

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

FORM 10-K/A

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)  
For the year ended December 31, 1994

OR

/  TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 1-6780

RAYONIER INC.

Incorporated in the State of North Carolina

I.R.S. Employer Identification No. 13-2607329

1177 SUMMER STREET, STAMFORD, CT 06905-5529

(Principal Executive Office)

Telephone Number: (203) 348-7000

Securities registered pursuant to Section 12(b) of the Act,  
all of which are registered on the New York Stock Exchange:

Common Shares  
7.5% Notes, due October 15, 2002  
Medium Term Notes, due 1995-1999

Securities registered pursuant to Section 12(g) of the Act: None

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

YES  NO  / /  
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405  
of Regulation S-K is not contained herein, and will not be contained, to the  
best of registrant's knowledge, in definitive proxy or information statement  
incorporated by reference in Part III of the Form 10-K or any amendment to this  
Form 10-K.  /  
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The aggregate market value of the Common Shares of the registrant held by  
non-affiliates of the Registrant on March 15, 1995 was approximately \$839  
million.

As of March 15, 1995, there were outstanding 29,611,469 Common Shares of the  
Registrant.

The registrant's definitive proxy statement filed or to be filed with the  
Securities and Exchange Commission pursuant to Regulation 14A involving the  
election of directors at the annual meeting of the shareholders of the  
registrant scheduled to be held on May 19, 1995, is incorporated by reference in  
Part III of this Form 10-K.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Item 8. is hereby amended to correct a typographical error in Footnote 15 "Segment Information" on Page F-17. The following correction is made:

The 1994 balance of Identifiable Assets for the Timber and Wood Products segment is changed from \$787 million to \$685 million. The 1994 balance of Identifiable Assets for the Specialty Pulp Products segment is changed from \$685 million to \$787 million.

See "Index to Financial Statements" on Page ii.

## REPORT OF MANAGEMENT

Rayonier management is responsible for the preparation and integrity of the information contained in the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles and, where necessary, include amounts that are based on management's best judgments. Rayonier's system of internal controls includes accounting controls and an internal audit program. This system is designed to provide reasonable assurance that Rayonier's assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, and fraudulent financial reporting is prevented or detected.

Rayonier's internal controls provide for the careful selection and training of personnel and for appropriate divisions of responsibility. The controls are documented in written codes of conduct, policies, and procedures that are communicated to Rayonier's employees. Management continually monitors the system of internal controls for compliance. Rayonier's independent public accountants, Arthur Andersen LLP, evaluate and test internal controls as part of their annual audit and make recommendations for improving internal controls. Management takes appropriate action in response to each recommendation. The Board of Directors and the officers of Rayonier monitor the administration of Rayonier's policies and procedures and the preparation of financial reports.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Rayonier Inc.:

We have audited the accompanying consolidated financial statements of Rayonier Inc. (a North Carolina corporation) and subsidiaries as of December 31, 1994 and 1993, and for each of the three years in the period ended December 31, 1994, as described in the Index to Financial Statements. These financial statements are the responsibility of Rayonier's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rayonier Inc. and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in the accompanying notes to financial statements, in 1992, Rayonier adopted two new accounting standards promulgated by the Financial Accounting Standards Board, changing its methods of accounting for postretirement benefits other than pensions and postemployment benefits.

ARTHUR ANDERSEN LLP

Stamford, Connecticut  
January 31, 1995

RAYONIER INC. AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED INCOME

For the Three Years Ended December 31, 1994  
(Thousands of dollars, except per share data)

	1994	1993	1992
	----	----	----
Sales	\$1,069,494	\$936,310	\$ 973,673
	-----	-----	-----
Costs and expenses			
Cost of sales	877,439	780,831	821,571
Selling and general expenses	27,676	27,390	32,228
Commission expenses	1,021	885	13,115
Other operating (income) expenses, net	(5,989)	(2,641)	4,639
Provision for dispositions	--	2,679	188,724
	-----	-----	-----
	900,147	809,144	1,060,277
	-----	-----	-----
Operating income (loss)	169,347	127,166	(86,604)
Equity in net loss of Grays Harbor Paper Company	--	--	(3,257)
Interest expense	(31,065)	(23,368)	(21,327)
Interest and miscellaneous income, net	2,207	1,608	2,004
Minority interest	(32,419)	(22,508)	(22,702)
	-----	-----	-----
Income (loss) before income taxes	108,070	82,898	(131,886)
Income tax (expense) benefit	(38,038)	(30,432)	50,366
	-----	-----	-----
Income (loss) before cumulative effect of accounting changes	70,032	52,466	(81,520)
Cumulative effect of accounting changes (SFAS No. 106 and SFAS No. 112) net of tax benefit of \$11,310	--	--	(21,956)
	-----	-----	-----
Net income (loss)	\$ 70,032	\$ 52,466	\$(103,476)
	=====	=====	=====
Earnings (loss) per Common Share:			
Income (loss) before cumulative effect of accounting changes	\$2.36	\$1.77	\$(2.77)
	=====	=====	=====
Cumulative effect of accounting changes	\$ --	\$ --	\$(0.74)
	=====	=====	=====
Net income (loss)	\$2.36	\$1.77	\$(3.51)
	=====	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

As of December 31, 1994 and 1993  
(Thousands of dollars)

ASSETS

	1994 ----	1993 ----
CURRENT ASSETS		
Cash	\$ 9,178	\$ 5,989
Accounts receivable, less allowance for doubtful accounts of \$4,358 and \$4,268	103,892	82,696
Inventories		
Finished goods	39,929	46,516
Work in process	18,221	16,235
Raw materials	34,022	44,057
Manufacturing and maintenance supplies	27,567	26,751
	-----	-----
	119,739	133,559
Deferred income taxes	4,382	10,498
Prepaid timber stumpage	47,338	55,770
Other current assets	12,692	10,752
	-----	-----
Total current assets	297,221	299,264
OTHER ASSETS		
	29,439	24,025
TIMBER STUMPAGE		
	36,756	12,480
TIMBER, TIMBERLANDS, AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION		
	476,132	470,077
PROPERTY, PLANT, AND EQUIPMENT		
Land, buildings, machinery, and equipment	1,202,484	1,149,447
Less - accumulated depreciation	530,857	480,518
	-----	-----
	671,627	668,929
	-----	-----
	\$1,511,175	\$1,474,775
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an  
integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

As of December 31, 1994 and 1993  
(Thousands of dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1994	1993
	----	----
CURRENT LIABILITIES		
Accounts payable	\$ 83,658	\$ 67,783
Bank loans	84	180,800
Current maturities of long-term debt	218	1,203
Accrued taxes	7,676	2,480
Accrued payroll and benefits	20,043	18,525
Accrued interest	4,515	4,446
Other current liabilities	37,316	35,330
Current reserves for dispositions and discontinued operations	25,370	27,280
	-----	-----
Total current liabilities	178,880	337,847
DEFERRED INCOME TAXES	127,638	126,176
LONG-TERM DEBT	482,920	316,138
NONCURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS (Net of discontinued operations' assets of \$13,023 and \$12,986)	20,325	35,920
OTHER NONCURRENT LIABILITIES	23,695	15,741
MINORITY INTEREST	22,516	36,649
SHAREHOLDERS' EQUITY		
Common Shares, 60 million shares authorized, 29,574,807 and 29,565,392 shares issued and outstanding	157,581	157,426
Retained earnings	497,620	448,878
	-----	-----
	655,201	606,304
	-----	-----
	\$1,511,175	\$1,474,775
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED RETAINED EARNINGS

For the Three Years Ended December 31, 1994  
(Thousands of dollars)

	1994 ----	1993 ----	1992 ----
Balance, beginning of year	\$448,878	\$518,252	\$639,258
Net income (loss)	70,032	52,466	(103,476)
Cash dividends to shareholders	(21,290)	--	--
Cash dividends to ITT Corporation	--	(121,840)	(17,530)
Balance, end of year	\$497,620 =====	\$448,878 =====	\$518,252 =====

STATEMENTS OF CONSOLIDATED COMMON SHARES  
AND CUMULATIVE PREFERRED STOCK

For the Three Years Ended December 31, 1994  
(Thousands of dollars, except for shares)

	Common Shares		Cumulative Preferred Stock	
	Shares -----	Amount -----	Shares -----	Amount -----
Balance, January 1, 1992	29,565,392	\$157,426	--	\$ --
Issuance of Cumulative Preferred Stock	--	--	30,000	30,000
Redemption of Cumulative Preferred Stock	--	--	(30,000)	(30,000)
Balance, December 31, 1992	29,565,392 -----	157,426 -----	-- -----	-- -----
Balance, December 31, 1993	29,565,392	157,426	--	--
Common Shares issued under stock option plans	9,415	155	--	--
Balance, December 31, 1994	29,574,807 =====	\$157,581 =====	-- =====	\$ -- =====

The accompanying Notes to Consolidated Financial Statements are an  
integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED CASH FLOWS

For the Three Years Ended December 31, 1994  
(Thousands of dollars)

	1994 ----	1993 ----	1992 ----
<b>OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 70,032	\$ 52,466	\$(103,476)
Cumulative effect of accounting changes	--	--	21,956
	-----	-----	-----
Income (loss) before cumulative effect of accounting changes	70,032	52,466	(81,520)
Non-cash items included in income			
Depreciation, depletion, and amortization	90,200	78,272	77,885
Deferred income taxes	3,007	37,291	(56,938)
Equity in undistributed losses of Grays Harbor Paper Company	--	--	3,257
Write-down of property, plant, and equipment	--	--	81,804
Increase (decrease) in other noncurrent liabilities	7,954	(10,284)	(1,387)
Change in accounts receivable, inventories, and accounts payable	8,499	(5,887)	(13,711)
Decrease (increase) in prepaid timber stumpage	8,432	(15,226)	2,391
Change in reserves for dispositions and discontinued operations	(5,221)	2,679	106,920
Other changes in working capital	6,829	(21,002)	14,354
	-----	-----	-----
Cash from operating activities	189,732	118,309	133,055
	-----	-----	-----
<b>INVESTING ACTIVITIES</b>			
Capital expenditures, net of sales, retirements, and reclassifications of \$1,678, \$167, and \$755	(98,953)	(71,589)	(96,289)
New Zealand forest assets acquisition	--	--	(196,500)
Expenditures for dispositions and discontinued operations, net of tax benefits (payments) of \$4,571, \$10,318, and (\$8,933)	(7,713)	(17,412)	(27,146)
Change in timber stumpage and other assets	(29,690)	(6,179)	(1,394)
	-----	-----	-----
Cash used for investing activities	(136,356)	(95,180)	(321,329)
	-----	-----	-----
<b>FINANCING ACTIVITIES</b>			
Increase in indebtedness to ITT Corporation	--	--	167,000
Repayments of indebtedness to ITT Corporation	--	--	(167,000)
Issuance of debt	267,084	112,435	249,700
Repayments of debt	(282,003)	(17,698)	(51,402)
Issuance of preferred stock	--	--	30,000
Redemption of preferred stock	--	--	(30,000)
Cash dividends to ITT Corporation	--	(121,840)	(17,530)
Cash dividends to shareholders	(21,290)	--	--
Issuance of Common Shares	155	--	--
(Decrease) increase in minority interest	(14,133)	(768)	4,486
	-----	-----	-----
Cash (used for) from financing activities	(50,187)	(27,871)	185,254
	-----	-----	-----
<b>CASH AND SHORT-TERM INVESTMENTS</b>			
Increase (decrease) in cash and short-term investments	3,189	(4,742)	(3,020)
Balance at beginning of year	5,989	10,731	13,751
	-----	-----	-----
Balance at end of year	\$ 9,178	\$ 5,989	\$ 10,731
	=====	=====	=====
Supplemental disclosures of cash flow information			
Cash paid (received) during the year for:			
Interest	\$ 30,996	\$ 24,289	\$ 22,562
	=====	=====	=====
Income taxes, net of refunds	\$ 23,705	\$ (18,193)	\$ 13,835
	=====	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.



RAYONIER INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands unless otherwise stated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Rayonier Inc. and its subsidiaries. Minority interest represents public unitholders' proportionate share of the partners' capital of Rayonier's consolidated subsidiary, Rayonier Timberlands, L.P. (RTLPL). All significant intercompany balances and transactions are eliminated. Rayonier's investments in non-controlled companies are included on the equity basis.

Certain reclassifications have been made to prior years' financial statements to conform to current year presentation.

Research and Development

Significant costs are incurred each year for research and development programs expected to contribute to the profitability of future operations. Such costs are expensed as incurred. Research and development expenditures amounted to \$7,477, \$7,302, and \$8,267 in 1994, 1993, and 1992, respectively.

Inventories

Inventories are valued at the lower of cost or market. The cost of pulp products is determined on the first-in, first-out (FIFO) basis. Timber and wood products are generally valued on an average cost basis. Inventory costs include material, labor, and manufacturing overhead. Physical counts of inventories are made at least annually. Potential losses from obsolete, excess, or slow-moving inventories are provided for currently.

Prepaid Timber Stumpage and Timber Stumpage

Rayonier purchases timber stumpage from RTLPL and other private and public owners of timberlands. The timber stumpage is harvested by Rayonier for use in its log trading, pulp, and wood products businesses. Timber stumpage is classified as a current asset, Prepaid Timber Stumpage, based upon the amount of harvest expected to occur within one year of the balance sheet date. The remainder is classified as a noncurrent asset, Timber Stumpage.

Timber Cutting Contracts

Rayonier evaluates the realizability of its future timber harvests in the northwestern and southeastern portions of the United States and in New Zealand based on the estimated aggregate cost, including the cost of fee timber, timber stumpage and timber available under cutting contracts, of such harvests and the market sales values to be realized at the anticipated time of harvesting that timber. Losses are recorded in the period that a determination is made that the aggregate harvest costs in a major operating area will not be recoverable.

Timber and Timberlands

The acquisition cost of land, timber, real estate taxes, lease payments, site preparation, and other costs relating to the planting and growing of timber are capitalized. Such costs attributed to merchantable timber are charged against revenue at the time the timber is harvested based on the relationship of harvested timber to the estimated volume of currently recoverable timber. Timber and timberlands are stated at the lower of original cost, net of timber cost depletion, or market value.

Logging Roads

Logging roads, including bridges, are stated at cost, less accumulated amortization. The costs of roads developed for reforestation activities are amortized using the straight-line method over their useful economic lives estimated at 40 years for roads and 20 years for bridges. Road costs associated with harvestable timber access are charged to a prepaid account and amortized as the related timber is sold, generally within two years.

## Property, Plant, and Equipment

Property, plant, and equipment additions are recorded at cost which includes applicable freight, taxes, interest, construction, and installation costs. Interest capitalized in connection with major construction projects amounted to \$194 and \$893 during 1994 and 1992, respectively. No interest costs were capitalized during 1993. Upon ordinary retirement or sale of property, accumulated depreciation is charged with the cost of the property removed and credited with the proceeds of salvage value and no gain or loss is recognized. Gains and losses with respect to any significant and unusual retirements of assets are included in operating income.

## Depreciation

Pulp manufacturing facilities are depreciated using the units of production method. Depreciation on other buildings and equipment is provided on a straight-line basis over the useful economic lives of the assets involved. Rayonier normally claims the maximum depreciation deduction allowable for tax purposes.

## Earnings (Loss) per Common Share

Earnings (loss) per Common Share through February 28, 1994 and for 1993 and 1992 were computed, after deducting preferred dividends paid in 1992, based on the number of Rayonier Common Shares that were outstanding on February 28, 1994, the date of Rayonier's spin-off from ITT Corporation (ITT). Earnings per Common Share for February 28, 1994 through December 31, 1994 were determined based on the weighted average number of Common Shares and dilutive Common Shares outstanding during the period. Common stock equivalents were excluded from the 1993 and 1992 computations due to immateriality. The number of Common Shares used in earnings (loss) per Common Share computations was 29,697,054 for 1994 and 29,565,392 for 1993 and 1992. See Notes 5 and 10.

## Foreign Currency Translation and Exposure

For significant foreign operations, the U.S. dollar is the functional currency. Monetary assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates. Nonmonetary assets such as inventories and property, plant, and equipment are translated at historical rates. Income and expense items are translated at average exchange rates prevailing during the year, except that inventories and depreciation charged to operations are translated at historical rates. Exchange gains and losses arising from translation are included in current income.

Rayonier enters into forward exchange contracts to hedge the short-term impact of foreign currency fluctuations on operations. The gains and losses on these contracts are included in income based on current market values. As of December 31, 1994, the Company had no outstanding forward exchange contracts.

## 2. CHANGES IN ACCOUNTING PRINCIPLES

### Statement of Financial Accounting Standards No. 106 - Adopted with a One-Time Cumulative Adjustment to Net Income

In 1992, Rayonier adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," using the immediate recognition method. The standard requires accrual of postretirement health care and life insurance benefit costs during the years that an employee provides services to the Company. Accordingly, a cumulative adjustment (through December 31, 1991) of \$31,916 pretax was recognized at January 1, 1992.

### Statement of Financial Accounting Standards No. 112 - Adopted with a One-Time Cumulative Adjustment to Net Income

In 1992, Rayonier adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," using the immediate recognition method. The standard requires current recognition of costs associated with benefits provided to former or inactive employees after employment but before retirement. These postemployment benefits are primarily composed of obligations to provide medical and life insurance to employees on long-term disability. Accordingly, a cumulative adjustment (through December 31, 1991) of \$1,350 pretax was recognized at January 1, 1992.

## 3. NEW ZEALAND ACQUISITION

During the second quarter of 1992, the Company completed the purchase of forest assets, primarily Crown forest licenses consisting of long-term rights to utilize approximately 250,000 acres of plantation forest in New Zealand. These assets were acquired from the New Zealand government for a cash purchase price of approximately \$197 million. The Company harvests timber for export to Pacific Rim markets and sale locally in New Zealand.

## 4. RAYONIER TIMBERLANDS, L.P.

In 1985, Rayonier transferred substantially all of its timberlands business to Rayonier Timberlands, L.P., a master limited partnership, in exchange for 20 million Class A and 20 million Class B Depository Units. Thereafter, Rayonier offered and sold 5.06 million Class A Units (25.3 percent) to the public. The Partnership Agreement provides that RTLP continues in existence until December 31, 2035, but that the Initial Term of the Partnership will end on December 31, 2000. Class A Units participate principally in the revenues and costs associated with RTLP's sales of timber through the Initial Term and to a significantly lesser extent in subsequent periods. RTLP's sales of timber after that date as well as cash flow associated with land management activities before and after that date are principally allocable to the Class B units, all of which have been retained by Rayonier.

RTLP is majority owned by Rayonier and is included in these consolidated financial statements. The following table summarizes the sales and operating income of RTLP, for the three years ended December 31, 1994, by region.

	1994 ----	1993 ----	1992 ----
SALES			
Northwest	\$ 115,261	\$ 70,734	\$ 81,985
Southeast	51,260	45,313	34,410
	----- \$ 166,521 =====	----- \$ 116,047 =====	----- \$116,395 =====
OPERATING INCOME			
Northwest	\$ 94,576	\$ 56,249	\$ 68,318
Southeast	39,157	33,457	23,608
Corporate and other	(1,724)	(2,308)	(3,279)
	----- \$ 132,009 =====	----- \$ 87,398 =====	----- \$ 88,647 =====

The minority interest in RTLP's earnings was \$32,419, \$22,508, and \$22,702 in 1994, 1993, and 1992, respectively. This reduced Rayonier's net income by \$20,586, \$14,293, and \$14,643 in 1994, 1993, and 1992, respectively. Effective January 1, 2001, the minority participation in the earnings of RTLP will be reduced from approximately 25 percent to approximately 1 percent, and Rayonier's participation will increase from 75 percent to 99 percent.

## 5. TRANSACTIONS BETWEEN ITT AND RAYONIER

Rayonier was a wholly owned subsidiary of ITT Corporation (ITT) through February 28, 1994. On February 28, 1994, ITT distributed all of the Common Shares of Rayonier to the holders of ITT Common and Series N Preferred Stock in a spin-off. As a result of the spin-off, ITT has no ownership interest in Rayonier, and Rayonier is an independent public company. Rayonier and ITT entered into certain agreements governing their relationship subsequent to the spin-off and providing for the allocation of tax and certain other liabilities and obligations arising from periods prior to the spin-off.

ITT rendered advice and assistance to Rayonier in general engineering, traffic, operating, accounting, commercial, financial, and other matters. The fee for such services was approximately 1/4 of 1 percent of Rayonier's annual sales. The total fee paid by Rayonier to ITT for these services amounted to \$354, \$2,326, and \$2,413 in 1994, 1993, and 1992, respectively.

In 1992, Rayonier paid sales commissions of \$12,362 to a foreign sales corporation (FSC) owned by ITT. Dividends paid to ITT were reduced by the after-tax cost of the foreign sales commissions so as not to impact the financial condition of Rayonier due to this arrangement. Effective January 1, 1993, ITT transferred ownership of FSC to Rayonier.

On May 14, 1992, Rayonier borrowed \$167 million from ITT, the proceeds of which were utilized as bridge financing in the New Zealand acquisition. On July 28, 1992, all outstanding borrowings from ITT were replaced by bank borrowings. Interest expense paid to ITT amounted to \$2,092 in 1992.

Rayonier was one of several affiliates participating in the ITT Salaried Retirement Plan as well as health care and life insurance programs for salaried employees sponsored by ITT. See Note 11.

#### 6. INCOME TAXES

Prior to the spin-off, Rayonier and its U.S. subsidiaries were included in ITT's consolidated U.S. federal income tax returns, and Rayonier remitted to ITT its current income tax liability. Rayonier computed its tax provision in accordance with tax-sharing arrangements with ITT that, prior to 1993, included the use by Rayonier of tax benefits realized by ITT as a result of a foreign sales agency agreement between FSC and Rayonier.

The provision for income taxes was adversely impacted in 1993 by the effects of tax reform legislation enacted August 10, 1993. This legislation increased the corporate income tax rate from 34 percent to 35 percent, retroactive to January 1, 1993, and eliminated tax benefits related to log exports for foreign sales corporations effective in the third quarter. The 1993 provision for income taxes included a charge of \$1,583 as a result of the remeasurement of the Company's deferred tax liability for the increase in the corporate income tax rate.

U.S. income taxes have not been provided on approximately \$13,400 of undistributed foreign earnings as the Company intends to permanently reinvest such earnings in expanding foreign operations. Repatriation taxes on such earnings would not be significant.

Income tax data before the cumulative effect of accounting changes are as follows:

	1994 ----	1993 ----	1992 ----
Provision (benefit) for income tax			
Current			
U.S. federal	\$30,018	\$(18,530)	\$ 1,199
State and local	2,157	(1,216)	117
Foreign	(1,715)	2,569	--
	----- 30,460	----- (17,177)	----- 1,316
Deferred			
U.S. federal	6,288	39,713	(47,795)
State and local	318	3,292	(3,268)
Foreign	972	4,604	(619)
	----- 7,578	----- 47,609	----- (51,682)
	----- \$38,038 =====	----- \$ 30,432 =====	----- \$(50,366) =====

Deferred income tax provision (benefit) represents the tax effect related to recording revenues and expenses in different periods for financial reporting and tax return purposes. Deferred tax assets (liabilities) included the following at December 31, 1994 and 1993:

	1994 ----	1993 ----
Accelerated depreciation	\$(126,663)	\$(122,544)
Reserves for dispositions and discontinued operations	16,700	23,212
Other	(13,293)	(16,346)
	----- \$(123,256) =====	----- \$(115,678) =====

A reconciliation of the tax provision (benefit) at the U.S. statutory rate to the provision (benefit) for income tax as reported is as follows:

	1994 ----	1993 ----	1992 ----
Tax provision (benefit) at U.S. statutory rate	\$37,825	\$29,014	\$(44,841)
Benefit of foreign sales corporations	(608)	(1,500)	(3,089)
Effect of remeasurement of deferred tax liability	--	1,583	--
State and local taxes, net of federal tax benefit	1,609	1,349	(2,080)
All other, net	(788)	(14)	(356)
	-----	-----	-----
Provision (benefit) for income tax	\$38,038	\$30,432	\$(50,366)
	=====	=====	=====

"All other, net" represents tax provision adjustments for permanent differences, tax credits, foreign tax rates, and other items which are not individually significant.

#### 7. DISPOSITIONS

In the fourth quarter of 1992, Rayonier provided \$180 million, pretax, for the loss on disposal of assets along with the costs for severance, demolition, and other closedown items associated with the disposition of the Grays Harbor Complex. The Company has substantially completed all programs except certain environmental remediation programs relating to the Grays Harbor Complex.

In 1986, Rayonier discontinued the Southern Wood Piedmont Company (SWP) treated wood business. SWP is currently active in monitoring, cleanup, and closure programs at its nine former manufacturing sites. SWP also is in negotiations with various state and federal agencies regarding the scope and timing for such programs. The ultimate cost of corrective action and closure programs is dependent upon the outcome of such negotiations. The cost may also be affected by new laws, regulations and administrative interpretations, and changes in environmental control technology.

Although considerable progress on cleanup has been made, there is still uncertainty as to the timing and amount of future expenditures for completing programs at all sites. Rayonier currently estimates that expenditures for environmental remediation at these sites during the 1995-1996 period will approximate \$21 million, pretax.

As of December 31, 1994, Rayonier had reserves of \$58,718 for dispositions and related environmental obligations. The Company believes that any future changes in estimates, if necessary, will not materially affect its financial condition or results of operations.

The reserve for dispositions as of December 31, 1994 and 1993, as presented in the balance sheet, is net of \$11,401 for receivables from insurance claims. Such receivables represent the Company's claim for reimbursements in connection with property damage settlements relating to SWP's discontinued wood preserving operations.

## 8. DEBT

Rayonier's debt included the following at December 31, 1994 and 1993:

	1994	1993
	----	----
Short-term bank loans	\$ 84	\$180,800
Commercial paper, at interest rates of 5.95% to 6.30%	100,000	--
Variable rate revolving credit agreement - due 1999	67,000	--
7.5% notes - due 2002	110,000	110,000
Medium-term notes due 1998-1999 at interest rates of 5.84% to 6.16%	16,000	16,000
Medium-term notes due 1995-1997 at variable interest rates	100,000	--
Variable rate term loan agreement	--	100,000
Pollution control and industrial revenue bonds - due 1995-2015 at interest rates of 4.75% to 8.0%	89,345	90,410
All other	793	931
	-----	-----
Total debt	483,222	498,141
Less:		
Short-term bank loans	84	180,800
Current maturities	218	1,203
	-----	-----
Long-term debt	\$482,920	\$316,138
	=====	=====

In April 1994, Rayonier arranged revolving credit agreements with a group of banks to provide the Company with unsecured credit facilities totaling \$300 million. Rayonier subsequently issued \$100 million of commercial paper under a newly implemented commercial paper program backed by the revolving credit facilities. Rayonier also had borrowings of \$67 million outstanding under the credit facilities as of December 31, 1994, at an average interest rate of 5.92 percent. The proceeds of these borrowings were used to retire short-term bank loans.

On October 15, 1992, Rayonier issued \$110 million of 7.5 percent notes due October 15, 2002 (the Notes). The Notes were issued pursuant to a registration statement, filed on Form S-3 effective September 29, 1992, which permitted the Company to issue up to \$250 million in debt securities through public offerings. The Company used the net proceeds from the sale of the Notes to repay bank debt which was utilized as bridge financing for the purchase of forest assets in New Zealand. On April 5, 1993, the Company established a \$140 million medium-term note program pursuant to the registration statement. During April 1993, \$16 million of medium-term notes, maturing in 1998 and 1999, were issued under this program.

On March 29, 1994, the Company filed a shelf registration statement with the Securities and Exchange Commission on Form S-3 covering \$150 million of new debt securities. The registration statement also served as a post-effective amendment to the 1992 registration statement, which as amended permits Rayonier to offer up to \$174 million of medium-term notes. On August 18, 1994, Rayonier issued \$100 million of variable rate medium-term notes. The notes mature in 1995, 1996, and 1997 and bear interest at a variable rate of LIBOR plus 1.5 to 3.5 percent. As of December 31, 1994, the interest rates on the variable rate medium-term notes ranged from 5.96 to 6.63 percent. The proceeds of these notes were used to retire a variable rate term loan.

As of December 31, 1994, Rayonier had \$133 million of available borrowings under its revolving credit facilities. In addition, through currently effective shelf registration statements filed with the Securities and Exchange Commission, Rayonier may offer up to \$174 million of new public debt securities.

Required repayment of principal for debt is as follows:

1995	\$ 33,302
1996	33,524
1997	36,229
1998	3,342
1999	184,475
2000-2015	192,350
	-----
	\$483,222
	=====

Variable rate medium term notes totaling \$33 million are scheduled to mature in 1995. However, the Company intends and has the ability to refinance such debt with long-term borrowings. Accordingly, the notes have been classified as long-term on the December 31, 1994 balance sheet.

The carrying value of Rayonier's debt as of December 31, 1994 exceeds its estimated fair value by approximately \$9,500.

The most restrictive long-term debt covenant in effect at December 31, 1994 provides that the ratio of total debt to EBITDA not exceed four to one. As of December 31, 1994, the ratio was two to one and \$328 million of retained earnings was unrestricted as to the payment of dividends.

#### 9. SHAREHOLDERS' EQUITY

On December 13, 1993, Rayonier changed its state of incorporation from Delaware to North Carolina by merging into a wholly owned North Carolina subsidiary that was renamed "ITT Rayonier Incorporated." Under the terms of the merger, the 79 issued and outstanding shares of Common Stock, \$100 par value, of the Delaware corporation (all of which were held by ITT) were reconstituted as 79 Common Shares of the North Carolina corporation. Rayonier filed Amended and Restated Articles of Incorporation on December 14, 1993, which increased its authorized capitalization to 60,000,000 Common Shares and 15,000,000 Preferred Shares. In addition, on February 17, 1994, Rayonier filed Articles of Amendment changing its name to "Rayonier Inc." ITT continued to own all of the 79 issued and outstanding Common Shares of Rayonier until February 28, 1994, when Rayonier issued additional Common Shares to ITT as a stock dividend sufficient to increase its total issued and outstanding Common Shares to approximately 29.6 million; all of these Common Shares were then distributed to holders of ITT's Common Stock and Series N Preferred Stock, in connection with the spin-off. All share and per share information has been retroactively restated to reflect the stock dividend similar to a stock split.

On May 15, 1992, Rayonier issued 30,000 shares of its Cumulative Preferred Stock \$77.50 Series A to ITT for \$30 million in cash to fund a portion of the cost of the New Zealand acquisition. The shares were redeemed by the Company on July 28, 1992 with the proceeds of short-term bank borrowings.

Dividends paid by Rayonier on its classes of stock during 1994, 1993, and 1992 were \$21,290, \$121,840, and \$17,530, respectively. The 1993 amount includes a fourth quarter special dividend of \$90 million that was paid to ITT pursuant to a planned recapitalization program. Dividends in 1992 include \$471 paid on the Series A Preferred Stock.

#### 10. INCENTIVE STOCK PLANS

In the first quarter of 1994, the Company implemented a Substitute Stock Option Plan under which options to acquire 382,434 Common Shares of Rayonier were granted in substitution for canceled ITT options. The Rayonier options were granted at exercise prices of \$16.57 to \$31.35 per share to maintain the same economic value to the option holders that they would have had under ITT's stock option plan.

In 1994, prior to the spin-off, the Board of Directors adopted and ITT, as the Company's sole shareholder, approved the 1994 Rayonier Incentive Stock Plan (the 1994 Plan). The 1994 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, performance shares, and restricted stock for up to one million shares, subject to certain limitations. The 1994 Plan will expire on December 31, 2003. In 1994, 350,000 options were granted under this Plan at exercise prices of \$28.88 to \$31.00 per share. On May 20, 1994, the Company granted contingent performance share awards under the 1994 Plan. A total of 88,500 Common Shares was reserved for this purpose, the issuance of which is dependent upon the Company's Total Shareholder Return, as defined, compared to a competitive peer group of 12 companies within the forest products industry, for the period from May 20, 1994 to December 31, 1996. In 1994, the Company recognized compensation expense of \$311 related to the 1994 Plan.

Stock option activity is summarized as follows:

Outstanding - December 31, 1993	--
Granted:	
Substitute Stock Option Plan	382,434
1994 Plan	350,000
Exercised	(9,415)
Canceled	(2,000)
	-----
Outstanding - December 31, 1994	721,019
	=====
Exercisable - December 31, 1994	191,465
	=====

#### 11. EMPLOYEE BENEFIT PLANS

##### Pension Plans

Rayonier has pension plans covering substantially all of its employees. The cost of these plans is borne by Rayonier. Certain plans are subject to union negotiation. Prior to March 1, 1994, Rayonier also participated in the ITT Salaried Retirement Plan.

Effective March 1, 1994, Rayonier established the Rayonier Investment and Savings Plan for Salaried Employees and the Rayonier Salaried Employees Retirement Plan. These plans, as well as health care, life insurance, and other employee welfare benefits programs, which represent mirror-image plans to the various ITT welfare benefit programs previously available to salaried employees, are being sponsored by Rayonier for the benefit of all salaried active employees as of March 1, 1994. There was no change in the status of the Rayonier benefit plans for hourly paid employees.

The following table discloses periodic pension cost for Rayonier plans and total Rayonier pension expense for the three years ended December 31:

	1994	1993	1992
	----	----	----
Defined Benefit Plans			
Service cost	\$ 4,152	\$ 1,567	\$1,668
Interest cost	5,666	5,573	5,707
Return on assets	(4,409)	(13,138)	(5,325)
Net amortization and deferral	(2,576)	6,276	(1,451)
	-----	-----	-----
Net periodic pension cost of Rayonier plans	2,653	278	599
Other Pension Cost			
Rayonier portion of ITT Salaried Retirement Plan	530	2,581	2,938
Multi-employer plans	335	165	--
Defined contribution plans	1,246	1,294	1,329
	-----	-----	-----
Total pension expense	\$ 4,764	\$ 4,318	\$4,866
	=====	=====	=====

The following table sets forth the funded status of the Rayonier pension plans (for hourly paid employees only in 1993), the amounts recognized in the balance sheets of the Company at December 31, 1994 and 1993 and the principal weighted average assumptions inherent in their determination:



	1994 ----	1993 ----
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$ 69,842	\$ 73,017
	=====	=====
Accumulated benefit obligation	\$ 73,569	\$ 76,979
	=====	=====
Projected benefit obligation	\$ 73,993	\$ 76,979
Plan assets at fair value	81,597	83,373
	-----	-----
Plan assets in excess of projected benefit obligation	7,604	6,394
Unrecognized net loss	1,676	10,223
Unrecognized past service cost	5,139	4,601
Curtailment effects and termination benefits	--	(3,550)
Unrecognized net assets at January 1, 1994 and 1993	(5,695)	(6,382)
	-----	-----
Prepaid pension asset recognized in the balance sheets	\$ 8,724	\$ 11,286
	=====	=====
Actuarial assumptions:		
Discount rate	8.50%	7.50%
Rate of return on invested assets	9.75%	9.75%
Salary increase assumption	5.00%	5.00%

The table for 1993 reflects the costs of curtailment and special termination benefits of certain hourly Rayonier pension plans as a result of the closure of the Grays Harbor Complex. See Note 7. The costs of \$3,550 were recorded as part of the 1992 charge of \$180 million related to the Grays Harbor Complex closure, and were accounted for in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits."

#### Postretirement Health and Life

Rayonier provides health care and life insurance benefits for certain eligible retired employees. Benefits under these plans covering salaried retirees are maintained through the applicable plans of ITT for employees retiring prior to March 1, 1994 and, other than for the amount of the expense recorded for the period, all asset and liability accounts are maintained by ITT. A reserve balance of \$3,924 was transferred from ITT to Rayonier in 1994, to cover the postretirement benefit obligation for currently active employees as of March 1, 1994. Effective January 1, 1992, Rayonier adopted SFAS No. 106, using the immediate recognition method for all benefits accumulated to date. Accordingly, an expense was recorded as of that date of \$23,223 for salaried retirees and \$8,693 for hourly paid retirees, which is included in the adjustment to record the cumulative effect of accounting changes. The Company is not currently funding this obligation; however, it may pre-fund some portions if it can be accomplished on a tax-effective basis.

The following table discloses postretirement health care and life insurance benefits expense (excluding the cumulative catch-up adjustment in 1992) for the three years ended December 31:

	1994 ----	1993 ----	1992 ----
Service cost	\$ 618	\$ 260	\$ 239
Interest cost	1,642	766	721
Net amortization and deferral	448	--	--
	-----	-----	-----
Net periodic expense of Rayonier plans	2,708	1,026	960
Rayonier portion of expense for ITT Plans for salaried employees	212	1,146	1,653
	-----	-----	-----
Total postretirement benefits expense	\$ 2,920	\$ 2,172	\$ 2,613
	=====	=====	=====

The following table sets forth the status of the postretirement benefit plans other than pensions (for hourly paid employees only in 1993), the amounts recognized in Rayonier's balance sheets at December 31, 1994 and 1993 and the principal weighted average assumptions inherent in their determination:

	1994	1993
	----	----
Accumulated postretirement benefit obligation	\$ 22,364	\$ 10,623
Unrecognized net loss	(7,214)	(832)
	-----	-----
Liability recognized in the balance sheet	\$ 15,150	\$ 9,791
	=====	=====
Actuarial assumptions:		
Discount rate	8.5%	7.5%
Ultimate health care trend rate	6.0%	6.0%

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) was 12.1 percent for 1994, decreasing ratably to 6.0 percent in the year 2001. Increasing the table of health care trend rates by one percent per year would have the effect of increasing the accumulated postretirement benefit obligation by \$2,305 and the annual expense by \$264. To the extent that the actual experience differs from the inherent assumptions, the effect will be amortized over the average future service of the covered active employees.

## 12. LEASES AND RENTALS

As of December 31, 1994, minimum rental commitments under operating leases were \$4,624, \$4,368, \$4,012, \$1,312, and \$1,302 for 1995, 1996, 1997, 1998, and 1999, respectively. For the remaining years, such commitments amounted to \$5,166, aggregating total minimum lease payments of \$20,784.

Operating lease commitments at December 31, 1994, include the 1985 sale and leaseback of Rayonier's Baxley, Georgia, sawmill assets amounting to approximately \$6.2 million, the lease on Rayonier's executive offices, which was renegotiated and renewed in 1991, of approximately \$8.1 million, and the 1992 lease of New Zealand office space of \$1.9 million.

Total rental expense for operating leases amounted to \$6,068, \$5,587, and \$6,485 in 1994, 1993, and 1992, respectively.

## 13. LEGAL PROCEEDINGS

A wholly owned subsidiary of the Company, Southern Wood Piedmont Company (SWP), which has been a discontinued operation since 1986, was formerly in the wood preserving business and continues to incur substantial expenditures in cleaning up its former wood preserving sites. See Note 7. In addition, Rayonier and SWP are named defendants in seven civil cases pending in the U.S. District Court for the Southern District of Georgia, arising out of former wood preserving operations at SWP's plant located in Augusta, Georgia. In general, these cases seek recovery for property damage or personal injury and, in one case, medical monitoring costs, based on the alleged exposure to toxic chemicals used by SWP in its former operations. One case, Ernest Jordan v. Southern Wood Piedmont Co., et al., seeks certification as a class action and damages in the amount of \$700 million (\$200 million in property damage and \$500 million in punitive damages). Counsel for the Company believes that the Company has meritorious defenses in all these cases. Several previous lawsuits related to the Augusta facility have been settled for amounts not material to the Company.

Rayonier has been named a Potentially Responsible Party (PRP) or is a defendant in actions being brought by a PRP in four proceedings instituted by the U.S. Environmental Protection Agency (EPA) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) or state agencies under comparable state statutes. In three of these proceedings, Rayonier is considered a de minimis participant. In the other proceeding, the Company is not a de minimis participant because of the limited number of PRPs, and the Company believes that its share of liability for total clean-up costs (currently estimated to be between \$30 million and \$39 million) will be less than 9 percent. In each case, Rayonier has established reserves for its estimated liability. Rayonier has also received requests for information from the EPA in connection with two other CERCLA sites, but the Company does not currently know to what extent, if at all, liability under CERCLA will be asserted against Rayonier with respect to either site.

On November 19, 1994, SWP was named one of six PRPs in the Tennessee Products Site CERCLA action. SWP was included in the action because of coal tar derivative deposits found in Chattanooga Creek, which is included as part of the

Tennessee Products Site. Counsel for the Company believe that the site is geographically divisible and that SWP is not responsible for any clean-up costs upstream of its former plant site. Consequently, it is not yet clear what, if any, remediation will be required of SWP.

There are various other lawsuits pending against or affecting Rayonier and its subsidiaries, some of which involve claims for substantial sums. Rayonier's ultimate liability with respect to all pending actions is not expected to materially impact its consolidated financial position or results of operations.

#### 14. ENVIRONMENTAL MATTERS

Rayonier has become subject to stringent environmental laws and regulations concerning air emission, water discharges, and waste disposal that, in the opinion of management, will require substantial expenditures over the next ten years. Recently proposed Federal environmental regulations governing air and water discharges may require further expenditures and, if finally enacted in their proposed form, would prevent the Company from meeting certain product quality specifications for substantially all of its chemical cellulose products, and will increase the cost of making its remaining pulp products. Sales of chemical cellulose products accounted for approximately 29 percent of 1994 sales. While these regulations would have a material adverse effect on operations if not changed, it will not be possible for Rayonier to determine the nature or costs of such effect until the regulations are issued in final form.

Over the past four years, the harvest of timber from private lands in the state of Washington has been restricted as a result of the listing of the northern spotted owl as a threatened species under the Endangered Species Act (ESA). These restrictions have caused RTLP to restructure and reschedule some of its harvest plans. The U.S. Fish and Wildlife Service has developed a proposed rule under the ESA to redefine protective measures for the northern spotted owl on private lands. This rule, as currently drafted, would reduce the harvest restrictions on private lands except within specified special emphasis areas, where restrictions would be increased. One proposed special emphasis area is on the Olympic Peninsula, where a significant portion of RTLP's Washington timberlands is located.

Separately, the state of Washington Forest Practices Board is in the process of adopting new harvest regulations to protect the northern spotted owl and the marbled murrelet (also recently listed as a threatened species). The State Department of Natural Resources draft of this rule also provides for a special emphasis area to protect the northern spotted owl on the Olympic Peninsula, which would increase harvest restrictions on the Company's lands.

Rayonier is unable at this time to predict the form in which the federal or state rules will eventually be adopted. However, if either rule is adopted in the form proposed by the respective agencies, the result will be some reduction in the volume of timber available for harvest

#### 15. SEGMENT INFORMATION

Rayonier operates in two major industry segments. Timber and Wood Products includes the management of timberlands and the trading, merchandising, and manufacture of logs, timber, and wood products; Specialty Pulp Products accounts for the production and sale of high-value-added specialty pulps.

Please refer to Item 6 and Item 7, where information regarding business segment sales, operating income, and business conditions is provided. Additional segment information for the three years ended December 31 was as follows (millions of dollars):

	Gross Plant Additions			Depreciation, Depletion & Amortization			Identifiable Assets		
	1994	1993	1992	1994	1993	1992	1994	1993	1992
Timber and Wood Products	\$ 42	\$ 30	\$ 23	\$ 25	\$ 21	\$ 17	\$ 685	\$ 649	\$ 591
Specialty Pulp Products	58	41	71	64	56	54	787	794	822
Corporate and other Dispositions	1	1	1	1	1	1	37	31	51
	--	--	2	--	--	6	2	1	12
<b>Total</b>	<b>\$ 101</b>	<b>\$ 72</b>	<b>\$ 97</b>	<b>\$ 90</b>	<b>\$ 78</b>	<b>\$ 78</b>	<b>\$ 1,511</b>	<b>\$ 1,475</b>	<b>\$ 1,476</b>

## Geographical Operating Information - All Segments (millions of dollars)

	Sales			Operating Income (Loss)			Identifiable Assets		
	1994	1993	1992	1994	1993	1992	1994	1993	1992
United States	\$ 945	\$ 839	\$ 944	\$ 160	\$ 103	\$ (89)	\$1,278	\$1,248	\$1,271
New Zealand	98	93	30	12	27	5	222	226	205
All other	26	4	--	(3)	(3)	(3)	11	1	--
<b>Total</b>	<b>\$1,069</b>	<b>\$ 936</b>	<b>\$ 974</b>	<b>\$ 169</b>	<b>\$ 127</b>	<b>\$ (87)</b>	<b>\$1,511</b>	<b>\$1,475</b>	<b>\$1,476</b>

## Export Sales - All Segments (millions of dollars)

Sales of products produced in various countries for export to other countries consisted of the following:

Operating Location	Sales Destination	1994			1993			1992		
United States	Asia Pacific	\$266	\$282	\$303						
	Western Europe	108	109	146						
	All other	68	62	63						
		442	453	512						
New Zealand	Asia Pacific	54	67	19						
	Western Europe	--	4	--						
	All other	7	2	--						
		61	73	19						
All other		20	4	--						
<b>Total</b>		<b>\$523</b>	<b>\$530</b>	<b>\$531</b>						

16. QUARTERLY RESULTS FOR 1994 AND 1993 (UNAUDITED)  
(thousands, except per share amounts)

	Quarter Ended				Total Year
	March 31	June 30	Sept. 30	Dec. 31	
<b>1994</b>					
Sales	\$ 257,727	\$ 250,770	\$ 286,006	\$ 274,991	\$1,069,494
Operating income	\$ 51,172	\$ 35,231	\$ 40,075	\$ 42,869	\$ 169,347
Net income	\$ 21,719	\$ 14,114	\$ 16,405	\$ 17,794	\$ 70,032
Earnings per Common Share	\$ .73	\$ .48	\$ .55	\$ .60	\$ 2.36
<b>1993</b>					
Sales	\$ 216,320	\$ 256,575	\$ 226,445	\$ 236,970	\$ 936,310
Operating income	\$ 36,649	\$ 48,750	\$ 24,245	\$ 17,522	\$ 127,166
Net income	\$ 16,820	\$ 24,790	\$ 7,733	\$ 3,123	\$ 52,466
Earnings per Common Share	\$ .57	\$ .84	\$ .26	\$ .10	\$ 1.77

## SIGNATURES

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

RAYONIER INC.

By KENNETH P. JANETTE

-----  
Kenneth P. Janette  
Vice President and Corporate Controller

April 7, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
* ----- Ronald M. Gross (Principal Executive Officer)	Chairman of the Board, President, Chief Executive Officer and Director	
GERALD J. POLLACK ----- Gerald J. Pollack (Principal Financial Officer)	Senior Vice President and Chief Financial Officer	April 7, 1995
KENNETH P. JANETTE ----- Kenneth P. Janette (Principal Accounting Officer)	Vice President and Corporate Controller	April 7, 1995
* ----- William J. Alley	Director	
* ----- Rand V. Araskog	Director	
* ----- Donald W. Griffin	Director	
* ----- Paul G. Kirk, Jr.	Director	
* ----- Katherine D. Ortega	Director	
* ----- Burnell R. Roberts	Director	
* ----- Nicholas L. Trivisonno	Director	
* ----- Gordon I. Ulmer	Director	
*By GERALD J. POLLACK ----- Attorney-In-Fact		April 7, 1995