 409A would otherwise be payable or distributable under the Plan or any Award Agreement by reason of the occurrence of a Change in Control, or the Key Employee’s Total Disability or separation from service, such amount or benefit will not be payable or distributable to the Key Employee by reason of such circumstance unless (i) the circumstances giving rise to such Change in Control, Total Disability or separation from service meet any description or definition of “change in control event”, “disability” or “separation from service,” as the case may be, in Code Section 409A and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Code Section 409A by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the vesting of any Award. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Award Agreement that is permissible under Code Section 409A.

(c) Notwithstanding anything in the Plan or in any Award Agreement to the contrary, if any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Code Section 409A would otherwise be payable or distributable under this Plan or any Award Agreement by reason of a Key Employee’s separation from service during a period in which the Key Employee is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Key Employee’s right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Key Employee’s death or the first day of the seventh month following the Key Employee’s separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Key Employee’s separation from service will be accumulated and the Key Employee’s right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Key Employee’s death or the first day of the seventh month following the Key Employee’s separation from service, whereupon the accumulated amount will be paid or distributed to the Key Employee and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term “Specified Employee” has the meaning given such term in Code Section 409A and the final regulations thereunder, provided, however, that, as permitted in such final regulations, the Company’s Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with any rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

(d) If any one or more Awards granted under the Plan to a Key Employee could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Awards in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company shall determine which Awards or portions thereof will be subject to such exemptions.

(e) If, pursuant to an Award, a Key Employee is entitled to a series of installment payments, such Key Employee’s right to the series of installment payments shall be treated as a right to a series of separate payments and not to a single payment. For purposes of the preceding sentence, the term “series of installment payments” has the meaning provided in Treas. Reg. Section 1.409A-2(b)(2)(iii) (or any successor thereto).

20. **Effective Date, Term of Plan and Shareholder Approval**

This Plan, as amended, shall become effective on October 16, 2020 (the “Effective Date”) and shall apply to all Awards granted under the Plan, as amended, after such date. The Plan will continue in effect for existing Awards as long as any such Award is outstanding. For the avoidance of doubt, the amendments to the Plan adopted on the Effective Date shall not affect the ability of any Awards granted prior to the Effective Date to qualify as “performance-based compensation” under Section 162(m) of the Code as in effect prior to 2018.

Rayonier Inc.

Executive Severance Pay Plan

Human Resources

October 2020

Rayonier Inc.

EXECUTIVE SEVERANCE PAY PLAN

1. Purpose

The Compensation and Management Development Committee of the Board of Directors of Rayonier Inc. recognizes that, as with many publicly held corporations, there exists the possibility of a Change in Control of the Company. This possibility and the uncertainty it creates may result in the loss or distraction of senior executives of the Company, to the detriment of the Company and its shareholders.

Accordingly, the Committee has determined that appropriate steps should be taken to assure the Company of the continued employment, attention and dedication to duty of its senior executives-including maintaining professionalism, indifference and objectivity in negotiating with a potential acquirer and to seek to ensure the availability of their continued service, notwithstanding the possibility, threat, or occurrence of a Change in Control.

Therefore, in order to fulfill the above purposes, this Executive Severance Pay Plan is adopted and amended effective as specified in Section 17.

The definitions of capitalized terms are located in Section 8.

2. Covered Employees

Covered employees under this Plan are those full-time, regular executive salaried employees of the Company, who are identified and designated as Tier I or Tier II on Appendix A attached hereto (each an "Executive"), as such Appendix A may be amended by the Committee from time to time prior to a Change in Control.

An Executive shall cease to be a participant in this Plan only as a result of termination or amendment of this Plan complying with Section 13, or when he or she ceases to be a full time employee of the Company, unless, at the time he or she ceases to be an employee, such Executive is entitled to payment of Separation Benefits as provided in this Plan or there has been an event or occurrence that constitutes Good Reason after a Change in Control that would enable Executive to terminate his or her employment and receive Separation Benefits. An Executive entitled to payment of Separation Benefits under the Plan shall remain a participant in the Plan until the full amount of the Separation Benefits has been paid to Executive.

3. Upon a Qualifying Termination

a. Qualifying Termination. If, within two years following a Change in Control, (a) an Executive terminates his or her full time employment for Good Reason, or (b) the Company terminates an Executive's full time employment, the Executive shall be provided Scheduled Severance Pay and Additional Severance (collectively, “Separation

Benefits") in accordance with the terms of this Plan, except that Separation Benefits shall not be payable where Executive:

- is terminated for Cause;
- voluntarily resigns (including normal retirement), other than for Good Reason;
- voluntarily fails to return from an approved leave of absence (including a medical leave of absence); or
- terminates employment as a result of Executive's death or Disability.

Any non-excepted termination is a "Qualifying Termination."

b. Definitions Related to Qualifying Termination. For purposes of this Section 3, the following terms have the indicated definitions:

"Cause" shall mean with respect to any Executive: (i) the willful and continued failure of Executive for a period of ninety (90) days to perform substantially Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Executive by the Board of Directors of the Company that specifically identifies the manner in which the Board believes that Executive has not substantially performed Executive's duties, or (ii) the engaging by Executive in illegal conduct or gross misconduct that is demonstrably injurious to the Company. For purposes of this definition, no act or failure to act on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and, in the best interests of the Company. An Executive shall be deemed to have engaged in illegal conduct and shall be subject to termination for Cause if Executive has been indicted or charged by any prosecuting agency with the commission of a felony.

"Disability" shall mean an illness or injury that has prevented Executive from performing his or her duties (as they existed immediately prior to the illness or injury) on a full-time basis for 180 consecutive business days.

"Good Reason" shall mean, with respect to any Executive: (i) the assignment to Executive of any duties inconsistent in any respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately before the Change in Control, or any other action by the Company that results in a significant diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by Executive; (ii) any material reduction in Executive's Base Pay, opportunity to earn annual bonuses or other compensation or employee benefits, other than as a result of an isolated and inadvertent action not taken in bad faith and that is remedied by the

Company promptly after receipt of notice thereof given by Executive; (iii) the Company's requiring Executive to relocate his or her principal place of business to a place which is more than thirty-five (35) miles from his or her previous principal place of business; or (iv) any purported termination of this Plan otherwise than as expressly permitted by this Plan. Notwithstanding the foregoing, no termination shall be deemed to be for Good Reason unless (1) Executive gives written notice to the Company of the event or condition claimed to constitute Good Reason within ninety (90) days of the first occurrence of such event or condition, (2) the Company fails to cure such event or condition within thirty (30) days of such notice, and (3) Executive gives a notice of termination specifying a date of termination not later than one hundred and twenty (120) days after delivery by Executive of the written notice to the Company of the event or condition claimed to constitute Good Reason.

4. Plan Benefits

For purposes of this Plan, "Plan Benefits" consist of (i) Scheduled Severance Pay calculated as provided in Section 4A, (ii) Additional Severance calculated as provided in Section 4B and Section 4C, and (iii) Equity Benefits as provided in Section 4D. The Company shall pay the Scheduled Severance Pay and Additional Severance to Executive in a lump sum not later than ten (10) days after the Effective Date of the Executive's Qualifying Termination; provided that, no portion of the Scheduled Severance Pay or Additional Severance that is payable on account of an Executive's Separation from Service shall be paid earlier than the end of the Separation Delay Period if the payment is on account of such Separation from Service and at that date the Executive is a Specified Employee; provided that, such delay in payment shall not apply to any portion of the Scheduled Severance Pay or Additional Severance that is excepted from such delay under the Code Section 409A Rules as a Short-Term Deferral or Separation Pay. The Company shall pay the Equity Benefits as provided in Section 4D upon the Executive's Qualifying Termination; provided that, no portion of the Equity Benefits that is payable as a result of the Executive's Separation from Service, shall be paid prior to the end of the Separation Delay Period if on the date of such Separation from Service the Executive was a Specified Employee; and provided further that, such delay in payment shall not apply to any such amounts that are excepted from such delay under the Code Section 409A Rules as Short-Term Deferrals or Separation Pay.

a. An Executive's "Scheduled Severance Pay" is the product of the Executive's Base Pay times the Executive's Applicable Tier Multiplier.

b. An Executive's "Additional Severance" is the sum of the Executive's Benefits Continuation Amount, calculated as provided in Section 4C below, and the Executive's Bonus Severance, calculated as provided in this Section 4B.

   (i) An Executive's "Bonus Severance" is the product of the Executive's Applicable Bonus times the Executive's Applicable Tier Multiplier, together with an additional amount equal to the Executive's Current Pro-rata Bonus.

(1) An Executive's "Applicable Bonus" is the greatest of (A) the average of the bonus amounts actually paid to the Executive under the Rayonier annual incentive bonus plan (the "Bonus Plan") in the three year period comprised of the year of the Qualifying Termination and the two immediately preceding calendar years, (B) the Executive's Target Bonus Award under the Bonus Plan for the year in which the Change in Control takes place or (C) the Executive's Target Bonus Award under the Bonus Plan in the year of Qualifying Termination. The Executive's Applicable Bonus shall be determined without regard to any election the Executive may have made to defer receipt of all or any portion thereof as if there had been no deferral election in effect.

(2) An Executive's "Current Pro-rata Bonus" is equal to the product of the Executive's Applicable Bonus times a fraction the numerator of which is the number of months or portion thereof lapsed in the then current year prior to the Qualifying Termination and the denominator of which is twelve.

c. Benefits Continuation Amounts. The Executive's Benefits Continuation Amount is the sum of the Executive's Retirement Savings Adjustment and Other Benefits Adjustment. The Executive's Retirement Savings Adjustment shall be in addition to amounts to which Executive is entitled under the Retirement Plan for Salaried Employees of Rayonier Inc., the Retirement Plan for Salaried Employees of ITT Corporation, the Rayonier Investment and Savings Plan for Salaried Employees and the Supplemental Plans (collectively, the "Retirement Plans"), in effect on the Effective Date of the Qualifying Termination. (Capitalized terms in this Section 4C that are not otherwise defined here or elsewhere in this Plan shall have the meaning ascribed to them in the applicable Retirement Plans.)

(i) An Executive's "Retirement Savings Adjustment" is an amount equal to the excess of (X) over (Y), where (X) is the "Equivalent Actuarial Value" of the benefit to which Executive would have been entitled under the terms of the Retirement Plans, without regard to "vesting" thereunder, had Executive accumulated an additional 3 years of eligibility service as a fully vested participant in the Retirement Plans and an additional 3 years of benefit service in all the Retirement Plans other than the Retirement Plan for Salaried Employees of ITT Corporation and the ITT Supplemental Plans and as if Executive were 3 years older, solely for purposes of benefit eligibility and determining the amount of reduction in benefit on account of payment commencing prior to the Executive's normal retirement date, and by defining Executive's "Final Average Compensation" as equal to the greater of Executive's Base Pay on the Effective Date of Executive's Qualifying Termination or Executive's Final Average Compensation as determined under the terms of the Retirement Plan for Salaried Employees of Rayonier Inc., and (Y) is the Equivalent Actuarial Value of the amounts otherwise actually payable to Executive under the Retirement Plans. The Equivalent Actuarial Value shall be determined using the same assumptions utilized under the Rayonier Inc. Excess Benefit Plan upon the date of payment of the Benefits Continuation Amount and based on Executive's age on such date.

Notwithstanding the foregoing, for purposes of calculating the Retirement Savings Adjustment, Executive shall not be required to contribute to the Rayonier Investment and Savings Plan for Salaried Employees (the "Savings Plan") or the Rayonier Inc. Excess Savings and Deferred Compensation Plan (the "Excess Plan") as a condition to receiving the Retirement Savings Adjustment nor shall the Company be required to include in the Retirement Savings Adjustment amounts attributable to contributions Executive would have made under the Savings Plan or the Excess Plan had Executive continued to participate in those plans. The Company shall only be obligated to include in the Retirement Savings Adjustment the Company contributions that would have been made under the Savings Plan and the Excess Plan had Executive continued to participate in those plans at the level of compensation and rate of contribution in effect as of the pay date immediately preceding the Effective Date of the Qualifying Termination, without allocating any deemed earnings to said Company contributions.

(ii) Other Benefits Adjustment. The "Other Benefits Adjustment" is an amount equal to the sum of the Medical Benefits Payment and the Outplacement Services, determined as provided in subsections (1) - (3) below.

(1) An Executive's "Medical Benefits Payment" is the product of the employer contribution component of the health and welfare plans maintained for the Executive as of the Change in Control under the applicable employee welfare benefit plan (within the meaning of Section 3(1) of ERISA) maintained by the Company for the benefit of the Company's employees at such date, times the Executive's Applicable Tier Multiplier, discounted for present value applying a 4% discount rate.

(2) "Outplacement Services" means the cost of outplacement services, the scope and provider of which shall be selected by Executive in his or her sole discretion, for a period not to extend beyond twelve (12) months after the Effective Date of Executive's Qualifying Termination, in an amount not to exceed $30,000 in the aggregate.

d. Equity Benefits. Company shall provide to Executive the following additional benefits upon a Qualifying Termination of the Executive, to the extent not actually provided under an Applicable Incentive Stock Plan of the Company (collectively, the "Equity Benefits"). Terms used in this Section 4D not otherwise defined in this Plan shall have the meaning assigned in the Applicable Incentive Stock Plan.

(i) Options. The Company shall cause (a) all of the options to purchase the Common Shares of the Company ("Stock Options") granted to Executive prior to the Qualifying Termination by the Company to become immediately exercisable in full in accordance with the terms of the Applicable Incentive Stock Plan pursuant to which they were issued (provided that no Stock Option shall be exercisable after the termination date of such Stock Option).

(ii) Restricted Stock. The Company shall (a) cause Executive to immediately vest in all outstanding shares of Restricted Stock that were the subject of an Award under an Incentive Stock Plan of the Company which Restricted Stock is held by or for the benefit of the Executive immediately prior to the Qualifying Termination without any remaining restrictions other than those imposed by applicable securities laws, (b) issue stock certificates in respect thereof to Executive without a restrictive legend and (c) permit Executive to tender within 60 days of the Qualifying Termination all such Restricted Stock to the Company and in the event of such a tender forthwith pay to the Executive the Fair Market Value therefore.

(iii) Performance Share Awards. In the event of a Qualifying Termination, Awards of "Performance Shares" under all "Performance Share Award Programs" shall be settled as follows: (a) with respect to any Award for which the applicable Performance Period is more than 50% completed, the Performance Period shall be deemed to end as of the Qualifying Termination and the Executive shall receive the greater of (1) the Award resulting from actual performance achievement measured under the applicable program, as determined by the Committee and (2) the Award at 100% of target performance under the applicable program; and (b) with respect to any Award as to which the applicable Performance Period is not more than 50% completed, the Executive shall receive the Award at 100% of target performance under the applicable program. Performance Shares due hereunder shall be settled in cash and paid on the basis of the Fair Market Value.

(iv) Coordination with Incentive Stock Plans. Any amounts paid hereunder shall be an offset against amounts otherwise due from the Company under the Applicable Incentive Stock Plan in respect of the same Award covered herein.

(v) Coordination with Section 409A. If at any time the payment of an Equity Benefit would be deemed to be payable to an Executive as a result of the Executive's Separation from Service, payment of such Equity Benefit shall not be made earlier than the end of the Separation Delay Period where on the date of the Separation from Service the Executive was a Specified Employee; provided that, such delay in payment shall not apply to any portion of the Equity Benefit that is excepted from such delay under the Code Section 409A Rules as a Short-Term Deferral, Separation Pay or otherwise

5. Dispute Resolution

a. In the event any dispute arises between Executive and the Company as to the validity, enforceability and/or interpretation of any right or benefit afforded by this Plan, at Executive's option such dispute shall be resolved by binding arbitration proceedings in accordance with the rules of the American Arbitration Association. The arbitrators shall presume that the rights and/or benefits afforded by this Plan which are in dispute are valid and enforceable and that Executive is entitled to such rights and/or benefits. The Company shall be precluded from asserting that such rights and/or benefits are not valid, binding and enforceable and shall stipulate before such arbitrators that the Company is bound by all the provisions of this Plan. The burden of overcoming by clear and convincing evidence the presumption that Executive is entitled to such rights and/or benefits shall be on the Company. The results of any arbitration shall be conclusive on both parties and shall not be subject to judicial interference or review on any ground whatsoever, including without limitation any claim that the Company was wrongfully induced to enter into this agreement to arbitrate such a dispute.

The Company shall pay the cost of any arbitration proceedings under this Plan. Executive shall be entitled (within two (2) business days of requesting such advance) to an advance of the actual legal fees and expenses incurred by such Executive in connection with such proceedings and Executive shall be obligated to reimburse the Company for such fees and expenses in connection with such arbitration proceedings only if it is finally and specifically determined by the arbitrators that Executive's position in initiating the arbitration was frivolous and completely without merit.

b. In the event Executive is required to defend in any legal action or other proceeding the validity or enforceability of any right or benefit afforded by this Plan, the Company will pay any and all actual legal fees and expenses incurred by such Executive regardless of the outcome of such action and, if requested by Executive, shall (within two business days of such request) advance such expenses to Executive. The Company shall be precluded from asserting in any judicial or other proceeding commenced with respect to any right or benefit afforded by this Plan that such rights and benefits are not valid, binding and enforceable and shall stipulate in any such proceeding that the Company is bound by all the provisions of this Plan.

c. Amounts payable by the Company under this Section 5 shall in the first instance be paid by the trustee under the trust established by that certain Trust Agreement, known as the "Legal Resources Trust" authorized by the Compensation and Management Development Committee on July 20, 2001, to the extent such amounts were previously transferred by the Company to the trustee of the Legal Resources Trust.

6. Covenants of Executive

a. As a condition to the receipt of a designated portion of the Equity Benefits and the other Plan Benefits otherwise payable hereunder (such portion, the "Covenant Amount") and in consideration thereof, Executive shall be deemed to have made and be bound by the "Change in Control Covenants" (defined below), which at the request of the Company shall be acknowledged by Executive in a simple declarative statement "I hereby confirm that I am bound by the Change in Control Covenants" attested to in writing by the Executive. The Covenant Amount shall be equal to so much of the identified amount payable in cash as the Company shall designate in a written notice to Executive given within thirty (30) days of the Qualifying Termination; provided that, the Covenant Amount shall not exceed an amount equal to the Base Pay of Executive immediately before the Qualifying Termination, multiplied by the Executive's Applicable Tier Multiplier and determined by the Company in good faith to be reasonable compensation for the Change in Control Covenants. By way of explanation and clarification, the Covenant Amount shall not be an additional payment beyond whatever is otherwise provided for within this Plan; rather, a portion of the payments that the Executive will otherwise receive hereunder shall be allocated as the Covenant Amount. An Executive who receives a benefit under this Plan cannot opt to forego making the Change in Control Covenants.

b. The Executive's "Change in Control Covenants" are the Confidentiality Covenants set forth in this Section 6B.

(i) Confidentiality Covenants. While employed by the Company following the Change in Control, and for a period of two (2) years following a Qualifying Termination (the "Confidential Information Period"), Executive covenants that Executive shall not disclose or make available to any person or entity any "Confidential Information" (as defined below) and shall not use or cause to be used any Confidential Information for any purpose other than fulfilling Executive's employment obligations to the Company, without the express prior written authorization of the Company. For this purpose, "Confidential Information" means all information about the Company relating to any of its products or services or any phase of operations, including, without limitation, business plans and strategies, trade secrets, know-how, contracts, financial statements, pricing strategies, costs, customers and potential customers, vendors and potential vendors, marketing and distribution information, business results, software, hardware, databases, processes, procedures, technologies, designs, concepts, ideas, and methods not generally known through legitimate means to any of its competitors with which Executive became acquainted during the term of employment by the Company. Confidential Information also includes confidential information of third parties made available to the Company on a confidential basis, but does not include information which is generally known to the public without breach by Executive, (b) was given to Executive by a third party without any obligation of confidentiality, or (c) was obtained or independently developed by Executive prior to or following employment by the Company without the use of information that is otherwise Confidential Information.

c. Remedies Limited to Equitable Relief. By accepting payment of the Covenant Amount, Executive shall be deemed (a) to have acknowledged that in the event Executive breaches any of the Change in Control Covenants, the damages to the Company would be irreparable and that the Company shall have the right to seek injunctive and/or other equitable relief in any court of competent jurisdiction to enforce the Change in Control Covenants and (b) to have consented to the issuance of a temporary restraining order to maintain the status quo pending the outcome of any proceeding. The foregoing shall be the exclusive remedy of the Company for a breach of the Change in Control Covenants and under no circumstances shall the Company be entitled to seek return of all or any portion of the Covenant Amount or of any other amount payable hereunder, nor shall the Company be awarded or accept monetary damages for any such breach.

7. Section 280G Cutback

a. Notwithstanding any provision of this Plan to the contrary, in the event that the payments and other benefits payable under this Plan or otherwise payable to an Executive under any other plan, program, arrangement or agreement maintained by the Company or one of its affiliates (i) would constitute an "excess parachute payment" (as defined under Code Section 280G) and (ii) would be subject to the excise tax imposed by Section 4999 of the Code, then such payments and other benefits shall be payable either (x) in full or (y) in a reduced amount that would result in no portion of such payments and other benefits being subject to the excise tax imposed under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state, and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by such Executive on an after-tax basis, of the greatest amount of severance benefits under this Plan or otherwise, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

b. The determination of whether it is necessary to decrease a payment or benefit to be paid under this Plan must be made in good faith by a nationally recognized certified public accounting firm (the "Accounting Firm") selected by the Company. This determination will be conclusive and binding upon the Executive and the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control, the Company shall appoint another nationally recognized certified public accounting firm to make the determination required under this Plan. The Company shall bear all fees of the Accounting Firm. If a reduction is necessary, the Executive will have the right to designate the particular payment or benefit to be reduced or eliminated so that no portion of the payment or benefit to be paid to the Executive will be an excess parachute payment subject to the deduction limits under Section 280G of the Code and the excise tax under Section 4999 of the Code. However, no payment of "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) may be reduced to the extent that a reduction can be made to any payment or benefit that is not "deferred compensation."

8. Definitions

The following terms used in this Plan have the indicated meaning:

"Additional Severance" with respect to an Executive means the sum of Executive's Benefits Continuation Amount and Executive's Bonus Severance as set forth in Section 4B.

"Applicable Bonus" has the definition set forth in Section 4B(i)(1).

"Applicable Incentive Stock Plan" means the 2004 Rayonier Incentive Stock and Management Bonus Plan, as amended, or the Rayonier Incentive Stock Plan, as amended, as the context dictates, as in effect immediately prior to a Change in Control.

"Applicable Tier Multiplier" means three (3) for Tier I Executives and two (2) for Tier II Executives.

"Award" has the meaning set forth in the Applicable Incentive Stock Plan, as the context requires.

"Base Pay" means the annual base salary rate payable to Executive at the Effective Date of the Qualifying Termination, including compensation converted to other benefits under a flexible pay arrangement maintained by the Company or deferred pursuant to a written plan or agreement with the Company, provided that, such annual base salary rate shall in no event be less than the highest annual base salary rate paid to Executive at any time during the twenty-four (24) month period immediately preceding the Change in Control.

"Benefits Continuation Amount" with respect to an Executive means the amount calculated as provided in Section 4C and payable upon a Qualifying Termination.

"Bonus Plan" has the definition set forth in Section 4B(i)(1).

"Bonus Severance" with respect to an Executive means the sum of the amount calculated under Section 4B(i)(1) and the Current Pro-rata Bonus calculated under Section 4B(i)(2), and payable upon a Qualifying Termination.

"Cause" has the definition provided in Section 3B.

"Change in Control" means the occurrence of any one or more of the following events:

(i) subject to the conditions contained in the final paragraph of this definition, the filing of a report on Schedule 13D with the Securities and Exchange Commission pursuant to Section 13(d) of the Act disclosing that any person, other than the Company or any employee benefit plan sponsored by the Company, is the beneficial owner, as defined in Rule 13d-3 under the Act ("Beneficial Owner"), directly or indirectly, of securities representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding Voting Securities (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Voting Securities); or

(ii) the purchase by any person, other than the Company or any employee benefit plan sponsored by the Company, of Voting Securities pursuant to a tender offer or exchange offer to acquire any Voting Securities of the Company (or securities convertible into such Voting Securities) for cash, securities, or any other consideration, provided that after consummation of the offer, the person in question is the Beneficial Owner, directly or indirectly, of securities representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding Voting Securities (all as calculated under clause (i) of this definition); or

(iii) the approval by the shareholders of the Company and the subsequent consummation of any transaction pursuant to which the Company is merged with or into, or is consolidated with, or becomes the subsidiary of another corporation, or pursuant to which Common Shares of the Company would be converted into cash, securities, or any other consideration of a third party, or any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company (any such merger or other transaction, sale, lease, exchange or other transfer referred to as a "Business Combination"), unless following such Business Combination, all or substantially all of the individuals and entities who were the Beneficial Owners of the outstanding Voting Securities immediately prior to such Business Combination are the Beneficial Owners, directly or indirectly, of more than fifty percent (50%) of the combined voting power of the outstanding voting securities (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire voting securities) entitled to vote generally in the election of directors of the Successor Entity in substantially the same proportions as their ownership of the outstanding Voting Securities immediately prior to such Business Combination (for purposes of this provision, the term "Successor Entity" means the entity resulting from the Business Combination, including without limitation, an entity which, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries); or

(iv) a change in the composition of the Board of the Company or the board of directors of any Successor Entity at any time during any consecutive 24-month period such that Continuing Directors cease for any reason to constitute at least a majority of the Board.

For purposes of this definition of "Change in Control," the term "Voting Securities" means any securities of the Company that vote generally in the election of members of the Board, and the term "Continuing Directors" means those members of the Board who either were directors at the beginning of a consecutive 24-month period or were elected during such period by or on the nomination or recommendation of at least seventy percent (70%) of the then-existing Board, excluding for this purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened proxy contest with respect to election or removal of directors or other actual or threatened solicitation of proxies or consents by on or behalf of a "person" (as used in Section 13(d) of the Act) other than the Board.

So long as there has not been a Change in Control within the meaning of clause (iv) above, the Board may adopt by a vote of at least seventy percent (70%) of the Continuing Directors a resolution to the effect that the occurrence of an event described in clause (i) (a "Clause (i) Event") does not constitute a "Change in Control" (an "Excluding Resolution") or a resolution to the effect that the occurrence of a Clause (i) Event does constitute a “Change in Control” (an “Including Resolution”). The adoption of an Excluding Resolution with respect to any Clause (i) Event shall not deprive the Board of the right to adopt an Including Resolution with respect to such Clause (i) Event at a later date. A Clause (i) Event shall not in and of itself constitute a “Change in Control” until the earlier of (x) the effective date of an Including Resolution with respect thereto or (y) the passage of a period of 30 calendar days after the occurrence thereof without an Excluding Resolution having been adopted with respect thereto; notwithstanding the adoption of an Excluding Resolution within the 30-day period referred to in (y), an Including Resolution may subsequently be adopted with respect to the relevant Clause (i) Event while it continues to exist, in which event a “Change in Control” shall be deemed to have occurred for purposes of this definition upon the effective date of such Including Resolution. The provisions of this paragraph of the definition of “Change in Control” relate only to situations where a Clause (i) Event has occurred and no Change in Control within the meaning of clause (ii), (iii), or (iv) of the preceding paragraph has occurred, and nothing in this paragraph shall derogate from the principle that the occurrence of an event described in clause (ii), (iii), or (iv) of the preceding paragraph shall be deemed an immediate Change in Control regardless of whether or not a Clause (i) Event has occurred and an Excluding Resolution or Including Resolution become effective.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, and “Code Section 409A Rules" shall mean Section 409A of the Code and the final regulations and other IRS guidance promulgated thereunder, as in effect from time to time.

“Committee” means the Compensation and Management Development Committee of the Board of Directors of the Company.

“Company” means Rayonier Inc. and any successor to, or assignee of, the business or assets thereof that becomes bound by this Plan as provided in Section 10.

“Confidentiality Covenants” with respect to an Executive are the covenants set forth in Section 6B(i) and for which purpose “Confidential Information” has the definition set forth in Section 6B(i).

“Covenant Amount” with respect to an Executive is the cash portion of Plan Benefits designated as provided in Section 6A.

“Current Pro-rata Bonus” has the definition set forth in Section 4B(i)(2).

“Disability” has the definition provided in Section 3B.

“Effective Date of the Qualifying Termination” is the date the Company selects as the Executive's last day of active full-time employment.

“Equity Benefits” with respect to an Executive means the Plan Benefits payable as provided in Section 4D upon a Qualifying Termination, for which purpose (1) “Performance Period” and “Restricted Stock” have the meanings set forth in the Applicable Incentive Stock Plan, and (2) “Stock Options,” “Performance Shares,” and “Performance Share Award Programs” have the meanings set forth in Section 4D.

"Equivalent Actuarial Value" has the definition applicable under the Retirement Plans.

"Excess Plan" has the definition provided in Section 4C(i).

"Executive" means a person identified on Appendix A, as amended from time to time by the Committee prior to a Change in Control.

"Fair Market Value" means the value of the Stock as the Committee may determine in good faith by reference to the price of such stock on any established stock exchange or a national market system on the day of determination if the Stock is so listed on any established stock exchange or a national market system. If the Stock is not listed on any established stock exchange or a national market system, the value of the Stock will be determined by the Committee in good faith.

"Final Average Compensation" has the meaning applicable under the Retirement Plans.

"Good Reason" has the definition provided in Section 3B.

"Legal Resources Trust" has the definition provided in Section 5C.

"Medical Benefits Payment" means the amount calculated in accordance with Section 4C(ii)(1).

"Other Benefits Adjustment" has the definition in Section 4C(ii).

"Outplacement Services" has the definition set forth in Section 4C(ii)(3)."Performance Shares" and "Performance Share Award Programs" mean the right to receive contingent performance shares or performance shares (or other Awards) to be made at the end of a performance period under programs adopted by the Committee under Section 6 of the Applicable Incentive Stock Plan under which such program was authorized, upon attainment of the comparative performance measures provided for in such program.

"Plan Benefits" has the definition provided in Section 4.

"Plan Change" has the definition set forth in Section 13

"Plan" means this Executive Severance Pay Plan effective as provided in Section 17.

"Qualifying Termination" has the definition provided in Section 3A.

"Retirement Plans" has the definition provided in Section 4C.

"Retirement Savings Adjustment" with respect to an Executive means the amount calculated in accordance with Section 4C(i), for which purpose "normal retirement date" means the first of the month that coincides with or follows Executive's 65th birthday.

"Savings Plan" has the definition set forth in Section 4C(i).

"Scheduled Severance Pay" with respect to an Executive means the amount calculated as provided in Section 4A and payable upon a Qualifying Termination.

"Separation Benefits" as provided in Section 3A means with respect to an Executive means the sum of the Executive's Scheduled Severance Pay and Additional Severance payable in respect of a Qualifying Termination.

"Separation Delay Period" shall mean the six month period following the date of a Executive's Separation from Service (or such other applicable period as may be provided for by Section 409A(a)(2)(B)(i) of the Code as in effect at the time), or earlier upon the death of the Executive, such that any payment delayed during the Separation Delay Period is to be paid on the first business day of the seventh month following the Separation from Service or, if earlier, such Executive's death.

"Separation from Service" and "Separation Pay" and "Short-Term Deferral" and "Specified Employee" shall have the respective meanings assigned such terms under the Code Section 409A Rules.

"Severance Trust" has the definition provided in Section 11. "Stock" has the meaning set forth in the applicable Incentive Stock Plan.

"Supplemental Plans" means any excess benefit plan, within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder ("ERISA"), or any supplemental executive retirement plan or other employee pension benefit plan, within the meaning of Section 3(2) of ERISA, not intended to be qualified under Section 401 (a) of the Code, maintained by the Company or by ITT Corporation, subject to the terms and conditions of such plans, in which the Executive is entitled to benefits by virtue of his employment with the Company or prior employment by ITT Corporation.

"Target Bonus Award" means the standard bonus target percentages of base salaries, as defined under the Bonus Plan for the respective executive salary grades as determined pursuant to Company base salary compensation schedules in effect for eligible executives at a 100 percent performance factor as of December 31 of the year in which the Change in Control takes place.

"Tier I" or "Tier II" means the designation assigned to an Executive on Appendix A as adopted and in effect immediately prior to a Change in Control.

9. Release

No Separation Benefits will be provided under this Plan unless Executive executes and delivers to the Company a mutual release, satisfactory to the Company, in which Executive discharges and releases the Company and the Company's directors, officers, employees, and employee benefit plans from all claims (other than for benefits, to which Executive is entitled under this Plan or any Company employee benefit plan) arising out of Executive's employment or termination of employment and the Company discharges and releases Executive from any and all claims arising out of Executive's employment or termination of employment with the Company.

10. Successor to Company

This Plan shall bind any successor of the Company, its assets, or its businesses (whether direct or indirect, by purchase, merger, consolidation, or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place.

In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

11. Administration of Plan/Coordination with Severance Trust

The Company is the Named Fiduciary for the Plan under ERISA. The Committee is the Plan Administrator, which shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and, except as otherwise provided in this Plan, decide any and all matters arising under this Plan. All interpretations and decisions by the Committee shall be final, conclusive and binding on all parties affected thereby.

Amounts payable by the Company under this Plan (except under Section 5) may be made by direction of the Company to the trustee under the trust established by that certain Trust Agreement for the Rayonier Inc. Supplemental Senior Executive Pay Plan and for the Change in Control Agreement for W. Lee Nutter authorized by the Compensation and Management Development Committee on July 20, 2001 (the "Severance Trust"), to the extent such amounts were previously transferred by the Company to the trustee of the Severance Trust, but shall be deemed to have been paid only upon receipt by the Executive.

12. Claims Procedure

If an employee or former employee makes a written request alleging a right to receive benefits under this Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Company shall treat it as a claim for benefit. All claims for benefit under the Plan shall be sent to the Company's Senior Vice President, Administration, or such other officer as may be designated by the Committee, and must be received within thirty (30) days after termination of employment. If the Company determines that any individual who has claimed a right to receive benefits, or different benefits, under the Plan is not entitled to receive all or any part of the benefits claimed, it will inform the claimant in writing of its determination and the reasons therefor in terms calculated to be understood by the claimant. The notice will be sent within ninety (90) days of the claim unless the Company determines additional time, not exceeding ninety (90) days, is needed. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and describe any additional material or information as necessary. Such notice shall, in addition, inform the claimant what procedure the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within ninety (90) days thereafter submit in writing to the Company a notice that the claimant contests the denial of his or her claim by the Company and desires a further review. The Company shall within sixty (60) days thereafter review the claim and authorize the claimant to appear personally and review pertinent documents and submit issues and comments relating to the claim to the persons responsible for making the determination on behalf of the Company. The Company will render its final decision with specific reasons therefor in writing and will transmit it to the claimant within sixty (60) days of the written request for review, unless the Company determines additional time, not exceeding sixty (60) days, is needed, and so notifies the employee. If the Company fails to respond to a claim filed in accordance with the foregoing within sixty (60) days or any such extended period, the Company shall be deemed to have denied the claim. If the appeal is denied, the Committee's written notification to the claimant shall set forth: (1) the specific reason for the adverse determination; (2) specific reference to pertinent provisions on which the Committee based its adverse determination; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies, of, all documents, records and other information relevant to the claimant's claim for benefits; and (4) a statement that the claimant has a right to bring a civil action under Section 502(a) of ERISA.

13. Termination or Amendment

The Committee or the Company's Board of Directors may amend or terminate this Plan (a "Plan Change") at any time, except that no such Plan Change may reduce or adversely affect Separation Benefits for any Executive who has a Qualifying Termination within two years of the effective date of such Plan Change provided that Executive was a Covered Employee under this Plan on the date of the Plan Change; provided that (a) a change in Appendix A prior to a Change in Control shall not be deemed to be a Plan Change and (b) an Executive by accepting any benefit under this Plan that was introduced prior to a Change in Control and not available prior to the Plan Change, shall be deemed to have waived the two-year limitation. Notwithstanding the foregoing, for two years after the occurrence of a Change in Control event, this Plan may not be terminated or amended until after all Executives who become entitled to any payments hereunder shall have received such payments in full. Any extension, amendment, or termination of this Plan in accordance with the foregoing shall be made in accordance with the Company's charter and bylaws and applicable law, and shall be evidenced by a written instrument signed by a duly authorized officer of the Company, certifying that such action has been taken.

14. Plan Supersedes Prior Plans

This Plan supersedes and replaces all prior severance policies, plans, or practices maintained by the Company with respect to all Covered Employees other than individualized written agreements executed by the Company and Executive.

15. Unfunded Plan Status

This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Section 401 of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Executive or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may but shall not be obligated to create one or more grantor trusts, such as the Legal Resources Trust and the Severance Trust, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

16. Miscellaneous

Except as provided in this Plan, Executive shall not be entitled to any notice of termination or pay in lieu thereof.

In cases where Severance Pay is provided under this Plan, pay in lieu of any unused current year vacation entitlement will be paid to Executive in a lump sum.

This Plan is not a contract of employment, does not guarantee any Executive employment for any specified period and does not limit the right of the Company to terminate the employment of any Executive at any time.

The section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

17. Adoption Date and Amendment

This Plan was first adopted effective March 1, 1994. On May 16, 1997, changes to the Plan were approved effective as of June 1, 1997. Subsequently on July 18, 1997, additional changes to the Plan were approved effective retroactive to June 1, 1997.

On September 2, 2005, this amended and restated Plan was approved and adopted and renamed the Rayonier Inc. Executive Severance Pay Plan, effective as of that date, and on December 6, 2007, the Plan was amended to make certain changes to reflect the Code Section 409A Rules. In February 2015, additional changes were made and the Plan was amended and restated, and in July 2016, the Plan was again amended and restated. On October 14, 2020, the Plan was again amended and restated, effective January 1, 2021.

EXHIBIT 31.1

CERTIFICATION

I, David L. Nunes, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 2, 2020

/s/ DAVID L. NUNES

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

EXHIBIT 31.2

CERTIFICATION

I, Mark McHugh, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 2, 2020

/s/ MARK MCHUGH

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

EXHIBIT 31.3

CERTIFICATION

I, David L. Nunes, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 2, 2020

/s/ DAVID L. NUNES

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

EXHIBIT 31.4

CERTIFICATION

I, Mark McHugh, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 2, 2020

/s/ MARK MCHUGH

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

CERTIFICATION

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

1. The quarterly report on Form 10-Q of Rayonier Inc. (the "Company") for the period ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

November 2, 2020

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

A signed original of this written statement required by Section 906 has been provided to Rayonier, Inc. and will be retained by Rayonier, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION

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

1. The quarterly report on Form 10-Q of Rayonier, L.P. (the "Rayonier Operating Partnership") for the period ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

November 2, 2020

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

A signed original of this written statement required by Section 906 has been provided to Rayonier, L.P. and will be retained by Rayonier, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.