



March 31, 2014

Dear Shareholder:

You are cordially invited to attend our Annual Meeting of Shareholders on Thursday, May 15, 2014, at The River Club, 1 Independent Drive, Suite 3500, Jacksonville, Florida, at 4:00 p.m. local time. In the following Notice of 2014 Annual Meeting and Proxy Statement, we describe the matters you will be asked to vote on at the meeting.

Once again, we are pleased to utilize the Securities and Exchange Commission rules allowing us to furnish our proxy materials to you over the Internet. We believe this allows us to provide the information you need in a more timely, efficient and cost-effective manner.

As always, your vote is very important. I urge you to vote on the Internet, by telephone or by mail in order to be certain that your shares are represented at the meeting, even if you plan to attend.

A handwritten signature in black ink, appearing to read "Paul G. Boynton".

PAUL G. BOYNTON  
*Chairman, President and Chief Executive Officer*



March 31, 2014

**NOTICE OF 2014 ANNUAL MEETING**

Notice is hereby given that the 2014 Annual Meeting of Shareholders of Rayonier Inc., a North Carolina corporation, will be held at The River Club, 1 Independent Drive, Suite 3500, Jacksonville, Florida on Thursday, May 15, 2014 at 4:00 p.m. local time, for purposes of:

- 1) electing six directors named herein to terms expiring in 2015;
- 2) approving, in a non-binding vote, the compensation of our named executive officers as disclosed in the attached Proxy Statement;
- 3) ratifying the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014;
- 4) acting on two shareholder proposals described in the attached Proxy Statement; and
- 5) acting upon such other matters as may properly come before the meeting.

All Rayonier shareholders of record at the close of business on March 17, 2014 are entitled to vote at the meeting.

**We urge you to vote your shares over the Internet, by telephone or through the mail at your earliest convenience.**

A handwritten signature in black ink, appearing to read "Chris Van Tuyl", written in a cursive style.

CHRISTOPHER A. VAN TUYL  
*Corporate Secretary*

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**PROXY STATEMENT**  
**2014 Annual Meeting of Shareholders of Rayonier Inc.**  
**Thursday, May 15, 2014**

The 2014 Annual Meeting of Shareholders of Rayonier Inc. (the “Annual Meeting”) will be held on May 15, 2014, for the purposes set forth in the accompanying Notice of 2014 Annual Meeting. This Proxy Statement and the accompanying proxy card are furnished in connection with the solicitation by the Board of Directors of proxies to be used at the meeting and at any adjournment of the meeting. We may refer to Rayonier in this Proxy Statement as “we”, “us”, “our”, the “Company” or “Rayonier”.

**GENERAL INFORMATION ABOUT THIS PROXY STATEMENT AND THE ANNUAL MEETING**

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting**

This year we are once again utilizing the U.S. Securities and Exchange Commission (“SEC”) rules that allow companies to furnish proxy materials to shareholders via the Internet. If you received a Notice of Internet Availability of Proxy Materials (“Internet Notice”) by mail, you will not receive a printed copy of the proxy materials unless you specifically request one. The Internet Notice tells you how to access and review the Proxy Statement and our 2013 Annual Report to Shareholders (the “Annual Report”), which includes our 2013 Annual Report on Form 10-K, including financial statements, as well as how to submit your proxy over the Internet. If you received the Internet Notice and would still like to receive a printed copy of our proxy materials, simply follow the instructions for requesting printed materials included in the Internet Notice.

The Internet Notice, these proxy solicitation materials and our Annual Report were first made available on the Internet and mailed to certain shareholders on or about March 31, 2014.

**The Notice of 2014 Annual Meeting, this Proxy Statement and our Annual Report are available at [www.ProxyVote.com](http://www.ProxyVote.com).**

**QUESTIONS AND ANSWERS**

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**Q: WHAT AM I VOTING ON?**

**A:** You are being asked by the Company to vote on five matters: (1) the election of six directors: Paul G. Boynton, C. David Brown, II, John E. Bush, Mark E. Gaumont, Thomas I. Morgan and David W. Oskin (information about each nominee is included beginning on page 8); (2) the approval, in a non-binding vote, of the compensation of our named executive officers as disclosed in this Proxy Statement (referred to herein as “Say on Pay”, on page 45); (3) the ratification of Ernst & Young LLP as the Company’s independent registered public accounting firm for 2014 (beginning on page 45); and (4) two shareholder proposals (beginning on page 48). **The Board of Directors recommends that you vote “FOR” each of the director nominees listed above, “AGAINST” the shareholder proposals and “FOR” each of the other proposals.**

**Q: WHO IS ENTITLED TO VOTE?**

**A:** The record holder of each of the 126,451,220 shares of Rayonier common stock (“Common Shares”) outstanding at the close of business on March 17, 2014 is entitled to one vote for each share owned.

**Q: HOW DO I VOTE?**

**A:** You can vote in any one of the following ways:

- *You can vote on the Internet* by following the “Vote by Internet” instructions on your Internet Notice or proxy card.
- *You can vote by telephone* by following the “Vote by Phone” instructions on the [www.ProxyVote.com](http://www.ProxyVote.com) website referred to in the Internet Notice, or, if you receive hard-copies of the proxy solicitation materials, by following the “Vote by Phone” instructions referred to in your proxy card.
- *If you receive hard-copies of the proxy solicitation materials, you can vote by mail* by signing and dating your proxy card and mailing it in the provided prepaid envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct. If you return a signed and dated card but do not provide voting instructions, your shares will be voted in accordance with the recommendations of the Board of Directors.
- *You can vote in person at the Annual Meeting* by delivering a completed proxy card or by completing a ballot available upon request at the meeting. However, if you hold your shares in a bank or brokerage account rather than in your own name, you must obtain a legal proxy from your stockbroker in order to vote at the meeting.

Regardless of how you choose to vote, your vote is important and we encourage you to vote promptly.

**Q: HOW DO I VOTE SHARES THAT I HOLD THROUGH AN EMPLOYEE BENEFIT PLAN SPONSORED BY THE COMPANY?**

**A:** If you hold shares of the Company through any of the following employee benefit plans, you vote them by following the instructions above:

Rayonier Investment and Savings Plan for Salaried Employees  
Rayonier Inc. Savings Plan for Non-Bargaining Unit Hourly Employees at Certain Locations  
Rayonier-Jesup Mill Savings Plan for Hourly Employees  
Rayonier Inc.-Fernandina Mill Savings Plan for Hourly Employees

Note that if you do not vote your shares held in any of these Company employee benefit plans or do not specify your voting instructions on your proxy card, the trustee of the employee benefit plans will vote your plan shares in the same proportion as the shares for which voting instructions have been received. **To allow sufficient time for voting by the trustee, your voting instructions for employee benefit plan shares must be received by May 12, 2014.**

**Q: WHAT DO I NEED TO DO TO ATTEND THE ANNUAL MEETING?**

**A:** **To attend the Annual Meeting, you will need to bring (1) proof of ownership of Rayonier stock as of the record date, which is the close of business on March 17, 2014 and (2) a valid government-issued photo identification.** If you are a shareholder of record, proof of ownership can include your proxy card or the “Internet Notice.” If your shares are held in the name of a broker, bank or other holder of record, you must present proof of your beneficial ownership, such as a proxy obtained from your street name nominee (particularly if you want to vote your shares at the Annual Meeting) or a bank or brokerage account statement (in which case you will not be able to vote your shares at the Annual Meeting), reflecting your ownership of Rayonier common stock as of the record date. **If you do not have proof of ownership together with a valid picture identification, you will not be admitted to the meeting.**

Admission to the Annual Meeting is limited to shareholders as of the record date and one immediate family member; one individual properly designated as a shareholder's authorized proxy holder; or one qualified representative authorized to present a shareholder proposal properly before the meeting.

**No cameras, recording equipment, large bags, briefcases, or packages will be permitted in the Annual Meeting.** The Company may implement additional security procedures to ensure the safety of the meeting attendees.

**Q: IS MY VOTE CONFIDENTIAL?**

**A:** Proxy cards, ballots and reports of Internet and telephone voting results that identify individual shareholders are mailed or returned directly to Broadridge Financial Services, Inc. ("Broadridge"), our vote tabulator, and handled in a manner that protects your privacy. Your vote will not be disclosed except:

- as needed to permit Broadridge and our inspector of elections to tabulate and certify the vote;
- as required by law;
- if we determine that a genuine dispute exists as to the accuracy or authenticity of a proxy, ballot or vote; or
- in the event of a proxy contest where all parties to the contest do not agree to follow our confidentiality policy.

**Q: WHAT SHARES ARE COVERED BY MY INTERNET NOTICE OR PROXY CARD?**

**A:** You should have been provided an Internet Notice or proxy card for each account in which you own Common Shares either:

- directly in your name as the shareholder of record, which includes shares purchased through any of our employee benefit plans; or
- indirectly through a broker, bank or other holder of record.

**Q: WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE INTERNET NOTICE OR PROXY CARD?**

**A:** It means that you have multiple accounts in which you own Common Shares. **Please vote all shares in each account for which you receive an Internet Notice or proxy card to ensure that all your shares are voted.** However, for your convenience we recommend that you contact your broker, bank or our transfer agent to consolidate as many accounts as possible under a single name and address. Our transfer agent is Computershare. All communications concerning shares you hold in your name, including address changes, name changes, requests to transfer shares and similar issues, can be handled by making a toll-free call to Computershare at 1-800-659-0158. From outside the U.S. you may call Computershare at 201-680-6578.

**Q: HOW CAN I CHANGE MY VOTE?**

**A:** You can revoke your proxy and change your vote by:

- voting on the Internet or by telephone before 11:59 p.m. Eastern Daylight Time on the day before the Annual Meeting or, for employee benefit plan shares, the cut off date noted above (only your most recent Internet or telephone proxy is counted);

- signing and submitting another proxy card with a later date at any time before the polls close at the Annual Meeting;
- giving timely written notice of revocation of your proxy to our Corporate Secretary at 1301 Riverplace Boulevard, Suite 2300, Jacksonville, Florida 32207; or
- voting again in person before the polls close at the Annual Meeting.

**Q: HOW MANY VOTES ARE NEEDED TO HOLD THE MEETING?**

**A:** In order to conduct the Annual Meeting, a majority of the Common Shares outstanding as of the close of business on March 17, 2014 must be present, either in person or represented by proxy. All shares voted pursuant to properly submitted proxies and ballots, as well as abstentions and shares voted on a discretionary basis by banks or brokers in the absence of voting instructions from their customers, will be counted as present and entitled to vote for purposes of satisfying this requirement.

**Q: HOW MANY VOTES ARE NEEDED TO ELECT THE NOMINEES FOR DIRECTOR?**

**A:** The affirmative vote of a majority of the votes cast with respect to each nominee at the Annual Meeting is required to elect that nominee as a director. For this proposal, a majority of the votes cast means that the number of votes “FOR” a nominee must exceed the number of votes “AGAINST” a nominee. Abstentions will therefore not affect the outcome of director elections.

Please note that under New York Stock Exchange (“NYSE”) rules, banks and brokers are not permitted to vote the uninstructed shares of their customers on a discretionary basis (referred to as “broker non-votes”) in the election of directors. As a result, if you hold your shares through an account with a bank or broker and you do not instruct your bank or broker how to vote your shares in the election of directors, no votes will be cast on your behalf in the election of directors. **Because broker non-votes will have no effect on the outcome of the vote, it is critical that you instruct your bank or broker if you want your vote to be counted in the election of directors.**

**Q: HOW MANY VOTES ARE NEEDED TO APPROVE THE “SAY ON PAY” PROPOSAL?**

**A:** The vote on the Say on Pay proposal is advisory only and non-binding on the Company or our Board of Directors. However, the proposal will be approved on a non-binding, advisory basis if the number of votes cast “FOR” the proposal exceeds the number of votes cast “AGAINST” it. Abstentions therefore will not affect the outcome of the proposal.

Banks and brokers are not permitted to vote uninstructed shares for any company proposals relating to executive compensation. As a result, if you hold your shares through an account with a bank or broker and you do not instruct your bank or broker how to vote your shares on this proposal, no votes will be cast on your behalf with regard to approval of the proposal. **Because broker non-votes will have no effect on the outcome of the vote, it is critical that you instruct your bank or broker if you want your vote to be counted in the approval of the proposal.**

**Q: HOW MANY VOTES ARE NEEDED TO APPROVE THE RATIFICATION OF THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM?**

**A:** The proposal to ratify the appointment of the Company’s independent registered public accounting firm will be approved if the number of votes cast “FOR” the proposal exceeds the number of votes cast “AGAINST” it. As a result, abstentions will not affect the outcome. We do not anticipate that there will be any broker non-votes with regard to the proposal.



**Q: HOW MANY VOTES ARE NEEDED TO APPROVE THE SHAREHOLDER PROPOSALS?**

**A:** The shareholder proposals will be approved if the number of votes cast “FOR” each proposal exceeds the number of votes cast “AGAINST” each proposal. Abstentions and broker non-votes will therefore not affect the outcome.

**Q: WILL ANY OTHER MATTERS BE VOTED ON?**

**A:** We do not expect any other matters to be considered at the Annual Meeting. However, if a matter not listed on the Internet Notice or proxy card is legally and properly brought before the Annual Meeting, the proxies will vote on the matter in accordance with their judgment of what is in the best interest of our shareholders. Under the Company’s bylaws, all shareholder proposals must have been received by December 2, 2013 to be considered for inclusion in this Proxy Statement, and all other shareholder proposals and director nominations must have been received between January 15 and February 14, 2014 to be otherwise properly brought before the Annual Meeting. As of February 14, 2014, we had not received any shareholder proposals or director nominations from shareholders to be acted upon at the Annual Meeting, except the shareholder proposals described in this Proxy Statement.

**Q: WHO WILL COUNT THE VOTES?**

**A:** Representatives of Broadridge will count the votes, however submitted. A Company representative will act as inspector of elections.

**Q: HOW WILL I LEARN THE RESULTS OF THE VOTING?**

**A:** We will announce the voting results of the proposals at the Annual Meeting and on a Form 8-K to be filed with the SEC no later than four business days following the Annual Meeting.

**Q: WHO PAYS THE COST OF THIS PROXY SOLICITATION?**

**A:** The Company pays the costs of soliciting proxies and has retained The Proxy Advisory Group, LLC to assist in the solicitation of proxies and provide related advice and informational support. For these services, the Company will pay The Proxy Advisory Group, LLC a services fee and reimbursement of customary expenses, which are not expected to exceed \$21,500 in the aggregate. The Company will also reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of the Common Shares. Additionally, directors, officers and employees may solicit proxies on behalf of the Company by mail, telephone, facsimile, email and personal solicitation. Directors, officers and employees will not be paid additional compensation for such services.

**Q: WHEN ARE SHAREHOLDER PROPOSALS FOR THE 2015 ANNUAL MEETING OF SHAREHOLDERS DUE?**

**A:** For a shareholder proposal (other than a director nomination) to be considered for inclusion in the Company’s proxy statement for the 2015 Annual Meeting of Shareholders (the “2015 Annual Meeting”), the Company’s Corporate Secretary must receive the written proposal at our principal executive offices no later than the close of business on December 1, 2014. Such proposals also must comply with SEC regulations under Rule 14a-8 regarding the inclusion of shareholder proposals in company-sponsored proxy materials. The submission of a proposal in accordance with these requirements does not guarantee that we will include the proposal in our proxy statement or on our proxy card. Proposals should be addressed to:

Corporate Secretary  
Rayonier Inc.  
1301 Riverplace Boulevard, Suite 2300  
Jacksonville, FL 32207

For a shareholder proposal (including a director nomination) to be properly brought before the shareholders at the 2015 Annual Meeting outside of the Company's proxy statement, the shareholder must provide the information required by the Company's bylaws and give timely notice in accordance with such bylaws, which, in general, require that the notice be received by the Company's Secretary: (i) no earlier than the close of business on January 15, 2015; and (ii) no later than the close of business on February 14, 2015.

If the date of the 2015 Annual Meeting is moved more than 30 days before or more than 60 days after May 15, 2015, then notice of a shareholder proposal that is not intended to be included in the Company's proxy statement must be received no earlier than the close of business 120 days prior to the meeting and not later than the close of business on the later of: (a) 90 days prior to the meeting; or (b) 10 days after public announcement of the meeting date.

**We strongly encourage any shareholder interested in submitting a proposal for the 2015 Annual Meeting to contact our Corporate Secretary at (904) 357-9100 prior to submission in order to discuss the proposal.**

## ITEM 1—ELECTION OF DIRECTORS

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The Board of Directors is responsible for establishing overall corporate policy and for overseeing management and the ultimate performance of the Company. The Board reviews significant developments affecting the Company and acts on matters requiring Board approval. The board held 14 meetings during fiscal year 2013. During fiscal year 2013, all directors attended at least 75% of the combined total of (i) all board meetings and (ii) all meetings of committees of the board of which the director was a member.

Directors elected prior to the 2013 Annual Meeting were elected to three year terms of office, with three classes of directors having their terms end in successive years. At the 2012 Annual Meeting, shareholders approved amendments to the Company's Articles of Incorporation to declassify the Board over a three-year period so that, beginning with the 2013 Annual Meeting, all director nominees will stand for election to one-year terms.

As a result, the terms of office of six directors, Paul G. Boynton, C. David Brown, II, John E. Bush, Mark E. Gaumont, Thomas I. Morgan and David W. Oskin, will expire at the 2014 Annual Meeting, and each of these directors has been nominated to stand for election to a one-year term. The current terms of the other four directors continue after the meeting. Consistent with our three-year Board declassification, beginning in 2015, all directors will stand for election annually.

Accordingly, shareholders are being asked to vote on the election of six directors to serve until the 2015 Annual Meeting of Shareholders and their successors are duly elected and qualified. The Board has no reason to believe that any nominee will be unable to serve as a director. If, however, a nominee should be unable to serve at the time of the Annual Meeting, Common Shares properly represented by valid proxies will be voted in connection with the election of a substitute nominee recommended by the Board. Alternatively, the Board may either allow the vacancy to remain unfilled until an appropriate candidate is located or may reduce the authorized number of directors to eliminate the unfilled seat.

If any incumbent nominee for director should fail to receive the required affirmative vote of a majority of the votes cast with regard to his election, under North Carolina law (the Company's state of incorporation) the director would remain in office as a "holdover" director until his successor is elected and qualified or he resigns, retires or is otherwise removed. In such a situation, our Corporate Governance Principles require the director to tender his resignation to the Board. The Nominating and Corporate Governance Committee (the "Nominating Committee") would then consider such resignation and make a recommendation to the Board as to whether to accept or reject the resignation. The Board would then make a determination and publicly disclose its decision and rationale within 90 days after receipt of the tendered resignation.

### *Director Qualifications*

We believe the members of our Board of Directors have the proper mix of relevant experience and expertise given the Company's businesses and REIT structure, together with a level of demonstrated integrity, judgment, leadership and collegiality, to effectively advise and oversee management in executing our strategy. There are no specific minimum qualifications for director nominees other than, as required by our Corporate Governance Principles, no director nominee may stand for election after he or she has reached the age of 72. However, in identifying or evaluating potential nominees, it is the policy of our Nominating Committee to seek individuals who have the knowledge, experience, diversity and personal and professional integrity to be most effective, in conjunction with the other Board members, in collectively serving the long-term interests of our shareholders. These criteria for Board membership are periodically evaluated by the Nominating Committee taking into account the Company's strategy, its geographic markets, regulatory environment and other relevant business factors, as well as changes in applicable laws or listing standards.

A biography of each member of Rayonier's current Board of Directors, including the six nominees for election, is set forth below. Also included is a statement regarding each director's or nominee's individual qualifications for Board service.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” EACH OF THE SIX NOMINEES NAMED BELOW FOR ELECTION TO THE BOARD OF DIRECTORS.**

*Information as to Nominees for Election to the Board of Directors*

**Classes I and II, Terms Expire in 2014**

**PAUL G. BOYNTON, Age 49**

*Director Since 2011*

Mr. Boynton is Chairman, President and Chief Executive Officer of the Company, a position he has held since May 2012. Previously he held a number of positions of increasing responsibility with Rayonier, including Senior Vice President, Performance Fibers from 2002 to 2008, Senior Vice President, Performance Fibers and Wood Products from 2008 to 2009, Executive Vice President, Forest Resources and Real Estate from 2009 to 2010, President and Chief Operating Officer from 2010 to 2011 and President and Chief Executive Officer from January 2012 to May 2012. Mr. Boynton joined the Company as Director, Specialty Pulp Marketing and Sales in 1999. Prior to joining Rayonier, he held positions with 3M Corporation from 1990 to 1999, including as Global Brand Manager, 3M Home Care Division. Mr. Boynton serves on the Board of Directors of The Brink’s Company, is a director of the National Alliance of Forest Owners and sits on the Board of Governors and Executive Committee of the National Council for Air & Stream Improvement. He holds a bachelor’s degree in Mechanical Engineering from Iowa State University, an MBA from the University of Iowa, and graduated from the Harvard University Graduate School of Business Advanced Management Program.

Mr. Boynton has direct operational experience leading each of our three core businesses with resulting significant international experience and long-standing relationships with our major customers. We believe this history with Rayonier, together with his marketing and engineering background, make Mr. Boynton uniquely well suited to contribute to Board considerations of operational and strategic decisions and to manage our core businesses.

**C. DAVID BROWN, II, Age 62**

*Director Since 2006*

Mr. Brown is Chairman of Broad and Cassel (a law firm based in Orlando, Florida), a position he has held since 2000. Previously, he served as Managing Partner of the firm’s Orlando office from 1990. He joined the firm in 1980. Prior to joining Broad and Cassel, Mr. Brown was an associate with Rowland, Bowen and Thomas, P.A. and served as a First Lieutenant in the United States Air Force. Mr. Brown serves on the Board of Directors of CVS Caremark Corporation, as Chairman of the Board of Trustees for the University of Florida and on the Board of Directors of Orlando Health, a not-for-profit healthcare network and Old Florida National Bank, N.A. He holds bachelor’s and juris doctorate degrees from the University of Florida.

Over a 34-year legal career, Mr. Brown has developed and demonstrated expertise in finance, environmental and land use issues, particularly in complex jurisdictions, as well as extensive experience in structuring real estate and corporate transactions. We believe his experience and expertise facilitate our Board’s discussions regarding our corporate strategies and timberland and real estate assets.

**JOHN E. BUSH, Age 61**

*Director Since 2008*

Mr. Bush is President of Jeb Bush and Associates (a consulting firm). He served as the 43rd Governor of the State of Florida from 1999 until 2007. Prior to his election as Governor, Mr. Bush worked as a real estate executive and pursued other entrepreneurial ventures from 1981 to 1998, and served as Secretary of Commerce for the State of Florida from 1987 to 1988. He formed and serves as chairman of The Foundation for Florida’s Future, a non-profit public policy organization, and the Foundation for Excellence in Education, a non-profit charitable organization. Mr. Bush serves on the Boards of Directors of Tenet Healthcare Corporation and Swisher Hygiene Inc. He holds a bachelor’s degree in Latin American affairs from the University of Texas at Austin.

In addition to his invaluable political experience in the State of Florida, Mr. Bush has expertise in the real estate industry and brings a unique understanding of global public policy issues. Given this background, we believe Mr. Bush brings a valuable perspective to our Board’s consideration of the issues facing our land holdings and global performance fibers business.

**MARK E. GAUMOND, Age 63**

*Director Since 2010*

Mr. Gaumond is the former Americas Senior Vice Chair – Markets of Ernst & Young (a global leader in assurance, tax, transaction and advisory services), a position he held from 2006 to 2010. Previously he served as Ernst & Young’s Managing Partner, San Francisco from 2003 to 2006 and as an audit partner on several major clients. Prior to joining Ernst & Young, Mr. Gaumond was a Managing Partner with Arthur Andersen from 1994 to 2002 and a partner in the firm’s audit practice from 1986 to 1994. Mr. Gaumond serves on the Boards of Directors of Booz Allen Hamilton Holding Corporation, Cliffs Natural Resources, Inc., the Fishers Island Development Corporation and the Walsh Park Benevolent Corporation. He is a former trustee of the California Academy of Sciences. He holds a bachelor’s degree from Georgetown University, College of Arts and Sciences and an MBA from the Leonard N. Stern School of Business, New York University. In addition, Mr. Gaumond is a member of The American Institute of Certified Public Accountants.

Mr. Gaumond has 35 years of managerial, financial and accounting experience working extensively with senior management, audit committees and boards of directors of public companies, including several in the forest products industry. We believe Mr. Gaumond’s experience and financial expertise allow him to contribute strongly to our Board’s oversight of the Company’s overall financial performance, reporting and controls.

**THOMAS I. MORGAN, Age 60**

*Director Since 2012*

Mr. Morgan is a Partner and Lead Director of the Advisory Board of BPV Capital Management LLC, an investment manager of mutual funds firm. Mr. Morgan formerly served as the Chairman of Baker & Taylor, Inc. (a leading distributor of books, videos, and music products to libraries, institutions and retailers) from July 2008 to January 2014, and served as the Chief Executive Officer from 2008 to 2012. Mr. Morgan also served as the Chief Executive Officer of Hughes Supply Inc. (a diversified wholesale distributor of construction, repair and maintenance-related products) from 2003 to 2006, as President from 2001 to 2006, and as Chief Operating Officer from 2001 to 2003. Previously, he served as Chief Executive Officer of EnfoTrust Network, Value America and US Office Products. He served for 22 years at Genuine Parts Company in positions of increasing responsibility from 1975 to 1997. Mr. Morgan is a director of Tech Data Corporation and ITT Educational Services, Inc. He formerly served as a director of Baker & Taylor, Inc. and Waste Management, Inc. Mr. Morgan holds a bachelor’s degree in Business Administration from the University of Tennessee.

Mr. Morgan brings both public and private company CEO experience and a deep understanding of distribution and global supply chain management. As a result, we believe he is particularly well suited to contribute to Board discussions regarding overall management and governance issues and our increasingly global performance fibers and timber businesses.

**DAVID W. OSKIN, Age 71**

*Director Since 2009*

Mr. Oskin is President of Four Winds Ventures, LLC (a private investment and advisory company). He was Executive Vice President of International Paper Company (a paper, packaging and forest products company) from 1996 to 2003. Previously Mr. Oskin was Chief Executive Officer of Carter Holt Harvey Limited (a New Zealand-based forest products company) from 1992 to 1996 and Senior Vice President of International Paper from 1975 to 1992. Mr. Oskin is a director of Verso Paper Corp., Samling Global Limited, and Big Earth Publishing LLC, and serves as Chair Emeritus of the Board of Trustees of Widener University. Mr. Oskin holds bachelor and doctoral degrees from Widener University.

Mr. Oskin has long and extensive experience in the global forest products industry, having managed both manufacturing and timber operations, and also brings global public company board experience to Rayonier. We believe this industry experience is particularly well suited to assisting the Board in understanding the key drivers of our timber and performance fibers businesses.

*Information as to Other Directors*

**Class III, Terms Expire in 2015**

**RICHARD D. KINCAID, Age 52**

*Director Since 2004*

Mr. Kincaid is the President and Founder of the BeCause Foundation (a non-profit corporation that heightens awareness of complex social problems and promotes change through the power of film). He is also an investor and adviser to twelve early stage companies that are in the social media, healthcare, beverage and media industries. Mr. Kincaid was the President, Chief Executive Officer and a trustee of Equity Office Properties Trust (an owner and manager of office buildings and, at the time, the largest U.S. real estate investment trust) until 2007. He was named President of Equity Office in 2002 and Chief Executive Officer in 2003. Mr. Kincaid joined Equity Office Properties Trust as a Senior Vice President in 1996, was named Chief Financial Officer in 1997 and Executive Vice President and Chief Operating Officer in 2001. He previously served as Senior Vice President and Chief Financial Officer of Equity Office Holdings, L.L.C. (a predecessor of Equity Office Properties Trust), and was Senior Vice President of Equity Group Investments, Inc. (a private investment company). Mr. Kincaid serves as Chairman of the Board of Dividend Capital Diversified Property Fund and on the Boards of Directors of Vail Resorts, Inc. and Strategic Hotels & Resorts, Inc. He is a graduate of Wichita State University and holds an MBA from the University of Texas.

Mr. Kincaid has significant financial expertise together with broad experience in the real estate industry and a deep understanding of the structural and strategic implications of REIT status. We believe his experience and expertise are particularly well suited to assist the Board in understanding the opportunities and challenges presented by our REIT structure, as well as overseeing the Board's management of our real estate business and general financing decisions.

**V. LARKIN MARTIN, Age 50**

*Director Since 2007*

Ms. Martin is the Managing Partner of Martin Farm and Vice President of The Albemarle Corporation (family businesses with interests in agriculture and timberland), positions she has held since 1990. She also served as Chairman of the Board of Directors of the Federal Reserve Bank of Atlanta from 2007 until 2008 and is a director and officer of Servico, Inc. (operations involved in cotton ginning, warehousing and whole cottonseed sales). Ms. Martin is a Commissioner on the Alabama Ethics Commission, a Director on the Public Affairs Research Counsel of Alabama, Trustee of The Farm Foundation, a past Chairman of the Board of Directors of The Cotton Board, a member of the President's Advisory Council of the University of Alabama in Birmingham and was a 2012 Eisenhower Fellow for agriculture. She holds a bachelor's degree from Vanderbilt University.

Ms. Martin has direct operating experience in the land-based businesses of agriculture and timberland management, particularly in the southeastern United States, together with an understanding of national and regional financial markets. We believe this skill set allows Ms. Martin to add substantial value to Board discussions regarding our forest resources business and overall economic forces and trends impacting the Company.

**JAMES H. MILLER, Age 65**

*Director Since 2011*

Mr. Miller served as Chairman of PPL Corporation (an energy and utility holding company) from 2006 until his retirement in March 2012. He also served as Chief Executive Officer of PPL from 2006 to 2011, President from 2005 to 2011 and Executive Vice President and Chief Operating Officer from 2004 to 2005. Mr. Miller joined PPL in 2001 as President of PPL Generation, LLC, a subsidiary that operates power plants in the United States. Previously, Mr. Miller was Executive Vice President of USEC Inc., and President of two ABB Group subsidiaries: ABB Environmental Systems and ABB Resource Recovery Systems. He also served as President of the former UC Operating Services. He began his career in the electric utility industry at the former Delmarva Power & Light Co. Mr. Miller serves on the Boards of Crown Holdings, Inc., Lehigh Gas Partners LP and AES Corporation. He earned a bachelor's degree in electrical engineering from the University of Delaware after serving in the U.S. Navy nuclear submarine program.

Mr. Miller brings both domestic and international senior management experience to our Board. We believe his experience leading a highly-regulated public utility company, and his resulting expertise with regard to safety, environmental regulation and governmental and regulatory agency relations, are particularly relevant to Board oversight of our manufacturing operations.

**RONALD TOWNSEND, Age 72**

*Director Since 2001*

Mr. Townsend is an independent communications consultant, based in Jacksonville, Florida since 1997. He retired from Gannett Company (a diversified news and information company) in 1996 after serving 22 years in positions of increasing responsibility, including as President of Gannett Television Group. Mr. Townsend serves on the Board of the Jacksonville Electric Authority and as a trustee of the University of North Florida. He attended The City University of New York, Bernard Baruch.

Mr. Townsend brings significant experience in media and public relations issues to the Board and is familiar with public company board processes. We believe his background and expertise, including his political and civic activities in the Jacksonville, Florida area, provide the Board with a unique perspective on high-profile issues facing our core businesses.

## **CORPORATE GOVERNANCE**

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### *Corporate Governance Principles*

Our Board of Directors operates under a set of Corporate Governance Principles, which includes guidelines for determining director independence and consideration of potential director nominees. The Corporate Governance Principles can be found on the Company's website at [www.rayonier.com](http://www.rayonier.com). The Board, through the Nominating Committee, regularly reviews developments in corporate governance and best practices and, as warranted, modifies the Corporate Governance Principles, committee charters and key practices.

### *Director Independence*

The Company's Common Shares are listed on the NYSE. In accordance with NYSE rules, the Board makes affirmative determinations annually as to the independence of each director and nominee for election as a director. To assist in making such determinations, the Board has adopted a set of Director Independence Standards which conform to or are more exacting than the independence requirements set forth in the NYSE listing standards. Our Director Independence Standards are appended to the Company's Corporate Governance Principles, available at [www.rayonier.com](http://www.rayonier.com). In applying our Director Independence Standards, the Board considers all relevant facts and circumstances.

Based on our Director Independence Standards, the Board has affirmatively determined that all persons who have served as directors of our Company at any time since January 1, 2013, other than Mr. Boynton, are independent.

The Nominating Committee, on behalf of the Board of Directors, annually reviews any transactions undertaken or relationship existing between the Company and other companies in connection with which any of our directors are affiliated. The Board determined that none of the transactions or relationships identified for 2013 were material to the Company, the other companies or the subject directors.

*Committees of the Board of Directors*

As indicated below, our Board of Directors has three standing committees, each of which operates under a written charter available on the Investor Relations section of the Company’s website at [www.rayonier.com](http://www.rayonier.com).

<u>Name of Committee and Members</u>	<u>Functions of the Committee</u>	<u>Number of Meetings in 2013</u>
<p><b>AUDIT:</b>                      Richard D. Kincaid, Chair                      John E. Bush                      Mark E. Gaumont                      V. Larkin Martin                      James H. Miller                      Ronald Townsend</p>	<p>This committee is responsible for advising the Board concerning the financial structure of the Company and oversight of our accounting and financial reporting policies, processes and systems of internal control, including:</p> <ul style="list-style-type: none"> <li>• financings;</li> <li>• risk management policies;</li> <li>• investment policies;</li> <li>• performance of our pension and savings plans;</li> <li>• monitoring the independence and performance of our independent registered public accounting firm, with responsibility for such firm’s selection, evaluation, compensation and discharge;</li> <li>• approving, in advance, all of the audit and non-audit services provided to the Company by the independent registered public accounting firm;</li> <li>• facilitating open communication among the Board, senior management, internal audit and the independent registered public accounting firm; and</li> <li>• overseeing our enterprise risk management and legal compliance and ethics programs, including our Standard of Ethics and Code of Corporate Conduct.</li> </ul>	9
<p><b>COMPENSATION AND MANAGEMENT DEVELOPMENT:</b>                      David W. Oskin, Chair                      John E. Bush                      C. David Brown, II                      Richard D. Kincaid                      Thomas I. Morgan                      Ronald Townsend</p>	<p>This committee is responsible for overseeing the compensation and benefits of employees, including:</p> <ul style="list-style-type: none"> <li>• evaluating management performance, succession and development matters;</li> <li>• establishing executive compensation;</li> <li>• reviewing the Compensation Discussion and Analysis included in the annual proxy statement;</li> <li>• approving individual compensation actions for all senior executives other than our Chief Executive Officer; and</li> <li>• recommending compensation actions regarding our Chief Executive Officer for approval by our non-management directors.</li> </ul>	5
<p><b>NOMINATING AND CORPORATE GOVERNANCE:</b>                      V. Larkin Martin, Chair                      C. David Brown, II                      Mark E. Gaumont                      James H. Miller                      Thomas I. Morgan                      David W. Oskin</p>	<p>This committee is responsible for advising the Board with regard to board structure, composition and governance, including:</p> <ul style="list-style-type: none"> <li>• establishing criteria for Board nominees and identifying qualified individuals for nomination to become Board members, including considering potential nominees recommended by shareholders;</li> <li>• recommending the composition of Board committees;</li> <li>• overseeing processes to evaluate Board and committee effectiveness;</li> <li>• recommending director compensation and benefits programs to the Board;</li> <li>• overseeing our corporate governance structure and practices, including our Corporate Governance Principles; and</li> <li>• reviewing and approving changes to the charters of the other Board committees.</li> </ul>	3



### *Non-Management Director Meetings and Lead Director*

Our non-management directors met separately in ten regularly scheduled meetings, chaired by the Lead Director, during 2013. The non-management directors elected Mr. Brown to a two-year term as Lead Director in 2013.

### *Board Leadership Structure and Oversight of Risk*

Paul Boynton has served as Chairman of the Board of Directors and Chief Executive Officer of the Company since May 17, 2012. We believe that given the Board and committee structure and governance processes discussed above, the appropriate leadership structure for our Company is to have a combined Chairman and Chief Executive Officer together with a Lead Director, elected by and from the independent Board members, with clearly delineated and comprehensive duties including:

- Presides at all meetings of the Board at which the Chairman/CEO is not present, including executive sessions of the independent directors;
- Serves as liaison between the Chairman/CEO and the independent directors;
- Approves information sent to the Board;
- Approves meeting agendas for the Board;
- Approves meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- Has the authority to call meetings of the independent directors; and
- If requested by major shareholders, ensures that he or she is available for consultation and direct communication.

The combined Chairman and Chief Executive Officer role provides unambiguous reporting lines for management and allows the Company to communicate to customers, suppliers, shareholders, employees and other stakeholders with a single, consistent voice.

The Board oversees risk management at Rayonier by annually appointing the members of the Enterprise Risk Management (“ERM”) Committee, which consist of senior executives chaired by the Chief Executive Officer, who also serves as the Company’s Chief Risk Officer. The ERM Committee in turn appoints the members of business unit and staff function-level Risk Assessment and Mitigation teams, which continually identify and assess the material risks facing their respective business or function and submit semi-annual reports to the ERM Committee. These reports form the basis for the ERM Committee’s annual risk assessment whereby risks are evaluated and categorized based on probability, potential impact and the Company’s tolerance for the risk type, and used to develop a list of enterprise-level material risks which are reported to the Audit Committee for review and evaluation of mitigation strategies. The Audit Committee then assigns ongoing board level oversight responsibility for each material risk to either the full Board or the appropriate Board committee. The ERM Committee’s annual risk assessment with regard to the Company’s overall compensation policies and practices is approved by the Compensation and Management Development Committee. We believe that these governance practices, including the interaction of the various committees with our Chief Executive Officer, facilitate effective Board oversight of our significant risks, but have not affected our Board’s leadership structure.

### *Director Attendance at Annual Meeting of Shareholders*

Directors are encouraged, but not required, to attend each Annual Meeting of Shareholders. At the 2013 Annual Meeting, all directors were in attendance.

### *Communications with the Board*

Shareholders and other interested parties who would like to communicate their concerns to one or more members of the Board, a Board committee, the Lead Director or the independent non-management directors as a

group may do so by writing to any such party at Rayonier, c/o Corporate Secretary, 1301 Riverplace Boulevard, Suite 2300, Jacksonville, Florida 32207. All concerns received will be appropriately forwarded and, if deemed appropriate by the Corporate Secretary, may be accompanied by a report summarizing such concerns.

#### *Director Nomination Process*

Potential director candidates may come to the attention of the Nominating Committee through current directors, management, shareholders and others. It is the policy of our Nominating Committee to consider director nominees submitted by shareholders based on the same criteria used in evaluating candidates for Board membership identified from any other source. The directions for shareholders to submit director nominations for the 2015 Annual Meeting are set forth beginning on page 5 under “When Are Shareholder Proposals for the 2015 Annual Meeting of Shareholders Due?” The Nominating Committee has from time to time utilized independent third-party search firms to identify potential director candidates.

#### *Diversity*

Our Nominating Committee has not adopted a formal diversity policy in connection with the consideration of director candidates or the selection of nominees. However, the Nominating Committee does utilize a skills-matrix to evaluate the specific personal and professional attributes of each director candidate versus those of the existing Board members to ensure diversity of experience and expertise among our directors. The Nominating Committee assesses such diversity through its annual assessment of Board structure and composition and review of the annual Board and committee performance evaluations.

#### *Related Person Transactions*

Our Board has adopted a written policy designed to minimize potential conflicts of interest in connection with Company transactions with related persons. Our policy defines a “Related Person” to include any director, executive officer or person owning more than five percent of the Company’s stock, any of their immediate family members and any entity with which any of the foregoing persons are employed or affiliated. A “Related Person Transaction” is defined as a transaction, arrangement or relationship in which the Company is a participant, the amount involved exceeds \$120,000 and a Related Person has or will have a direct or indirect material interest.

To implement the policy, each year a Related Person list is compiled based on information obtained from our annual Director and Officer Questionnaires and, after review and consolidation by our Corporate Secretary, is provided to business unit, accounts payable, accounts receivable, financial, legal and communications managers and other persons responsible for purchasing or selling goods or services for the Company. Prior to entering into any transaction with a Related Person, the manager responsible for the potential transaction, or the Related Person, must provide notice to the Corporate Secretary setting out the facts and circumstances of the proposed transaction. If the Corporate Secretary determines that the transaction would constitute a Related Person Transaction, it is then submitted for consideration by the Nominating Committee, which will approve only those transactions determined to be in, or not inconsistent with, the best interests of the Company and its shareholders. In reviewing Related Person Transactions, the Nominating Committee considers:

- the Related Person’s relationship to the Company and interest in any transaction with the Company;
- the material terms of a transaction with the Company, including the type and amount;
- the benefits to the Company of any proposed or actual transaction;
- the availability of other sources of comparable products and services that are part of a transaction with the Company; and
- if applicable, the impact on a director’s independence.

In the event we become aware of a completed or ongoing Related Person Transaction that has not been previously approved, it is promptly submitted to the Nominating Committee for evaluation and, if deemed appropriate, ratification.

In addition, each year the persons and entities identified as Related Persons are matched against the Company's accounts payable and accounts receivable records to determine whether any Related Person participated in a transaction with the Company, regardless of the amount involved. A report of all such transactions is prepared by the Corporate Secretary and reviewed with the Nominating Committee to determine if any would constitute a Related Person Transaction under our policy or would require proxy statement disclosure under SEC rules and regulations.

For 2013, no Related Person Transactions were submitted to the Nominating Committee for approval or ratification, and no transaction with any Related Person was identified as requiring proxy statement disclosure.

#### *Standard of Ethics and Code of Corporate Conduct*

The Company's Standard of Ethics and Code of Corporate Conduct is available on the Company's website at [www.rayonier.com](http://www.rayonier.com).

#### *Compensation Committee Interlocks and Insider Participation; Processes and Procedures*

Each of Messrs. Brown, Bush, Kincaid, Morgan, Oskin and Townsend served as a member of our Compensation and Management Development Committee (the "Compensation Committee") during the fiscal year ended December 31, 2013. No member of the Compensation Committee served as one of our officers or employees at any time during 2013 or had any related person transaction or relationship required to be disclosed in this Proxy Statement. None of our executive officers serve, or served during 2013, as a member of the board of directors or compensation committee of a public company with at least one of its executive officers serving on our Board or Compensation Committee.

## COMPENSATION DISCUSSION AND ANALYSIS

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### *Executive Summary*

Our executive compensation philosophy, and the primary programs supporting that philosophy, is long-standing and tightly focused on tying the success of management with that of our shareholders. Our compensation programs directly link pay with the achievement of short- and long-term company performance and have been an important part of our ability to attract and retain a talented management team.

### 2013 Financial and Business Results

In 2013, we achieved strong financial results:

- A 32% increase in earnings per share to \$2.86 (including gains related to the sale of our Wood Products business and the consolidation of our New Zealand Joint Venture of \$.45 per share);
- Strong operating cash flows; and
- An 11% dividend increase to \$0.49 per quarter, our fourth consecutive annual increase and our ninth in ten years.

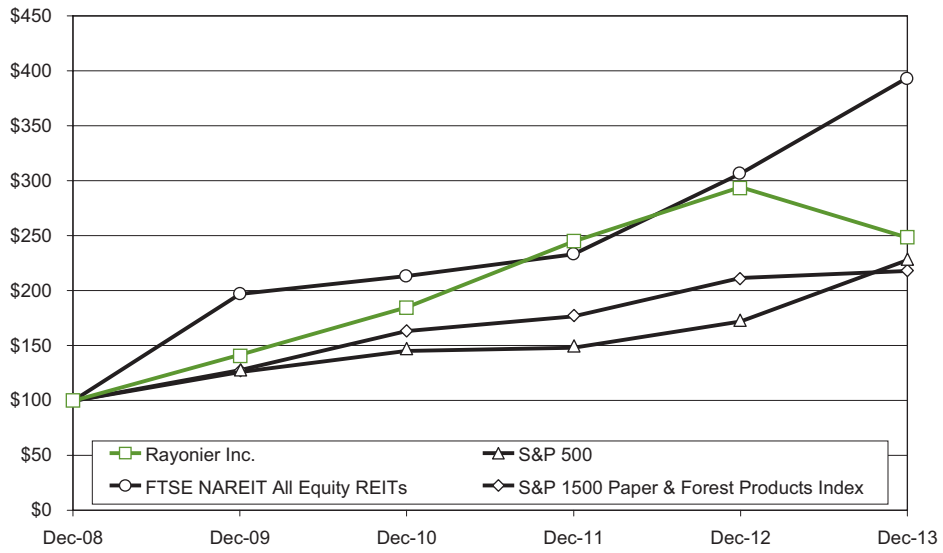
We completed several key strategic initiatives to position our core businesses for future growth and success, including:

- Completion of our cellulose specialties expansion project at our Jesup, Georgia mill;
- The sale of our wood products business as part of our strategy to exit commodity markets and focus on specialty products in our manufacturing operations;
- The purchase of an additional 39% interest in our New Zealand joint venture, increasing our ownership percentage to 65%, which increases our leverage in strong Asian export markets; and
- Achieving certification of 1,800 acres in Nassau County, Florida as development-ready for large industrial or commercial uses.

Although our share price decreased during the 4th quarter of 2013 due to challenges we disclosed relative to 2014 prices for our Cellulose Specialties business, we delivered solid financial results and completed key strategic initiatives, positioning our Company for long-term growth in shareholder value.

The chart below provides a comparison of our 5 year cumulative total shareholder return. As discussed on the next page, a substantial majority of our executive compensation is in the form of at-risk performance based compensation. Under our 2010 Class Performance Share Award Program which paid out in January 2013, we achieved a 103% total shareholder return (“TSR”) for the 3 year performance period. Our TSR for the 2010 program placed us at the 79<sup>th</sup> percentile among our peer group and resulted in a payout of 192.5% of target awards. However, the 2011 Class Performance Share Award Program that ended on December 31, 2013, demonstrating clear alignment with shareholders as measured against our peers, paid out in January 2014 at only 60% of target awards, primarily driven by the decrease in share price during 2013 as seen below. Under the 2011 Program, TSR for the 3 year performance period, from January 2011 to December 2013, was 37.5% placing us at the 43<sup>rd</sup> percentile among our peer group. Based on TSR performance through December 31, 2013, our 2012 Class Performance Share Award Program would have a 0% payout, though ultimate payout will depend on our TSR performance measured over the entire three year performance period ending December 31, 2014. Our TSR for the period December 31, 2008 to December 31, 2013, as shown below, was 149%.

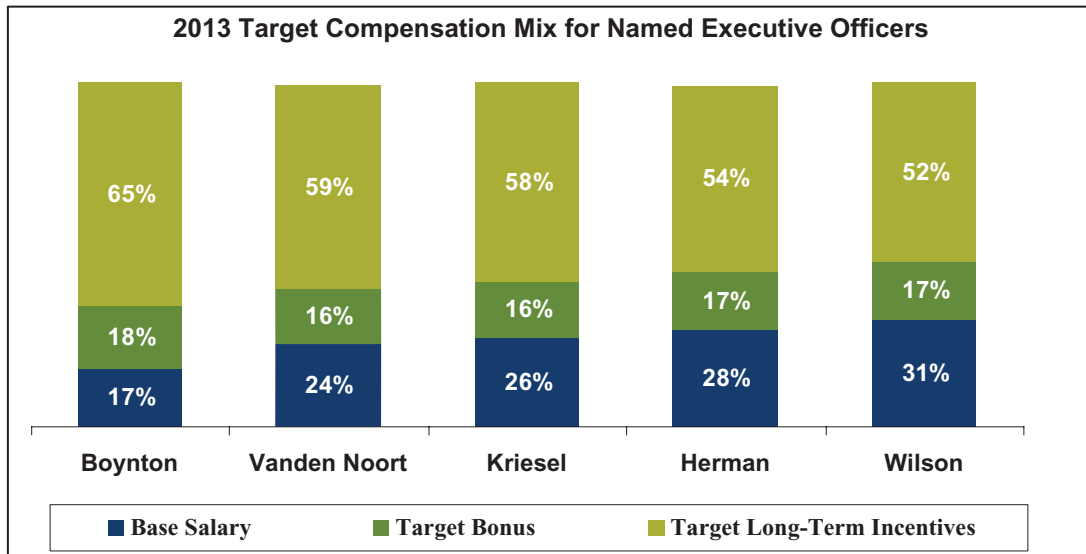
**Comparison of 5 Year Cumulative Total Return Dec 2008 to Dec 2013\***



\* \$100 invested on 12/31/08 in stock or index, including reinvestment of dividends.

Our 2013 results are discussed further beginning at page 29 (*Results of Operations*) of our 2013 Annual Report on Form 10-K.

The cornerstone of our compensation philosophy is to provide a substantial majority of senior executive compensation in the form of “at risk” performance-based incentives. For 2013, the portion of total target compensation (which is comprised of base salary and targeted annual and long-term incentive award levels) for our named executive officers allocated to such incentives ranged between 69% and 83%.



The primary components of our “at risk” performance-based incentives are long-term stock-based awards, specifically stock options and performance shares. The ultimate value of these awards to the executive is dependent upon our performance in delivering value to shareholders both in absolute terms (through stock options) and relative to our peers (through performance shares). We believe that tying a majority of our senior executives’ compensation directly to our ability to deliver shareholder value over a meaningful period of time is a powerful tool to (1) properly align management interests with those of our investors, (2) promote an “ownership” mentality among our executives that fosters the long-term perspective necessary for sustained success, and (3) minimize the possibility that our incentive programs could promote excessive risk taking.

Annual stock-based award grants are made, and the exercise price for options is set, on the first trading day of the year to remove discretion and avoid any concern that awards are “timed” to take advantage of market fluctuations or Company announcements, and our plans do not allow “repricing” of stock options. All of our corporate officers, including all of the named executive officers, are subject to minimum share ownership requirements and share retention mandates until such requirements are fully met. The Compensation and Management Development Committee (referred to in this discussion as the “Committee”) receives a report at each regular meeting showing the current number and value of all Rayonier shares owned by each senior executive, as well as vested and unvested equity awards.

Short-term incentives for our executives consist of an annual cash bonus based on the Company’s performance against budgeted earnings and cash flow metrics and the Committee’s assessment of management’s performance in obtaining identified strategic objectives. We also provide a competitive base salary and benefit package.

Our executives do not have employment agreements and, with the exception of accrued pension benefits, all of their compensation and benefits are subject to modification or cancellation by the Committee. Perquisites provided to our executives are limited to annual physical examinations and reimbursement of tax and financial planning expenses, subject to an annual dollar cap.

The Committee considers the over 96% approval received from shareholders under last year’s “Say-on-Pay” advisory vote as evidencing strong support for our compensation programs and practices. Accordingly, the Committee continued in 2013 to consistently adhere to its pay-for-performance philosophy and compensation system.

As detailed in the following discussion and analysis, our executive compensation and benefit programs are closely managed by the Committee and our Board of Directors, are well aligned with our business strategies, and provide a powerful and consistent incentive to our management team to continue to deliver above-market returns to our shareholders over the long-term.

#### *Named Executive Officers for 2013*

Throughout this Proxy Statement, the following individuals are referred to as our “named executive officers”. Their compensation is disclosed in the tables following this discussion and analysis.

- Paul G. Boynton, our Chairman, President and Chief Executive Officer
- Hans E. Vanden Noort, our Senior Vice President and Chief Financial Officer;
- Jack M. Kriesel, our Senior Vice President, Performance Fibers;
- Michael R. Herman, our Senior Vice President, General Counsel and Assistant Secretary; and
- N. Lynn Wilson, our Executive Vice President<sup>1</sup>, Forest Resources.

While the focus of the following disclosure is on the compensation for these officers, the types of compensation and benefits provided to them are generally similar to those provided to our other executives.

<sup>1</sup> Ms. Wilson was promoted from Senior Vice President, Forest Resources to Executive Vice President, Forest Resources effective January 1, 2014.

### *Roles of the Committee, Management and Advisors*

The Committee has responsibility for establishing our compensation philosophy and for monitoring our adherence to it. The Committee reviews and approves compensation levels for all executive officers as well as all compensation, retirement, perquisite and benefit programs applicable to such officers.

The Committee establishes annual performance objectives for the Chief Executive Officer, evaluates his accomplishments and performance against those objectives, and, based on such evaluation, makes recommendations regarding his compensation for approval by the independent members of our Board of Directors.

All of these functions are set forth in the Committee's Charter, which appears on our website ([www.rayonier.com](http://www.rayonier.com)) and is reviewed annually by the Committee.

The Committee's work is accomplished through a series of meetings, following a regular calendar schedule to ensure that all major elements of compensation are appropriately considered and that compensation and benefit programs are properly designed, implemented and monitored. Special meetings are held as needed to address matters outside the regular compensation cycle.

Working with the Committee Chair, our Senior Vice President, Human Resources, our Director, Compensation, Benefits and Employee Services and our Corporate Secretary prepare an agenda and supporting materials for each meeting. These employees, along with Mr. Boynton, generally attend Committee meetings by invitation, but are excused for executive sessions. The Committee invites other members of management to attend meetings as it deems necessary to cover issues within their specific areas of expertise or responsibility.

The Committee also seeks advice and assistance from compensation consultants and outside counsel. The Committee has engaged Exequity, LLP ("Exequity") to provide advice, relevant market data and best practices to consider when making compensation decisions, including decisions involving the Chief Executive Officer and the programs applicable to senior executives generally. Exequity also provides the Committee meaningful input on program design features and the balance of pay among the various components of executive compensation. Exequity provides no additional services to the Committee. The Committee has assessed the independence of Exequity against the specific criteria under applicable SEC and NYSE rules and determined that no conflict of interest is raised by Exequity's work for the Committee. Total fees paid to Exequity for services in 2013 were \$60,545.

### *Our Compensation Philosophy and Objectives*

Our compensation philosophy emphasizes "pay for performance" programs designed to reward superior financial performance and sustained increases in the value of our shareholders' investment in Rayonier, while recognizing the need to maintain competitive base pay, retirement, healthcare, severance and other fixed compensation programs. We strive to use long-term incentive compensation, rather than base salary or annual cash bonuses, to provide executives with an above-median compensation opportunity if they can, over time, drive increases in shareholder value and outperform our peers on a relative total shareholder return basis.

We have no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. However, our practice has been to pay a majority of the value of total compensation to our named executive officers in the form of long-term stock-based incentive compensation.

The primary compensation programs for our named executive officers are designed to reflect their success, both individually and as a management team, in attaining key objectives as established by the Committee or our Board of Directors, and to provide rewards based on meaningful measures of performance. The Committee considers adjustments to our compensation program each year in light of past experience, changes in the competitive environment, regulatory requirements and other relevant factors. In addition, the Committee periodically oversees a comprehensive strategic review of our executive compensation practices.

### *How We Set Executive Compensation*

The Committee evaluates and balances each of the primary components of our executive compensation program. The role of each such component is discussed separately below, together with factors considered when setting executive compensation.

#### Setting Base Salary

We provide cash base salaries to meet competitive market demands based on each executive's position, skills and experience. Each year, the Committee reviews the base salary of our Chief Executive Officer and each of his direct reports, including all of our named executive officers. In making adjustments (or, in the case of our Chief Executive Officer, recommendations to our non-management directors for adjustment) to base salary levels, the Committee considers:

- budgeted levels for annual salary merit and equity adjustments;
- the executive's level of responsibilities;
- the executive's experience and breadth of knowledge;
- the executive's individual performance as assessed through annual performance reviews;
- the executive's role in management continuity and development plans;
- the perceived retention risk; and
- internal pay equity factors.

#### Setting Annual Bonus Opportunities

We also provide cash compensation in the form of annual bonus incentives, which are designed to reward executives based on the Company's financial performance against key budgeted financial metrics, and the attainment of identified strategic objectives. This is accomplished each year by the Committee adopting an Annual Corporate Bonus Program, which provides for a target bonus award for each executive based on salary grade, under the Rayonier Non-Equity Incentive Plan (the "Bonus Plan").

#### Setting Long-Term Incentive Compensation

The Rayonier Incentive Stock Plan (the "Stock Plan") allows the Committee the flexibility to award long-term compensation incentives through a variety of equity-based awards. The Committee has historically chosen to award primarily stock options and performance shares. The Committee's objective in granting such awards is to provide a strong incentive to our executives to focus on the ongoing creation of shareholder value by offering above-median compensation opportunities for sustained increases in the Company's market valuation and out-performance of our peers on a total shareholder return basis. These award opportunities allow us to offer a competitive overall compensation package, and also further opportunities for share ownership by our executives in order to increase their proprietary interest in Rayonier and, as a result, their interest in our long-term success and commitment to creating shareholder value. The three-year vesting and payment periods for our stock-based awards also provide a retention incentive for our executives. Each year the Committee approves a dollar award value for each participating executive, which is converted into a specific number of stock options and performance shares on the grant date as discussed under "Long-Term Incentive Compensation" on page 24. The Committee may also award one-time equity grants for special purposes, such as new hire, promotion or retention. These awards typically take the form of time-vested restricted stock grants.

#### Internal Pay Equity Factors

By "internal pay equity" we mean that relative pay differences among our executives are consistent with different job levels and responsibilities. Mr. Boynton, for example, holds the roles and responsibilities of Chairman, Chief Executive Officer and President. As a result, the Committee believes that he had substantially more responsibility and impact on shareholder value than any other named executive officer over the last year.



Therefore, the Committee set his total 2013 compensation level appreciably higher in relation to that of other named executive officers, but at a level the Committee believes was appropriate and reflective of market practice.

#### Tax Considerations—Section 162(m)

Section 162(m) of the Internal Revenue Code (the “Tax Code”) precludes a public corporation from taking a deduction for compensation in excess of \$1 million for named executive officers unless certain criteria are satisfied. The Committee considers the anticipated tax treatment to Rayonier and the named executive officers in its review and establishment of compensation programs and payments. However, deductibility of compensation is only one factor that the Committee takes into account in setting executive compensation terms and levels and, in an appropriate case, would not preclude an award that is not deductible.

#### Use of Peer Group and Other Compensation Data

Given the diversity of our businesses and our REIT structure, we compete with companies across multiple industries for top executive-level talent. As such, the Committee studies market norms among both forest products industry peers and among comparably-sized general industry companies, and manages executive compensation within the ranges defined by these two groups. However, the Committee does not benchmark any individual executive’s compensation level to the median of any range or to certain amounts or percentages of compensation, but consistent with our emphasis on providing “pay for performance”, we generally expect our base salary and annual bonus opportunities to be lower in the ranges and our long-term incentive award opportunities to be higher in the ranges. Of course, variations from these general expectations may occur based on the expertise and experience level of a given executive as well as individual, company and market factors.

Consistent with past practice, in setting 2013 compensation levels for senior executives, including each of the named executive officers, the Committee reviewed salary, annual bonus and long-term incentive compensation levels at both comparably-sized general industry companies and industry peers. Specifically, Exequity, using Equilar’s database, performed a custom survey covering the 20 companies immediately above and the 20 companies immediately below Rayonier in the Standard & Poor’s 400 based on market capitalization (referred to in this discussion as the “Equilar Survey”). Given the heavy asset management component of our businesses and the inherent variations in margins and revenues, we believe market capitalization is currently a better measure of overall management responsibility than revenues. The companies included in the Equilar Survey are:

- **Airgas, Inc.**
- **Autoliv, Inc.**
- **Ball Corp.**
- **Bell Aliant Inc.**
- **Canadian Tire Corp, Ltd**
- **CBRE Group, Inc**
- **Cliffs Natural Resources**
- **Core Laboratories N.V.**
- **Coventry Health Care**
- **Equifax, Inc.**
- **Expedia, Inc.**
- **Flowserve Corp.**
- **Hospira, Inc.**
- **Huntington Bancharcs Inc.**
- **IAMGOLD Corp.**
- **Iron Mountain Inc.**
- **J.B. Hunt Transport Svcs, Inc.**
- **J.C. Penney Company, Inc.**
- **Jacobs Engineering Group, Inc.**
- **Masco Corp.**
- **MGM Resorts Int’l**
- **Micron Technology, Inc.**
- **New Gold**
- **Newell Rubbermaid Inc.**
- **OGE Energy Corp.**
- **PulteGroup, Inc.**
- **ResMed Inc.**
- **Royal Caribbean Cruises Ltd.**
- **Tesoro Corp.**
- **Tractor Supply Company**
- **TRW Automotive Holdings**
- **Ulta Salon, Cosmetics & Fragrance, Inc.**
- **United Continental Holdings**
- **Unum Group**
- **Varian Medical Systems, Inc.**
- **Whirlpool Corp.**
- **Whiting Petroleum Corp.**
- **Willis Group Holdings Public Ltd Co.**
- **Windstream Corp.**

We also had Exequity perform a proxy review of compensation levels for named executive officers at each of the peer group companies under the 2012 Performance Share Award Program (the “2012 Industry Peers”).<sup>2</sup> These companies are evaluated each year and chosen by the Committee as those most likely to be considered “operational competitors” of one or more of Rayonier’s core businesses. 2013 aggregate named executive officer target cash compensation fell between the medians for the 2013 Industry Peers and the Equilar Survey, and aggregate targeted long-term incentives fell below the 75<sup>th</sup> percentiles for the two groups.

For 2013, any payouts under our Performance Share Award Program will be calculated based on the relative performance of Rayonier against a custom peer group of 13 forest products, real estate and REIT companies (the “2013 Performance Share Peer Group”), chosen by the Committee as those most likely to be considered “operational competitors” of one or more of Rayonier’s core businesses, along with 2 relevant market indices, (the S&P Midcap 400 Index and the NAREIT All Equity REIT Index). The 2013 Performance Share Peer Group consists of the following companies:

- **Buckeye Technologies**
- **Deltic Timber**
- **Domtar**
- **Forestar**
- **International Paper**
- **Mead-Westvaco**
- **Neenah Paper**
- **Plum Creek**
- **Potlatch Corporation**
- **Sappi**
- **St. Joe Company**
- **Tembec**
- **Weyerhaeuser**

#### *Components of Executive Compensation for 2013*

Looking at the named executive officers as a group, 78% of their 2013 target total compensation was allocated to “at risk”, performance-based components consisting of annual bonus, performance shares and stock options, with the remaining 22% allocated to base salary (see “2013 Target Compensation Mix for Named Executive Officers” chart on page 17). Target non-cash compensation awarded to the named executive officers in 2013 ranged from 52% to 65% of their target total compensation. We believe this mix is both competitive within the marketplace and consistent with our executive compensation philosophy.

#### Base Salary

Base salary is the component of compensation that is fixed and intended to compensate our executives, based on their experience, expertise and job responsibilities, for work performed during the fiscal year. Our Annual Executive Salary Administration Plan, which sets budget levels for annual salary merit and equity adjustments, is structured to be generally consistent with market trends based on published salary survey data.

On April 1, 2013, Mr. Boynton received an 18% increase, bringing his salary to \$825,000. This increase was in recognition of his responsibilities as Chairman, President and Chief Executive Officer as he began his second year in this role and to align his base salary with competitive market pay for his position. The other named executive officers received salary increases averaging 6.7% for 2013. All salary adjustments were effective April 1, 2013.

#### Annual Bonus Awards

Payments under our Bonus Plan are based on Rayonier’s performance for the year with regard to: (i) key corporate financial metrics measured against budgeted levels, and (ii) identified strategic objectives.

<sup>2</sup> Buckeye Technologies, Deltic Timber, Domtar, Forestar, International Paper, Mead-Westvaco, Neenah Paper, Plum Creek, Potlatch Corporation, Sappi, St. Joe Company, Tembec and Weyerhaeuser.

*Setting 2013 Target Bonus Awards.* The Committee established a target bonus for each named executive officer as a percentage of base salary, with the applicable percentage set uniformly by salary grade. For 2013 the target bonus percentages of base salary for the named executive officers were as follows: Mr. Boynton, 100%; Mr. Vanden Noort, 65%; Messrs. Kriesel and Herman, 61%; and Ms. Wilson, 54%.

Under the Bonus Plan, the awards for named executive officers are funded at the maximum allowable award level, equal to 200% of target awards, once threshold financial levels of performance are met. The funded award levels are then subject to adjustment by the Committee's exercise of negative discretion based on performance against the financial and strategic performance metrics set at the beginning of the year, and a subjective evaluation of the executive's performance against individual performance objectives, also set at the beginning of the year. Individual objectives for 2013, which consist of personal performance goals outside of the executive's normal job responsibilities, were approved by the Committee for Mr. Boynton and by Mr. Boynton for the other named executive officers. This funding mechanism for named executive officers is a result of the Committee's desire to have maximum flexibility in setting award levels for these executives within the limitations on discretionary adjustments of performance-based awards under Section 162(m) of the Tax Code.

*Setting 2013 Performance Factors.* The Committee established performance factors for the 2013 Annual Corporate Bonus Program (the "2013 Bonus Program") prior to the beginning of the year. The performance factors were designed to focus management on the two financial metrics considered most critical to Rayonier in measuring annual performance: Net Income and Cash Available for Distribution, or "CAD". The Committee selected these financial metrics due to the importance of earnings and cash generation given our REIT structure and the importance investors continue to place on our ability to pay, and grow, our dividend.

CAD measures the Company's ability to generate cash that can be distributed to shareholders as dividends or used for strategic acquisitions, debt reduction or share repurchases. We define CAD as Cash Provided by Operating Activities<sup>3</sup> adjusted for capital spending, strategic divestitures, the change in committed cash, and other items which include cash provided by discontinued operations, excess tax benefits on stock based compensation and the change in capital expenditures purchased on account.

In exercising its discretion in determining the bonus award for each named executive officer, the Committee's initial consideration is the level of the officer's "formula award", calculated based on actual performance against the financial metrics and strategic objectives, weighted 80% and 20% respectively. Accordingly, such formula award is determined based 80% on the Company's performance for the year with regard to Net Income and CAD as measured against budgeted levels and weighted equally, and 20% based on our performance against identified strategic objectives. The payout percentages calculated based on performance against the financial metrics and the strategic objectives are added together to create a single measurement of performance that we call our Corporate Performance Factor, or "CPF".

*Measuring 2013 Results—Accounting Adjustments.* Before the Committee approved the CPF and resulting bonus pool for 2013 bonus awards for named executive officers, Mr. Vanden Noort presented an analysis of all material unusual, nonrecurring and non-budgeted items impacting the bonus calculation for review by the Committee to determine whether, based on factors such as frequency, foreseeability, manageability and past treatment, any particular item should be included or excluded from the calculation. For 2013, the adjustments resulted in a decrease in Net Income of \$22.3 million and an increase in CAD of \$28.5 million, with a corresponding increase of financial performance versus budget from 106.8% to 110.2%.

Payout at target award levels for 2013 required achievement of Net Income of \$276.8 million and CAD of \$322.6 million, the annual budgeted amounts approved by the Board of Directors in December 2012, and the Committee's determination that performance against the 2013 strategic objectives (as identified by the Committee in December 2012) were sufficient to warrant payout at target. The payout scale for the financial metrics provides for a payout of 20% of target awards (16% weighted) at a threshold level of performance of

<sup>3</sup> GAAP measure included in our Consolidated Statements of Cash Flow in our 2013 Financial Statements.

85% of budget, and a maximum payout of 200% (160% weighted) at 120% of budget. Performance against the 2013 financial metrics, taking into account the Committee's adjustments, was above target (112.7% of budgeted Net Income and 112.3% of budgeted CAD).

After assessing performance for 2013 against the identified strategic objectives, the Committee approved a payout level of 24.4%, reflecting performance slightly exceeding expectations. The Committee intends that the identified strategic objectives be ambitious but achievable, with specific objective measures of success, consistent with the financial metrics component of the CPF calculation. Taking into account both financial (weighted 80%) and strategic performance (weighted 20%), CPF for 2013 was 145%.

At its December 2013 meeting, the Committee reviewed the projected available bonus pool and resulting "formula award" levels. The Committee also reviewed the overall "quality" of 2013 financial results, with management reporting on the primary drivers of variances, both positive and negative, to key budget metrics. Following such analysis, the Committee approved the projected CPF and resulting bonus pool under the 2013 Bonus Program.

*Final 2013 Bonus Awards.* The final annual bonuses earned by our named executive officers for 2013 were approved by the Committee and, for Mr. Boynton, the non-management directors in February 2014, taking into account the level of each executive's formula award and attainment of his individual performance objectives. The final awards appear in the Summary Compensation Table on page 30, under the heading "Non-Equity Incentive Plan Compensation". Aggregate 2013 bonus awards for the named executive officers were within 2% of the corresponding aggregate formula awards, and individual named executive officer awards for 2013 reflected adjustments to formula awards ranging from 0% to plus 17%.

#### Long-Term Incentive Compensation

Long-term incentive awards for 2013 were approved at the Committee's December 2012 meeting for all named executive officers except Mr. Boynton, whose award was approved by the non-management directors at the Board's December 2012 meeting. The awards are reflected in the Summary Compensation Table on page 30 and the "Grants of Plan Based Awards" table on page 31.

For senior executives, 2013 stock option and performance share award levels were based on three factors:

- (i) the aggregate dollar value of the total long-term incentive award opportunity for the executive approved by the Committee, or, for Mr. Boynton, the non-management directors;
- (ii) the Committee's allocation of that total value between stock options and performance share awards; and
- (iii) the value of a stock option and performance share award calculated at the grant date of January 2, 2013.

For award purposes, the value of a stock option was based on the Black-Scholes valuation model, which is the same method we use in our financial statements. The value of a performance share was determined based on the closing price of Rayonier stock on the grant date. Consistent with applicable accounting rules, we use a different performance share valuation model for financial statement purposes, which is derived from a simulation model run after the awards are made.

For 2013, the Committee approved an increase in long-term incentive award values for Messrs. Boynton and Vanden Noort to align their long-term incentive awards with competitive market pay for their positions. When compared to the 2012 long-term incentive award values, Mr. Boynton's award increased by \$500,000 and Mr. Vanden Noort's award increased by \$137,000. Long-term incentive award values for the other named executive officers were held at 2012 levels.

For 2013, the Committee maintained the allocation of long-term incentive grant date value at 80% to performance share awards and 20% to stock options, consistent with the Committee's belief that Rayonier's relative total shareholder return versus its operational peers and key market indices, over a meaningful period of time, is the single best measure of overall management performance.

The long-term incentive award values approved by the Committee for each participant, including each of the named executive officers, were converted into a specified number of stock options and performance shares on January 2, 2013 using the Black-Scholes value and closing Rayonier share price as discussed above.

#### Stock Options

Stock option awards to our named executive officers in 2013 are shown on the "Grants of Plan-Based Awards" table on page 31.

Our stock option award program helps us:

- motivate and reward superior performance on the part of executives and key employees;
- directly link the creation of shareholder value and long-term executive incentive compensation;
- encourage increased stock ownership in Rayonier by executives; and
- maintain competitive levels of total compensation.

Each December, the Committee approves the grant date dollar value of the annual stock option award for the upcoming year for selected executives and key employees (other than Mr. Boynton, whose award value is approved by the non-management directors), as well as the award date, on which the exercise price for the award is set. For annual grants the award date has historically been the first trading day in January. Accordingly, we do not backdate stock options, grant options retroactively or coordinate grants so that they are made before the announcement of favorable information, or after the announcement of unfavorable information. For 2013, options to purchase 85,720 shares of Rayonier stock were awarded to the named executive officers as a group. This reflects an 11% decrease from the 95,800 shares awarded to our named executive officers in 2012. The decrease was driven by the retirement of certain 2012 named executive officers.

#### Performance Shares

Grants of performance share awards for our named executive officers in 2013 are shown on the "Grants of Plan-Based Awards" table on page 31.

Our Performance Share Award Program helps us to:

- focus executives on the long-term creation of shareholder value;
- provide a retention incentive for our executives;
- provide an opportunity for executives to increase their stock ownership in Rayonier; and
- maintain competitive levels of total compensation.

As discussed above, 80% of the aggregate grant date dollar value of the annual long-term incentive award for each executive, as approved by the Committee (or, for Mr. Boynton, the non-management directors), is allocated to a performance share award. This target award level, expressed as a number of shares of Rayonier stock, is determined at the beginning of a 36-month performance period. Awards are approved by the Committee (or, for Mr. Boynton, by non-management directors) in December and the performance period begins on the following January 1. Awards granted for the performance period beginning January 1, 2013 (and ending December 31, 2015) are referred to as the "2013 Class" of performance share awards. 2013 Class target awards totaling 91,200 shares were awarded to the named executive officers as a group, compared to 102,220 shares under the 2012 Class awards. This reflects a 10.7% decrease from 2012 driven by changes due to the retirement of certain 2012 named executive officers.

The payout, if any, will be based on the level of economic return we produce for our shareholders (referred to as “Total Shareholder Return”, or “TSR”) as compared to that produced by the 2013 Performance Share Peer Group companies listed on page 22, and the two selected market indices (the S&P Midcap 400 Index and the NAREIT All Equity REIT Index) during the same period. TSR is calculated for the performance period based upon the return on a hypothetical investment in Rayonier shares versus the return on an equal hypothetical investment in each of the peer companies and indices, in all cases assuming reinvestment of dividends. The 2013 Class awards will be paid out, if at all, in January 2016 after the end of the performance period on December 31, 2015, based on our percentile TSR performance against the peer group, as follows:

<u>Percentile Rank</u>	<u>Payout Level (Expressed As Percent of Target Award)</u>
80 <sup>th</sup> and Above . . .	200%
61 <sup>st</sup> – 79 <sup>th</sup> . . . . .	100%, plus 5% for each incremental percentile position over the 60 <sup>th</sup> Percentile
60 <sup>th</sup> . . . . .	100%
31 <sup>st</sup> – 59 <sup>th</sup> . . . . .	30%, plus 2.33% for each incremental percentile position over the 30 <sup>th</sup> Percentile
30 <sup>th</sup> . . . . .	30%
Below 30 <sup>th</sup> . . . . .	0%

The Committee annually considers the terms of our Performance Share Program and seeks to ensure that awards provide appropriate and competitive incentives and that the peer group is representative of our businesses.

*Retirement Plans and Programs*

We maintain the following plans and programs to provide retirement benefits to salaried employees, including the named executive officers:

- the Rayonier Investment and Savings Plan for Salaried Employees;
- the Retirement Plan for Salaried Employees of Rayonier;
- the Rayonier Excess Benefit Plan;
- the Rayonier Salaried Retiree Medical Plan; and
- the Rayonier Excess Savings and Deferred Compensation Plan.

The Retirement Plan for Salaried Employees of Rayonier and the Rayonier Salaried Retiree Medical Plan were closed to new employees on January 1, 2006. All of our named executive officers, with the exception of Ms. Wilson who was hired after January 1, 2006, participate in the Retirement Plan for Salaried Employees.

The benefits available under these plans are intended to provide income replacement after retirement, either through a defined pension benefit, withdrawals from a 401(k) plan or deferred compensation, as well as access to quality healthcare. We place great value on the long-term commitment that many of our employees and named executive officers have made to us and wish to incentivize them to remain with the Company with a focus on building sustainable value over the long-term. Therefore, the Company has determined that it is appropriate to provide employees with competitive retirement benefits as part of their overall compensation package.

Our retirement plans are designed to encourage employees to take an active role in planning, saving and investing for retirement. For a detailed description of our retirement plans, see the discussion following the “Pension Benefits” table on page 34. The Excess Savings and Deferred Compensation Plan is designed to provide eligible executives with a convenient and efficient opportunity to save for retirement or other future events, such as college expenses, while deferring applicable income taxes until withdrawal. For a detailed description of the Excess Savings and Deferred Compensation Plan, see the discussion following the “Nonqualified Deferred Compensation” table on page 35.

The Rayonier Salaried Retiree Medical Program provides salaried employees eligible for retirement with access to a Company-sponsored healthcare plan funded entirely by the plan participants. This benefit is extended on an equivalent basis to all eligible retirees.

The Committee reviews these retirement benefit programs periodically to evaluate their continued competitiveness. However, these programs are generally not considered in setting the level of key elements of compensation for the named executive officers.

#### *Severance and Change in Control Plans*

Severance Pay Plan. The Severance Pay Plan for Salaried Employees provides severance benefits to all salaried employees of Rayonier, including the named executive officers, in the event their employment is terminated (other than “for cause” and other non-qualifying terminations defined in the plan). Upon execution of a satisfactory separation agreement, the severance benefit available to a named executive officer may range from 17 weeks to 26 weeks of base salary, plus an additional week of base salary for each year of service over one year.

Executive Severance Pay Plan. The Committee recognizes that, as with all publicly-traded corporations, there exists the possibility of a change in control of Rayonier and that the uncertainty created by that possibility could result in the loss or distraction of senior executives, to the detriment of Rayonier and our shareholders. The Executive Severance Pay Plan, referred to in this discussion as the “Executive Plan,” reflects the Committee’s view that it is critical for executive retention to be encouraged and that the continued attention and dedication to duty of our senior executives be fostered, notwithstanding the possibility, threat, rumor or occurrence of a change in control of Rayonier. In addition, the Executive Plan is intended to align executive and shareholder interests by enabling executives to consider corporate transactions that may be in the best interests of our shareholders and other constituents without undue concern over whether the transaction would jeopardize the executives’ own employment or significantly disrupt or change the culture or environment of their employment.

The Executive Plan achieves these objectives by providing benefits to eligible executives designated by the Committee, which currently include all of our named executive officers, in the event of a change in control of the Company. The benefits include the vesting of outstanding stock option, performance share and restricted stock awards upon a change in control, without regard to whether or not the executive continues to be employed by the Company after the change in control. In addition, if the executive is involuntarily terminated (other than “for cause”) or resigns for “good reason” within 24 months of the change in control, he or she will be entitled to enhanced severance benefits, which depend on the executive’s status as a Tier I or Tier II executive. The Executive Plan also provides that in the event of the imposition of an excise tax under Section 280G of the Tax Code on the benefits paid, such benefits are to be “grossed-up” through the payment of an additional amount so that the executive would receive the same amount after tax as he or she would have received had there been no excise tax imposed.

The Committee reviews the Executive Plan annually and retains the discretion to terminate the Executive Plan, or to include or exclude any executive, including any named executive officer, at any time prior to a change in control. The Executive Plan presently covers 10 executives: 6 are designated Tier I and 4 are designated Tier II. At the present time, all of our named executive officers are included as Tier I executives.

The potential payments under the Executive Plan are calculated in the “Potential Payments Upon Termination or Change In Control” table on page 37.

### *Perquisites and Personal Benefits*

Rayonier provides our named executive officers with limited perquisites that the Committee reviews annually. Under our perquisites program, in addition to personal benefits that are available broadly to our employees, our named executive officers are eligible to participate in the following two programs:

- *Executive Physical Program*—Each executive-level employee of the Company is required to have a physical examination every other year until age 50, and every year after 50.
- *Senior Executive Tax and Financial Planning Program*—This program provides reimbursement to nine senior executives (including the named executive officers) for expenses incurred for financial and estate planning and for preparation of annual income tax returns. Reimbursements are taxable to the recipient, and are not grossed-up for tax purposes. The annual reimbursement limit for 2013 was \$25,000 for Mr. Boynton and \$10,000 for all other participants.

The total cost of these programs to the Company with regard to our named executive officers for 2013 was \$64,117. The Company does not pay car allowances (or provide company cars), personal club membership dues, home security expenses or allow personal use of chartered aircraft.

### *Share Ownership and Retention Requirements; Prohibition on Hedging or Pledging Share Ownership*

We believe that share ownership requirements help to further focus the senior management team on the long-term success of our businesses and the interests of our shareholders. All executives at the Vice President level and higher are required to acquire and hold, within five years after taking such position, Rayonier shares with a value equal to a designated multiple of their base salary. There are four tiers within senior management covered by ownership requirements. For the Chief Executive Officer, the requirement is six times base salary; for Executive Vice Presidents, three; for Senior Vice Presidents, two; and for Vice Presidents, one. We also require that each director, within four years of joining our Board, maintain a minimum ownership interest in Rayonier at a level equal to four times the director's annual equity retainer. Prior to satisfying his or her ownership requirement, a director or executive is prohibited from selling any Rayonier shares other than shares withheld or sold to satisfy taxes in connection with a performance share payout or stock option exercise.

As of March 3, 2014, all directors and officers were in compliance with our share ownership and retention requirements.

In addition, our executive officers and directors are not permitted to hedge their economic exposure to our common shares, to hold their ownership interests in our common shares in a margin account or to otherwise pledge their common shares as collateral for a loan.

### *2014 Compensation Decisions*

The Committee believes our current executive compensation programs are well-designed and appropriately aligned with our business strategies and compensation philosophy. On January 27, 2014, Rayonier announced that it intends to separate its Performance Fibers business from its Forest Resources and Real Estate businesses. The separation will result in two independent, publicly-traded companies by means of a tax-free spin-off of the Performance Fibers business to Rayonier shareholders. The separation is expected to be completed in mid-2014. As a result, we are contemplating changes that may be necessary to ensure that our compensation programs are appropriately aligned with each company's business objectives and shareholders following the spin-off.

In connection with the spin-off, on January 23, 2014, the Committee approved agreements (the "Transaction Bonus Agreements") with each of the Company's executive officers, including each named executive officer. Assuming all conditions to payment are satisfied, the Transaction Bonus Agreements provide for the lump sum payment of the following transaction bonus amounts in cash to the Company's named executive officers:



Mr. Boynton, \$1,650,000; Mr. Vanden Noort, \$700,000; Mr. Kriesel, \$580,000; Mr. Herman, \$600,000; and Ms. Wilson, \$580,000. To earn the transaction bonus, the executive must remain continuously employed through an “eligibility period”, work diligently and in good faith through such period as determined in the sole discretion of the Committee and satisfy certain other conditions as specified in the agreement. The “eligibility period” is defined as the period beginning on the effective date of the Transaction Bonus Agreements through the date that is six months after the closing of the spinoff transaction or, if the spinoff transaction is abandoned, through December 31, 2014. The transaction bonus will also be earned if the executive’s employment is terminated without cause by the applicable employer before the end of the eligibility period and the executive otherwise satisfies the conditions specified in the Transaction Bonus Agreement.

On January 1, 2014, Ms. Wilson was promoted to Executive Vice President, Forest Resources. This new title appropriately reflects Ms. Wilson’s recently broadened global leadership role and her sustained success in leading our forestry operations. In connection with her promotion, Ms. Wilson’s annual base salary was increased for 2014, and she was granted an award of restricted common stock under the Stock Plan, valued at \$400,000 as of the grant date of January 7, 2014 and subject to vesting on January 7, 2017 assuming continued employment with the Company.

*Report of the Compensation and Management Development Committee*

The Compensation and Management Development Committee of the Rayonier Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement, which is incorporated by reference into the Company’s 2013 Annual Report on Form 10-K filed with the SEC.

The Compensation and Management Development Committee

David W. Oskin, *Chair*  
C. David Brown, II  
John E. Bush

Richard D. Kincaid  
Ronald Townsend

## SUMMARY COMPENSATION TABLE

This table discloses compensation for 2011, 2012 and 2013 for Rayonier's Principal Executive Officer, Principal Financial Officer and the three other most highly compensated executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards		Option Awards (1) (\$)	Non-Equity Incentive Plan Compensation (3) (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (4) (\$)	All Other Compensation (5) (\$)	Total (\$)
				(1) (\$)	(2) (\$)					
Paul G. Boynton Chairman, President and Chief Executive Officer	2013	793,750	—	2,689,839	600,040	1,200,000	321,028	59,900	5,664,557	
	2012	700,000	—	2,537,132	500,189	1,075,000	828,088	62,963	5,703,372	
	2011	518,750	—	1,281,082	230,206	840,000	621,225	39,937	3,531,200	
Hans E. Vanden Noort Senior Vice President and Chief Financial Officer	2013	409,900	—	896,613	200,060	396,505	76,003	30,568	2,009,649	
	2012	375,950	—	875,767	172,655	365,000	418,682	27,129	2,235,183	
	2011	361,250	—	961,585	172,543	424,678	401,546	28,408	2,350,010	
Jack M. Kriesel Senior Vice President, Performance Fibers	2013	353,075	—	717,290	160,020	319,000	313,654	31,087	1,894,126	
	2012	328,725	—	812,085	159,857	310,000	1,092,079	26,794	2,729,540	
	2011	314,750	—	891,187	160,111	375,000	1,017,295	167,107	2,925,450	
Michael R. Herman Senior Vice President, General Counsel and Assistant Secretary	2013	368,600	—	627,629	140,000	328,693	34,657	25,161	1,524,740	
	2012	358,550	—	710,645	139,830	340,000	289,351	30,705	1,869,081	
	2011	346,250	—	779,750	140,191	390,000	269,579	26,060	1,951,830	
N. Lynn Wilson Executive Vice President, Forest Resources	2013	296,500	—	448,307	99,960	275,000	—	47,267	1,167,034	
	2012	281,867	—	507,201	100,251	210,000	—	22,785	1,122,104	
	2011	257,500	—	222,786	39,990	240,000	—	23,231	783,507	

- (1) Represents the aggregate grant date fair value for performance share and stock option awards computed in accordance with FASB ASC Topic 718. Values for awards subject to performance conditions are computed based on probable outcome of the performance condition as of the grant date for the award. A discussion of the assumptions used in calculating these values may be found in the "Incentive Stock Plans" sections included in the notes to our Annual Reports on Form 10-K for 2011, 2012 and 2013.
- (2) The following amounts reflect the grant date award value assuming that the highest level of performance is achieved under the relevant Performance Share Award Program: For 2013, Mr. Boynton, \$4,799,856; Mr. Vanden Noort, \$1,599,952; Mr. Kriesel \$1,279,962; Mr. Herman, \$1,119,966; and Ms. Wilson, \$799,976. For 2012, Mr. Boynton, \$3,999,577; Mr. Vanden Noort, \$1,380,574; Mr. Kriesel \$1,280,184; Mr. Herman, \$1,120,272; and Ms. Wilson, \$799,560. For 2011, Mr. Boynton, \$1,839,485; Mr. Vanden Noort, \$1,380,724; Mr. Kriesel, \$1,279,642; Mr. Herman, \$1,119,686; and Ms. Wilson, \$319,910.
- (3) Represents awards under the 2011, 2012 and 2013 Annual Corporate Bonus Programs discussed in the Compensation Discussion and Analysis beginning on page 16.
- (4) Represents the annual change in actuarial present value of the participant's pension benefit under the Company's retirement plans and the above market interest on non-qualified deferred compensation. Excess Base Salary and Annual Bonus Deferral account balances earn a rate of return equal to 10-Year Treasury Notes (adjusted monthly) plus 1.5 percent. Under SEC regulations, any returns on non-qualified deferred compensation in excess of 120% of the applicable federal long-term rate are considered above market interest and must be reported. Accordingly, above market interest paid for 2013 was: Mr. Kriesel, \$3,534 and for 2012 was: Mr. Boynton, \$631 and Mr. Kriesel, \$2,021.
- (5) For each year presented, these amounts include Company contributions to the Rayonier Investment and Savings Plan for Salaried Employees, our 401(k) Plan; Company contributions to the Rayonier Excess Savings and Deferred Compensation Plan; premiums for group life insurance; reimbursement of expenses incurred under the Senior Executive Tax and Financial Planning Program; restricted stock dividends and accrued interest; wellness reimbursements; and the costs of mandatory executive physical examinations. For 2013 Mr. Boynton received \$10,312 in 401(k) Company matching contributions and Messrs. Kriesel and Herman received \$10,455, and Ms. Wilson received \$16,830. For 2012, Mr. Boynton received \$10,050 in 401(k) Company matching contributions and Messrs. Kriesel and Herman received \$10,250, and Ms. Wilson received \$16,500. For 2011, Mr. Kriesel received \$10,045 in 401(k) Company matching contributions and Ms. Wilson received \$16,170. Mr. Boynton received \$22,231 in excess savings contributions for 2013, \$18,587 for 2012 and \$11,550 for 2011. Mr. Vanden Noort received \$10,225 in excess savings contributions for 2013. Mr. Boynton received \$22,531 in tax and financial planning reimbursements for 2013 and \$31,605 for 2012. Ms. Wilson received \$19,583 in restricted stock dividends and accrued interest for 2013 and Mr. Kriesel received \$22,206 in 2011. Mr. Kriesel's amount for 2011 includes \$118,942 in relocation benefits and related tax gross-ups associated with his promotion and transfer to our corporate headquarters in Jacksonville, Florida. Ms. Wilson's amount for 2011 includes \$2,667 in relocation benefits and related tax gross-ups. All amounts reflect actual expenses incurred and paid by the Company in providing these benefits.

## GRANTS OF PLAN-BASED AWARDS

This table discloses 2013 stock option and performance share awards along with potential payouts under the 2013 Annual Corporate Bonus Program for the named executive officers.

Name	Grant Date	Approval Date (1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2)			Estimated Future Payouts Under Equity Incentive Plan Awards (3)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#) (4)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) (5)
			Thresh- hold (\$)	Target (\$)	Maxi- mum (\$)	Thresh- hold (#)	Target (#)	Maxi- mum (#)				
Paul G. Boynton	— 1/2/13 1/2/13	12/13/12 12/13/12 12/13/12	165,000	825,000	1,650,000	13,680	45,600	91,200		42,860	52.63	2,689,839 600,040
Hans E. Vanden Noort	— 1/2/13 1/2/13	12/13/12 12/13/12 12/13/12	54,600	273,000	546,000	4,560	15,200	30,400		14,290	52.63	896,613 200,060
Jack M. Kriesel	— 1/2/13 1/2/13	12/13/12 12/13/12 12/13/12	43,290	219,600	439,200	3,648	12,160	24,320		11,430	52.63	717,290 160,020
Michael R. Herman	— 1/2/13 1/2/13	12/13/12 12/13/12 12/13/12	45,262	226,310	452,620	3,192	10,640	21,280		10,000	52.63	627,629 140,000
N. Lynn Wilson	— 1/2/13 1/2/13	12/13/12 12/13/12 12/13/12	32,400	162,000	324,000	2,280	7,600	15,200		7,140	52.63	448,307 99,960

- (1) 2013 annual equity grants were approved in December 2012 and effective the first trading day of January 2013. For the Non-Equity Incentive Plan Awards, the approval date reflects the date on which the Compensation Committee approved the 2013 Annual Corporate Bonus Program.
- (2) Reflects potential awards under the 2013 Annual Corporate Bonus Program. Awards can range from 0% to 200% of the target award. See the “Annual Bonus Awards” section of the Compensation Discussion and Analysis beginning on page 22. The actual amount earned by each named executive officer for 2013 is reflected in the Summary Compensation Table on page 30 under the “Non-Equity Incentive Plan Compensation” column.
- (3) Reflects potential awards, in number of shares, under the 2013 Class Performance Share Award Program. Awards can range from 0% to 200% of the target award. Please refer to the “Performance Shares” section of the Compensation Discussion and Analysis on page 25.
- (4) Reflects annual stock option awards for 2013. The exercise price of all awarded stock options is equal to the closing price of Rayonier shares on the NYSE on the grant date. The awards vest and become exercisable in one-third increments on the first, second and third anniversaries of the grant date, and expire on the tenth anniversary of the grant date or earlier upon certain terminations of employment.
- (5) Reflects the grant date fair value of each equity award computed in accordance with FASB ASC Topic 718. Values for equity incentive plan awards subject to performance conditions are computed based on probable outcome of the performance condition as of the grant date.

As discussed in the Compensation Discussion and Analysis beginning on page 22, the Summary Compensation Table and Grants of Plan-Based Awards Table reflect that, consistent with the Compensation Committee’s stated philosophy, the majority of total targeted compensation for named executive officers for 2013 was allocated to performance-based incentives. Performance-based incentive awards are discussed in further detail in the Compensation Discussion and Analysis beginning on page 16.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

This table discloses outstanding stock option, performance share and restricted stock awards for the named executive officers as of December 31, 2013.

Name	Option Awards (4)					Stock Awards (4)			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Grant Date	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards	
								Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (2)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (3)
Paul G. Boynton	0	42,860	52.63	01/02/13	01/02/23				
	14,070	28,140	44.42	01/03/12	01/03/22				
	15,370	7,685	37.03	01/03/11	01/03/21				
	27,450	0	28.22	01/04/10	01/03/20				
	45,255	0	20.18	01/02/09	01/01/19				
	30,030	0	31.06	01/02/08	01/02/18				
							13,680	575,928	
							13,506	568,603	
							24,840	1,045,764	
Hans E. Vanden Noort	0	14,290	52.63	01/02/13	01/02/23				
	4,857	9,713	44.42	01/03/12	01/03/22				
	11,520	5,760	37.03	01/03/11	01/03/21				
	24,450	0	28.22	01/04/10	01/03/20				
	45,255	0	20.18	01/02/09	01/01/19				
	7,507	0	31.06	01/02/08	01/02/18				
							4,560	191,976	
							4,662	196,270	
							18,645	784,955	
Jack M. Kriesel	0	11,430	52.63	01/02/13	01/02/23				
	4,497	8,993	44.42	01/03/12	01/03/22				
	10,690	5,345	37.03	01/03/11	01/03/21				
	18,330	0	28.22	01/04/10	01/03/20				
	5,715	0	20.18	01/02/09	01/01/19				
							3,648	153,581	
							4,323	181,998	
							17,280	727,488	
Michael R. Herman	0	10,000	52.63	01/02/13	01/02/23				
	3,934	7,866	44.42	01/03/12	01/03/22				
	9,360	4,680	37.03	01/03/11	01/03/21				
	18,330	0	28.22	01/04/10	01/03/20				
	33,945	0	20.18	01/02/09	01/01/19				
	22,515	0	31.06	01/02/08	01/02/18				
							3,192	134,383	
							3,783	159,264	
							15,120	636,552	
N. Lynn Wilson	0	7,140	52.63	01/02/13	01/02/23				
	2,820	5,640	44.42	01/03/12	01/03/22				
	2,670	1,335	37.03	01/03/11	01/03/21				
							2,280	95,988	
							2,700	113,670	
							4,320	181,872	

(1) Option awards vest and become exercisable in one-third increments on the first, second and third anniversaries of the grant date.

- (2) Represents awards under the Performance Share Award Program for 2011, 2012 and 2013, each with a 36-month performance period. Awards for the relevant performance share program period are immediately vested upon determination of the amount earned. As required, this disclosure reflects the target award for the 2011 program and a threshold award level for the 2012 and 2013 programs. Under the Performance Share Award Program, the actual award value can range from zero to 200% of target. See the “Performance Shares” section of the Compensation Discussion and Analysis on page 25.
- (3) Value based on the December 31, 2013 closing share price of \$42.10. The 2011 Class Performance Share Award Program that ended on December 31, 2013, paid out in January 2014 at only 60% of target.
- (4) Shares amounts and option exercise prices shown have been adjusted to reflect the August 2011 3-for-2 stock split.

### OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) (1)	Value Realized on Vesting (\$)
Paul G. Boynton	25,800	718,401	53,015	2,841,074
Hans E. Vanden Noort	22,523	632,370	47,096	2,523,875
Jack M. Kriesel	3,555	83,329	35,343	1,894,031
Michael R. Herman	—	—	35,343	1,894,031
N. Lynn Wilson	—	—	10,744	593,672

- (1) Represents payouts under the 2010 Class Performance Share Award Program. Also includes vested restricted stock for Ms. Wilson.

## PENSION BENEFITS

The following table illustrates the present value of accumulated benefits payable under the Retirement Plan for Salaried Employees of Rayonier Inc., a tax qualified retirement plan (the “Retirement Plan”), and the Rayonier Inc. Excess Benefit Plan, a non-qualified retirement plan (the “Excess Plan”), at the earliest eligible retirement age.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (1) (\$)	Payments During Last Fiscal Year (\$)
Paul G. Boynton	Rayonier Salaried Employees Retirement Plan	14.7	493,521	—
	Rayonier Excess Benefit Plan	14.7	2,110,378	—
Hans E. Vanden Noort	Rayonier Salaried Employees Retirement Plan	12.2	503,775	—
	Rayonier Excess Benefit Plan	12.2	1,095,887	—
Jack M. Kriesel	Rayonier Salaried Employees Retirement Plan	35.5	1,177,098	—
	Rayonier Excess Benefit Plan	35.5	3,186,644	—
Michael R. Herman	Rayonier Salaried Employees Retirement Plan	10.3	345,591	—
	Rayonier Excess Benefit Plan	10.3	656,464	—
N. Lynn Wilson	Rayonier Salaried Employees Retirement Plan	—	—	—
	Rayonier Excess Benefit Plan	—	—	—

- (1) Determined using the assumptions that applied for FASB ASC Topic 715-30 disclosure as of December 31, 2013. These assumptions include the RP-2000 mortality table and an interest rate of 4.60%. Employees are assumed to retire at the earliest age that they will be eligible for an unreduced pension (i.e., age 60 and 15 years of service or age 65). None of our named executive officers are currently eligible for an unreduced pension. Mortality is assumed from that date only. Benefits are assumed to be paid in the normal form of payment which is a life annuity for single employees and the 90/50 survivor form for married employees.

The Retirement Plan is a tax-qualified retirement plan covering substantially all eligible salaried employees hired prior to January 1, 2006. This Plan provides income replacement following retirement through the payment of monthly pension benefits based upon the employee’s average final compensation and years of service. The costs of benefits under the Retirement Plan are borne entirely by the Company. Consistent with our desire that salaried employees take a more active role in saving for retirement, this benefit was replaced by an increased retirement contribution under the Rayonier Investment Savings Plan for Salaried Employees for new salaried employees effective January 1, 2006.

For the period through December 31, 2003, the annual pension amounts to two percent of a member’s average final compensation for each of the first 25 years of benefit service, plus one and one-half percent of a member’s average final compensation for each of the next 15 years of benefit service, reduced by one and one-quarter percent of the member’s primary Social Security benefit for each year of benefit service to a maximum of 40 years, provided that no more than one-half of the member’s primary Social Security benefit is used for such reduction. Effective January 1, 2004, the Retirement Plan was amended so that for future service the annual pension amounts to one and one-half percent of a member’s final average compensation for each year of benefit service to a maximum of 40 years.

A member is vested in benefits accrued under the Retirement Plan upon completion of five years of eligibility service. All of our eligible named executive officers are vested in their accrued benefits. Normal retirement is at age 65. The Retirement Plan also provides for unreduced early retirement pensions for participants who retire at or after age 60 following completion of 15 years of eligibility service. Reduced benefits are available at age 55 with at least 10 years of service (“Standard Early Retirement”) or as early as age 50 with

age plus eligibility service equal to at least 80 or age 55 with at least 15 years of eligibility service (“Special Early Retirement”). Messrs. Vanden Noort and Kriesel are currently eligible for reduced benefits. The plan benefit for a member eligible for Standard Early Retirement will be reduced by 3% for each year of age under 65 (e.g., age 64 would result in 97% of the benefit payable). The Retirement Plan benefit for a member eligible for Special Early Retirement will receive a 5% reduction for each year of age under 60 (e.g., age 59 would result in 95% of the benefit payable).

A member’s average final compensation includes salary and approved bonus payments calculated under the Retirement Plan as follows: (1) the member’s average annual base salary for the five calendar years during the member’s last 120 calendar months of service which yield the highest such average, plus (2) the member’s average approved bonus payments for the five calendar years during the member’s last 120 calendar months of service which yield the highest such average.

Rayonier has adopted the Excess Plan to meet the retirement needs of a small segment of its salaried employee population affected by limiting federal legislation. Applicable federal legislation limits the amount of benefits that can be paid and the compensation that may be recognized under a tax-qualified retirement plan. Tax-qualified retirement plan participants whose annual benefit at the time of payment exceeds the Tax Code Section 415 limitations or whose benefit is limited on account of the Tax Code Section 401(a)(17) limitation on compensation are participants in the Excess Plan. The practical effect of the Excess Plan is to continue calculation of benefits after retirement to all employees on a uniform basis regardless of compensation levels. All employees covered by the Retirement Plan are eligible under the Excess Plan. We believe the extension of these benefits to executives is consistent with historic and current market practice for companies offering qualified defined benefit plans.

#### NONQUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions in Last FY (\$ (1))	Registrant Contributions in Last FY (\$ (1))	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals / Distributions in Last FY (\$)	Aggregate Balance at Last FYE (\$ (2))
Paul G. Boynton	32,563	22,231	7,504	202,486	259,973
Hans E. Vanden Noort	15,750	10,225	5,975	—	197,307
Jack M. Kriesel	5,627	3,866	26,534	—	710,825
Michael R. Herman	2,338	1,971	2,888	—	91,598
N. Lynn Wilson	290	8,324	546	—	17,018

- (1) All executive and Company contributions in the last fiscal year are reflected as compensation in the Summary Compensation Table on page 30.
- (2) To the extent that a participant was a named executive officer in prior years, executive and Company contributions included in the Aggregate Balance at Last FYE column have been reported as compensation in the Summary Compensation Table for the applicable year.

The Rayonier Inc. Excess Savings and Deferred Compensation Plan (the “Excess Savings Plan”) is a nonqualified, unfunded plan that consists of two components, an Excess Savings component (a supplement to the Rayonier Investment Savings Plan for Salaried Employees (the “Savings Plan”)) and an Excess Base Salary and Bonus Deferral component.

The Savings Plan, a qualified 401(k) plan, is designed to encourage salaried employees to save and invest for retirement. Under this Plan, employees may contribute up to the annual IRS limits on a pre-tax basis. The Company will match such contributions at a rate of \$.60 for each \$1.00 up to 6% of the employee’s base salary.

In addition, the Company will make an annual retirement contribution to each participant's account equal to 3% of base salary and annual bonus for employees hired after January 1, 2006, or 0.5% of base salary for employees hired before 2006. The retirement contribution was increased, and automatic enrollment of all new salaried employees in the Savings Plan implemented, coincident with the closing of our defined benefit pension plan to new salaried employees effective January 1, 2006. This change reflects our desire that salaried employees take a more active role in planning, saving and investing for retirement.

Rayonier contributions to the Savings Plan, both matching and retirement contributions, vest at a rate of 20% per year over the participant's first five years of employment, and are made in the form of Rayonier stock in order to encourage employee share ownership. However, employees are free to transfer Company contributions to other investment options available under the Savings Plan immediately.

The Excess Savings Plan supplements the Savings Plan by providing employees with Rayonier contributions lost due to the federal tax regulations limiting employee contributions to defined contribution plans (401(k)). Participants can contribute up to 6% of total base salary. The Company contributes up to 3.6% of total base salary (reduced by the regular matching contributions made under the Savings Plan). Amounts contributed by participants, and the Rayonier match, are unsecured, but earn a return equal to 120% of the applicable federal long-term rate (adjusted monthly). The average interest rate in 2013 was 3.3%. Excess Savings participants may elect to receive a lump sum or annual installments upon termination of employment.

The Excess Base Salary and Bonus Deferral component of the Excess Savings Plan allows employees with a base salary in excess of \$170,000 the opportunity to defer up to 100% of their base salary and all or any portion of their annual bonus. Amounts deferred are unsecured, but earn a return equal to the 10-year treasury rate plus 1.50% (adjusted monthly). The average interest rate in 2013 was 3.9%. Excess Base Salary Deferral and Annual Bonus Deferral participants may elect to receive a lump sum or annual installments not to exceed fifteen years upon termination of employment or a specific date.

All named executive officers were eligible and participating in the Excess Savings component of this Plan in 2013. While all named executive officers were eligible, only Mr. Kriesel currently has amounts deferred under the Excess Base Salary and Bonus Deferral component.



## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following table reflects potential termination or change in control payments to named executive officers if a triggering event were to have occurred on December 31, 2013. All payments are as provided under the Executive Plan discussed on page 27 of the Compensation Discussion and Analysis.

Name	Scheduled Severance \$(1)	Bonus Severance \$(2)	Pension / 401(k) Benefit \$(3)	Medical / Welfare, Tax and Outplacement Benefits \$(4)	Acceleration of Equity Awards \$(5)	Other	Excise Tax Reimburse- ments \$(6)
Paul G. Boynton							
Voluntary termination	—	—		—	—	—	—
Terminated for cause	—	—		—	—	—	—
Retirement	—	—		—	—	—	—
Change in Control	—	—		—	4,899,829	—	—
Involuntary or voluntary for good reason termination after change in control	2,475,000	3,225,000	855,389	90,554	—	—	—
Hans E. Vanden Noort							
Voluntary termination	—	—	—	—	—	—	—
Terminated for cause	—	—	—	—	—	—	—
Retirement	—	—	—	—	—	—	—
Change in Control	—	—	—	—	2,108,312	—	—
Involuntary or voluntary for good reason termination after change in control	1,260,000	1,274,034	986,795	72,434	—	—	—
Jack M. Kriesel							
Voluntary termination	—	—	—	—	—	—	—
Terminated for cause	—	—	—	—	—	—	—
Retirement	—	—	—	—	—	—	—
Change in Control	—	—	—	—	1,873,184	—	—
Involuntary or voluntary for good reason termination after change in control	1,080,000	1,125,000	640,927	71,980	—	—	1,678,624
Michael R. Herman							
Voluntary termination	—	—	—	—	—	—	—
Terminated for cause	—	—	—	—	—	—	—
Retirement	—	—	—	—	—	—	—
Change in Control	—	—	—	—	1,639,105	—	—
Involuntary or voluntary for good reason termination after change in control	1,113,000	1,170,000	419,993	72,104	—	—	—
N. Lynn Wilson							
Voluntary termination	—	—	—	—	—	—	—
Terminated for cause	—	—	—	—	—	—	—
Retirement	—	—	—	—	—	—	—
Change in Control	—	—	—	—	887,500	—	—
Involuntary or voluntary for good reason termination after change in control	900,000	720,000	81,000	71,526	—	—	1,002,787

(1) Represents the executive's base pay times the applicable tier multiplier under the Executive Plan (3 times for Tier I).

- (2) Represents three times the greater of: (i) the highest annual bonus received over the three years preceding the termination of employment; (ii) the target bonus for the year in which the change in control occurred; or (iii) the target bonus in the year of termination.
- (3) Represents the actuarial value of an additional three years of eligibility service and age under the Company's retirement plans and three additional years participation in the Savings Plan at the executive's current contribution levels.
- (4) Represents: (i) the present value of the annual Company contribution to health and welfare plans times the applicable tier multiplier of three; (ii) the value of the executives annual tax and financial planning allowance of \$25,000 for Mr. Boynton, and \$10,000 for Messrs. Vanden Noort, Kriesel, Herman and Ms. Wilson; and, (iii) up to \$30,000 in outplacement services.
- (5) For stock option awards, the value was calculated as the difference between the closing price of the Company stock on December 31, 2013 and the option exercise price. Performance share and restricted stock awards were valued using the closing price of the Company stock on December 31, 2013.
- (6) Upon a change in control, executives may be subject to excise tax under Section 280G of the Tax Code. The Excise Tax Reimbursement column represents the excise tax as well as any excise and income taxes payable as a result of the excise tax reimbursement. The amounts in the table are based on a 280G excise tax rate of 20%, 39.6% federal income tax and 2.35% Medicare tax.

The amounts shown in the table above do not include payments and benefits to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment, including accrued salary, vacation pay, regular pension benefits, welfare benefits and 401(k) and nonqualified deferred compensation distributions. As a result, payments under the Severance Pay Plan, described on page 27, which may be payable upon a termination other than in the context of a change in control, are not included in the table. Amounts that would be distributed pursuant to our nonqualified deferred compensation plans are indicated in the Nonqualified Deferred Compensation table on page 35. Other than as reflected in the table and footnote (3) above, amounts that would be distributed pursuant to our tax-qualified and non-qualified retirement plans are indicated in the Pension Benefits table on page 34.

A termination by an executive within two years after a change in control would generally be for "good reason" if it results from: (i) a significant diminution in the executive's position or the assignment to the executive of any duties inconsistent in any respect with his or her position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately before the change in control; (ii) any material reduction in the executive's salary, bonus opportunities, benefits or other compensation; (iii) the relocation of the executive's principal place of business by more than 35 miles from his or her previous principal place of business; or (iv) any termination of the Executive Plan other than by its express terms. Regardless of whether a change in control had occurred, an executive would not be entitled to payments under the Executive Plan if he or she was terminated for cause. A termination of an executive generally would be "for cause" if it was due to: (i) the willful and continued refusal of the executive to substantially perform his or her employment duties following written notification by our Board; or (ii) engagement by the executive in illegal conduct or gross misconduct that is demonstrably injurious to the Company, including an indictment or charge by any prosecuting agency with the commission of a felony.

The Company may condition payment of a portion of an executive's severance benefits (generally, up to three times base salary) upon his or her agreement to adhere to confidentiality covenants, as well as to refrain from disparaging the Company or its products; competing directly with the Company; inducing clients from reducing or terminating their business with the Company; or inducing certain employees to terminate employment or service with the Company. These covenants would generally remain in effect for the shorter of one year from the executive's termination or two years following a change in control, except that the confidentiality covenants would remain in effect for the longer of two years from the executive's termination or three years following a change in control. By accepting the conditioned payments, an executive will be deemed to have consented to the issuance of a temporary restraining order to maintain the status quo pending the outcome of any equitable proceeding that may be brought by the Company to enforce such covenants.

Unless otherwise indicated, all cash payments would be made by the Company in a lump sum, although the timing of some payments and benefits may be delayed for six months after termination in accordance with Tax Code Section 409A, which regulates deferred compensation. The Company has established two rabbi trusts related to the Executive Plan. One is designed to defray the legal costs incurred by the executives in enforcing their rights under the Executive Plan were the Company not to meet its obligations. The Company has transferred \$250,000 per participant to this trust. Were there to be a change in control of Rayonier, the Company would transfer to the second trust an amount sufficient to satisfy the cash payments that would be required to be paid in the event of a qualifying termination of executives covered under the Executive Plan.

## **DIRECTOR COMPENSATION**

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The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Board considers the significant time commitment and the skills and experience level necessary for directors to fulfill their duties. Our directors are subject to minimum share ownership and share retention requirements as discussed in the Compensation Discussion and Analysis on page 28.

### *Cash Compensation Paid to Non-Management Directors*

Non-management director compensation is set by the Board at the recommendation of the Nominating Committee. For the 2013-2014 period, each non-management director receives the following cash compensation (which is prorated for partial year service): (i) an annual cash retainer of \$55,000, payable in equal quarterly installments; (ii) an additional annual cash retainer of \$20,000 for the Audit Committee chair, \$15,000 for the Compensation Committee chair, and \$10,000 for the Nominating Committee chair, payable in equal quarterly installments; (iii) meeting fees of: (A) \$2,000 per Board meeting attended, (B) \$2,000 per Audit Committee meeting attended, and (C) \$1,500 per Committee meeting attended, other than the Audit Committee; (iv) \$2,000 for each trip taken at the request of management to one of the Company's facilities for a business purpose other than a Board or Committee meeting; and (v) \$2,000 for any other business trip taken at the request of management. The fee for a director participating by telephone in a non-telephonic meeting of the Board or any Committee is half of the otherwise applicable fee.

Directors may defer up to 100% of their cash compensation. Any deferred amounts are paid to the director in a single lump sum on the later of the date the director becomes 72 or the conclusion of the director's term, or upon termination as a director, if prior to age 72. Any deferred amounts earn interest at a rate equal to the Prime Rate as reported in *The Wall Street Journal* and is compounded annually (the "Prime Rate").

### *Annual Equity Awards*

For the 2013-2014 period, each non-management director received a restricted stock award equivalent to \$95,000 based on grant date value (which is prorated for partial year service), vesting on the one year anniversary of the date of grant (May 15, 2014) assuming continued service through the vesting period. Dividends on restricted stock awards accrue in a separate account and are paid upon vesting together with interest equal to the Prime Rate. A similar 2014-2015 restricted stock award for non-management directors is expected to be made after the Annual Meeting.

### *Other Fees*

Fees for the Lead Director are established by the Board upon the recommendation of the Nominating Committee. The current annual cash retainer for the Lead Director is \$25,000, payable in equal quarterly installments.

*Other Compensation and Benefits*

The Directors' Charitable Award Program, established in 1995, and discontinued for new directors effective January 1, 2004, allowed directors to nominate up to five organizations to share a total contribution of \$1 million from The Rayonier Foundation, a tax-exempt charitable foundation funded by the Company. Mr. Townsend is the only current director who participates in this program. Ten retired directors also participate. The Company has acquired joint life insurance contracts on the lives of eligible participants, the proceeds of which will be adequate to fund the necessary contributions to The Rayonier Foundation. Directors receive no financial benefit from this program since the charitable deduction and insurance proceeds accrue solely to the Company.

*Director Compensation Table*

The following table provides compensation information for the one-year period ended December 31, 2013 for all individuals serving on our Board of Directors at any time during 2013.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
Boynton, Paul G. (2)	—	—	—	—
Brown, II, C. David	117,000(3)	95,033	3,116(4)	215,149
Bush, John E.	99,750	95,033	3,116(4)	197,899
Gaumont, Mark E.	104,250	95,033	3,116(4)	202,399
Kincaid, Richard D.	126,750	95,033	3,116(4)	224,899
Martin, V. Larkin	118,500	95,033	3,116(4)	216,649
Miller, James H.	102,250	95,033	3,116(4)	200,399
Morgan, Thomas I.	93,750	95,033	3,116(4)	191,899
Oskin, David W.	109,000	95,033	3,116(4)	207,149
Townsend, Ronald	112,250(3)	95,033	3,271(4)	210,554

- (1) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating these values may be found in Note 21 "Incentive Stock Plans" included in the notes to financial statements in our 2013 Annual Report on Form 10-K. All awards reflect the May 2013 awards of 1,586 shares of restricted stock to each director.
- (2) Mr. Boynton, as an executive officer of Rayonier, was not compensated for service as a director. See the Summary Compensation Table on page 30 for compensation information relating to Mr. Boynton during 2013.
- (3) Includes \$15,000 in Lead Director fees for Mr. Brown and \$5,000 for Mr. Townsend.
- (4) Represents accrued dividends and interest on restricted stock awards during 2013 and, for Mr. Townsend, \$155 in spousal travel expenses (which includes a tax gross up of \$65).

## SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

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The following table shows the holdings of persons known to us to beneficially own more than five percent of the Company's outstanding Common Shares.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature Of Beneficial Ownership</u>	<u>Percent of Class</u>
BlackRock, Inc . . . . . 40 East 52 <sup>nd</sup> Street New York, NY 10022	9,768,578(1)	7.7%
The Vanguard Group . . . . . 100 Vanguard Boulevard Malvern, PA 19355	6,832,085(2)	5.41%

- (1) Holdings and percent of class as of December 31, 2013 as reported to the SEC on Schedule 13G/A on January 30, 2014, indicating sole voting power over 8,887,244 shares and dispositive power over all shares.
- (2) Holdings and percent of class as of December 31, 2013 as reported to the SEC on Schedule 13G on February 12, 2014, indicating sole voting power over 115,068 shares, sole dispositive power over 6,729,817 shares and shared dispositive power over 102,268 shares.

## SHARE OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table shows the Common Shares beneficially owned as of March 3, 2014 by each of the Company's directors, each of the named executive officers and all directors and executive officers as a group. Unless otherwise indicated, all Common Shares listed below are owned directly by the named individual:

Name of Beneficial Owner	Beneficial Ownership			
	(A) Common Shares Owned	(B) Column (A) as Percent of Class	(C) Exercisable Stock Options (1)	(D) Sum of Columns (A) and (C) as Percent of Class
Paul G. Boynton	317,980(2)	*	168,217	*
C. David Brown, II	40,580(3)	*	-0-	*
John E. Bush	10,897(3)	*	-0-	*
Mark E. Gaumont	6,351(3)	*	-0-	*
Richard D. Kincaid	20,167(3)	*	-0-	*
V. Larkin Martin	13,861(3)	*	-0-	*
James H. Miller	4,687(3)	*	-0-	*
Thomas I. Morgan	5,050(3)	*	-0-	*
David W. Oskin	10,260(3)	*	-0-	*
Ronald Townsend	9,341(3)	*	-0-	*
Michael R. Herman	172,115(2)	*	66,086	*
Jack M. Kriesel	47,709(2)	*	47,168	*
Hans E. Vanden Noort	223,115(2)	*	108,969	*
N. Lynn Wilson	24,100(2)(3)	*	12,025	*
Directors and executive officers as a group (17 persons)	959,917(2)(3)	0.76%	438,415	1.11%

\* Less than 1%.

- (1) Pursuant to SEC regulations, shares receivable through the exercise of employee stock options that are exercisable within 60 days after March 3, 2014 are deemed to be beneficially owned as of March 3, 2014.
- (2) Includes the following share amounts allocated under the Savings Plan to the accounts of Mr. Boynton, 11,054; Mr. Herman, 1,937; Mr. Kriesel, 294; Mr. Vanden Noort, 7,598; Ms. Wilson 5,235 and all directors and executive officers as a group, 26,118.
- (3) Includes outstanding unvested restricted stock awards as follows: Ms. Martin and Messrs. Brown, Bush, Gaumont, Kincaid, Miller, Morgan, Oskin and Townsend, 1,586; Ms. Wilson, 9,394 and all directors and executive officers as a group, 32,368.

### *Section 16(a) Beneficial Ownership Reporting Compliance*

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who own more than 10% of a registered class of our securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Shares and other equity securities of our Company. Based solely on a review of copies of such forms received with respect to fiscal year 2013 and the written representations received from certain reporting persons that no other reports were required, we believe that all directors, executive officers and persons who own more than 10% of the Company's outstanding Common Shares have complied with the reporting requirements of Section 16(a).

## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2013 regarding all compensation plans under which equity securities of the Company are authorized for issuance. The number of securities underlying outstanding awards and the weighted average exercise price shown have been adjusted to reflect our October 2005 and August 2011 3-for-2 stock splits.

<u>Plan category</u>	<u>(A) Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>(B) Weighted average exercise price of outstanding options, warrants and rights</u>	<u>(C) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))</u>
Equity compensation plans approved by security holders . . . . .	2,433,476(1)	\$33.75	6,424,391(2)
Equity compensation plans not approved by security holders . . . .	N/A	N/A	N/A
Total . . . . .	2,433,476	\$33.75	6,424,391

(1) Consists of 1,389,722 outstanding stock options awarded under the 2004 Incentive Stock Plan and the Rayonier Incentive Stock Plan and 1,043,754 performance shares (assuming maximum payout) awarded under the Rayonier Incentive Stock Plan. The weighted-average exercise price in column (B) does not take performance shares into account.

(2) Consists of shares available for future issuance under the Rayonier Incentive Stock Plan.

## EXECUTIVE OFFICERS

Our executive officers are elected by the Board of Directors and hold office for such terms as determined by the Board. The information set forth below includes the current executive officers of the Company who are not also serving as directors.

**Christopher T. Corr**, 50, Senior Vice President, Real Estate and President, TerraPointe Services, LLC.—Mr. Corr joined Rayonier in July 2013 as Senior Vice President, Real Estate and President, TerraPointe Services, LLC. Prior to joining Rayonier, Mr. Corr served as Executive Vice President, Buildings and Places for AECOM (a global provider of technical and management support services, including real estate planning and development) from October 2008 to July 2013. Prior to that, Mr. Corr was with the St. Joe Company and served as Executive Vice President from October 2007 to July 2008, Chief Strategy Officer from August 2006 to October 2007, Senior Vice President—Strategic Planning from May 2004 to August 2006 and Vice President of Public Affairs from June 1998 to May 2004. From 1992 to 1998, Mr. Corr was a senior manager with The Walt Disney Company, where he served Disney Development Company and Walt Disney Imagineering in various positions, including as a developer of the town of Celebration, Florida, a 5,000-acre master planned community near Orlando. Mr. Corr has also served in a number of positions in state government, including as a member of the Florida House of Representatives from 1990 to 1992. Mr. Corr serves on the Board of Trustees of the University of Florida and the Florida Council of 100 Board of Directors, and serves as Co-Chair of the Community Development Council for the Urban Land Institute. He holds a Bachelor of Arts degree from the University of Florida and has completed programs with the Harvard Real Estate Institute and the Wharton School of Business at University of Pennsylvania.

**Michael R. Herman**, 51, Senior Vice President, General Counsel and Assistant Secretary—Mr. Herman joined Rayonier in 2003 as Vice President and General Counsel and was elected to his current position in March 2013. Prior to joining Rayonier, he served as Vice President and General Counsel of GenTek Inc. (a publicly-

traded global manufacturing conglomerate) and in other positions in GenTek's legal department from 1992 to August 2003. Mr. Herman was previously counsel to IBM's Integrated Systems Solutions Corporation and an attorney with the law firm of Shearman & Sterling LLP. He holds a B.A. in Economics and English from Binghamton University and a J.D. from St. John's University School of Law.

**Charles H. Hood**, 63, Senior Vice President, Public Affairs and Communications—Mr. Hood joined Rayonier in July 2007 as Vice President, Public Affairs and was promoted to his current position in March 2013. Prior to joining Rayonier, Mr. Hood was with Georgia-Pacific for 23 years, most recently as Vice President of Government Affairs. From 1991 to 2003, he was Georgia-Pacific's Southeast Regional Manager of Government Affairs, and prior to that, their Manager of Government Affairs for Florida. Mr. Hood also served as Clerk of the Courts for Putnam County, Florida, for eight years, and was a legislative assistant for the Florida State Senate from 1972 to 1976. He currently serves on the boards of the Georgia Chamber of Commerce, Northeast Florida Rural Education Foundation, and the Jacksonville Regional Chamber of Commerce. In addition, Mr. Hood serves on the operating committee for National Alliance of Forest Owners, the public policy committee for the Northeast Florida United Way, and the Georgia Southern University, Mathematics and Science Advisory Board. He holds a bachelor's degree in journalism from the University of Florida.

**Jack M. Kriesel**, 59, Senior Vice President, Performance Fibers—Mr. Kriesel joined Rayonier in 1978, was named Vice President & General Manager, Jesup Mill in November 2001, Vice President, Marketing & Strategic Sourcing in May 2004, Vice President, Marketing & Research in November 2006, Vice President, Marketing, Research and Strategic Sourcing in November 2008 and was elected to his current position effective November 2009. Mr. Kriesel graduated from Washington State University and from the Harvard University Graduate School of Business Advanced Management Program.

**James L. Posze, Jr.**, 49, Senior Vice President, Human Resources—Mr. Posze joined Rayonier in October 2010 as Vice President, Human Resources and was promoted to his current position in March 2013. Prior to joining Rayonier, Mr. Posze was with Albemarle Corporation (a manufacturer of polymers and fine chemicals), where he served as Global Director, Human Resources from January 2008 to October 2010 and as Director, Human Resources from 2002 to March 2008. Prior to that, Mr. Posze served for 11 years at Koch Industries in positions of increasing responsibility from January 1991 to March 2002 and as Manager, Human Resources for Jostens from August 1988 to December 1991. Mr. Posze holds a bachelors degree in management from Western Kentucky University.

**Hans E. Vanden Noort**, 55, Senior Vice President and Chief Financial Officer—Mr. Vanden Noort joined Rayonier as Corporate Controller in 2001, was elected Senior Vice President and Chief Accounting Officer effective August 2005 and was elected to his current position in July 2007. Prior to joining Rayonier, he held a number of senior management positions with Baker Process, a division of Baker Hughes, Inc. (a manufacturer of oilfield service equipment and supplies), most recently as Vice President of Finance and Administration. Prior to that, he was with the public accounting firm of Ernst & Young. Mr. Vanden Noort is on the Steering Committee of the Chief Financial Officer Network of Northeast Florida. He holds a B.B.A. in accounting from the University of Cincinnati, an M.B.A. from the University of Michigan and is a Certified Public Accountant.

**Nancy Lynn Wilson**, 49, Executive Vice President, Forest Resources – Ms. Wilson joined the Company as Vice President, U.S. Forest Resources in August 2010, was promoted to Senior Vice President, U.S. Forest Resources on February 28, 2012 and to her current position on January 1, 2014. Prior to joining Rayonier, Ms. Wilson served as Vice President, Operations Support of Plum Creek Timber Company (a REIT whose primary business is to grow, harvest and sell timber) beginning in 2009. She previously held various positions with Plum Creek, including General Manager from 2006 to 2009, Senior Resource Manager from 2004 to 2006, Resource Manager from 2001 to 2004, Log Merchandising Superintendent from 1999 to 2001 and other positions beginning in 1992. Ms. Wilson began her forestry career with Scott Paper in 1986. She holds a bachelor's degree in forest management from the University of Maine and an MBA from Thomas College in Waterville, Maine.



## ITEM 2—ADVISORY VOTE ON “SAY ON PAY”

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In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), the implementing SEC rules, and the preference expressed by a majority of our shareholders, we are providing shareholders with an annual advisory vote on the compensation of our named executive officers as disclosed in the Compensation Discussion & Analysis beginning on page 16, and in the tables and other narrative disclosure in this Proxy Statement.

As described in detail in such disclosures, our executive compensation programs are designed to focus our senior leaders on the creation of long-term shareholder value. In 2013, we achieved a 32% increase in earnings per share (including gains related to the sale of the Wood Products business and the consolidation of the New Zealand Joint Venture of \$.45 per share) and increased our regular dividend by 11%, marking our fourth consecutive dividend increase and our ninth in ten years. Our compensation programs provide a substantial majority of named executive officer compensation in the form of “at risk” performance-based incentives, consisting primarily of long-term stock-based awards. We believe this properly aligns the interests of our executives with those of our shareholders, and with the long-term interests of the Company.

This proposal provides shareholders with the opportunity to endorse or not endorse our compensation arrangements for named executives through the following resolution:

“RESOLVED, that the Company’s Shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission in the Company’s Proxy Statement for the 2014 Annual Meeting of Shareholders (which disclosure includes the Compensation Discussion and Analysis, the executive compensation tables and related material).”

While this vote is not binding on our Board of Directors, the Board values the opinions of our shareholders and will take into account the outcome of the vote when considering future executive compensation arrangements.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THIS PROPOSAL TO APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**

## ITEM 3—RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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### *Change in Independent Registered Public Accounting Firm in 2012*

As disclosed in our Current Report on Form 8-K filed with the SEC on May 23, 2012, our Audit Committee completed a competitive process to review the appointment of the Company’s independent registered public accounting firm for the year ending December 31, 2012. The Audit Committee invited several firms to participate in this process, including Deloitte & Touche LLP (“Deloitte & Touche”), the Company’s independent registered accounting firm since May, 2002. As a result of this process and following careful deliberation, in May 2012, the Audit Committee approved the engagement of Ernst & Young LLP (“Ernst & Young”) as the Company’s independent registered public accounting firm for the year ending December 31, 2012.

Deloitte & Touche’s reports on the Company’s consolidated financial statements as of and for the fiscal years ended December 31, 2011 and December 31, 2010 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 31, 2011 and 2010, and the subsequent interim period through May 17, 2012, there were (i) no “disagreements” as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions, between the Company and Deloitte & Touche on any matter of accounting principles

or practices, financial statement disclosure or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Deloitte & Touche, would have caused Deloitte & Touche to make reference to the subject matter of the disagreement(s) in its audit reports on the Company's consolidated financial statements for such years, and (ii) no "reportable events" as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

In connection with the filing of our May 23, 2012 Current Report on Form 8-K, the Company furnished a copy of the above disclosures to Deloitte & Touche and requested that Deloitte & Touche furnish the Company with a letter addressed to the SEC stating whether or not Deloitte & Touche agreed with the above statements. A copy of such letter dated May 23, 2012 was attached as Exhibit 16.1 to such Current Report on Form 8-K.

During the fiscal years ended December 31, 2011 and 2010, and the subsequent interim period through May 22, 2012, neither the Company nor anyone acting on its behalf consulted with Ernst & Young with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, and neither a written report nor oral advice was provided to the Company that Ernst & Young concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue or (ii) any matter that was either the subject of a "disagreement" or "reportable event" as those terms are defined in Item 304(a)(1) of Regulation S-K.

#### *Appointment of Ernst & Young as Independent Registered Public Accounting Firm for Fiscal Year 2014*

On February 27, 2014, the Audit Committee appointed Ernst & Young as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2014. Although submission of the appointment for ratification by the shareholders is not legally required, the Board believes that it is consistent with best practices and is an opportunity for shareholders to provide direct feedback to the Board on an important issue of corporate governance. If the shareholders do not ratify the selection of Ernst & Young, the Audit Committee will reconsider the selection of the independent registered public accounting firm for the Company for 2014.

Representatives of Ernst & Young will be present at the Annual Meeting to respond to appropriate questions and they will have an opportunity to make a statement if they desire to do so.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014.**

#### **REPORT OF THE AUDIT COMMITTEE**

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Management has primary responsibility for the Company's financial statements and its reporting process, including the Company's internal control system. The independent registered public accounting firm is responsible for auditing the Company's financial statements and expressing an opinion as to the conformity of such statements with accounting principles generally accepted in the United States of America as well as auditing the Company's internal control over financial reporting.

The Audit Committee's role is to assist the Board of Directors in oversight of the Company's financial reporting process, including annual audits and quarterly reviews of its financial statement filings and audits of internal control over financial reporting. The Committee has sole responsibility for the appointment, compensation and oversight of the Company's independent registered public accounting firm. The Committee is currently composed of six directors, all of whom have been determined by the Board of Directors to be "independent" and "financially literate" as defined under applicable securities laws and rules of the NYSE, and operates under a written charter adopted by the Board of Directors. A copy of the Audit Committee charter can be found on the Company's website at [www.rayonier.com](http://www.rayonier.com). The Committee held nine meetings during 2013.

The Committee has reviewed and discussed the audited financial statements of the Company for the three years ended December 31, 2013 with management and with the Company's independent registered public accounting firm. In addition, the Committee has held discussions with the Company's independent registered public accounting firm covering the matters required by Statement of Auditing Standards No. 16 (Communications with Audit Committees). The Committee has also received the written disclosures and the letter from the Company's independent registered public accounting firm required by applicable requirements of the PCAOB for independent auditor communications with audit committees concerning independence, and has held discussions with the Company's independent registered public accounting firm regarding their independence.

The Committee discussed with the Company's chief internal audit executive, and with the Company's independent registered public accounting firm representatives, the overall scope and plans for their respective audits, and met with each of them to discuss the results of their examinations, their evaluations of the adequacy of the Company's internal control over financial reporting and disclosure controls and procedures, and the overall quality of the Company's financial reporting. Separate private meetings without management present were also held with the Company's chief internal audit executive at five meetings of the Committee in 2013 and with representatives of the Company's independent registered public accounting firm at five meetings of the Committee in 2013. The Committee also held five regularly scheduled private meetings with the Company Ombudsman. The Ombudsman is responsible for handling concerns and inquiries regarding compliance matters, including any submissions regarding the Company's accounting, internal controls and auditing, as required by the Sarbanes-Oxley Act of 2002.

In reliance on the Committee's reviews and discussions with management, and the independent registered public accounting firm as discussed above, the Committee recommended that the Board of Directors include the audited financial statements of the Company in the Company's 2013 Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the Securities and Exchange Commission.

This report is furnished by the members of the Audit Committee.

Richard D. Kincaid, Chair  
 John E. Bush  
 Mark E. Gaumont

V. Larkin Martin  
 James H. Miller  
 Ronald Townsend

*Audit Committee Financial Expert*

The Board has evaluated whether at least one Audit Committee member meets the qualifications to serve as an "audit committee financial expert" in accordance with SEC rules. Based on its evaluation, the Board has determined that Richard D. Kincaid is independent of management and qualifies as an audit committee financial expert.

*Information Regarding Independent Registered Public Accounting Firm*

Ernst & Young has served as the Company's independent registered public accounting firm since May 22, 2012. The Audit Committee may change the appointment of the independent registered public accounting firm at any time if it determines, in its discretion, that such a change is in the best interest of the Company and its shareholders.

Ernst & Young billed the Company the following fees for services performed in fiscal 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Audit fees . . . . .	\$1,261,093	\$ 972,458
Audit-related fees . . . . .	963,710	32,150
Tax fees . . . . .	731,807	117,967
All other fees . . . . .	1,995	1,995
	<u>\$2,958,605</u>	<u>\$1,124,570</u>

Audit fees include amounts for the audits of the annual financial statements and internal control over financial reporting, quarterly reviews of Forms 10-Q, statutory audits, audit of the income tax accrual, accounting research and consents for SEC filings.

Audit-related services include services such as internal control reviews, employee benefit plan audits and transaction-related fees.

Tax fees include income tax services other than those directly related to audit of the tax accrual.

All other fees includes any other products or services provided other than the services reported in the first three categories. Such services include a subscription to an accounting research tool.

The independent registered public accountants are prohibited by Company policy from providing professional services to Company executives for personal income tax return preparation or for financial or estate tax planning.

All fiscal 2013 services provided by the independent registered public accountant were pre-approved in accordance with the Committee's pre-approval policies and procedures set forth on the attached **Appendix A**.

#### **ITEM 4—SHAREHOLDER PROPOSAL ON SEPARATION OF CEO AND BOARD CHAIR**

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We have been notified that Altamaha Riverkeeper, c/o Investor Voice, SPC, 10033 – 12<sup>th</sup> Ave NW, Seattle, WA 98177, expects to introduce and support the following proposal at the Annual Meeting. It has provided certification indicating that, as of December 18, 2013, it was the beneficial owner of 75 of the Company's Common Shares and that it intends to maintain such ownership through the date of the Annual Meeting.

#### **SHAREHOLDER PROPOSAL**

**RESOLVED: The shareholders of Rayonier, Inc. (“Rayonier”) request the Board of Directors to adopt a policy, and amend the bylaws as necessary, to require the Chair of the Board of Directors to be an independent member of the Board. This independence requirement shall apply prospectively so as not to violate any Company contractual obligation at the time this resolution is adopted. The policy should provide that if the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within 60 days of this determination. Compliance with this policy is waived if no independent director is available and willing to serve as Chair.**

#### **SUPPORTING STATEMENT**

Rayonier CEO Paul Boynton also serves as chair of the board of directors. We believe the combination of these two roles in a single person weakens a corporation's governance and harms shareholder value. As Intel former chair Andrew Grove once stated: “The separation of the two jobs goes to the heart of the conception of a corporation. Is a company a sandbox for the CEO, or is the CEO an employee? If he's an employee, he needs a boss, and that boss is the board. The chairman runs the board. How can the CEO be his own boss?”

It seems obvious that shareholder value is enhanced by an independent board chair who can provide a balance of power between the CEO and the board, and support strong board leadership. The primary duty of a board of directors is to oversee the management of a company on behalf of its shareholders. A CEO who also serves as chair operates under a type of conflict-of-interest that can result in excessive management influence on the board and weaken the board's oversight of management.

In academic studies, an independent board chair has been found to improve the financial performance of public companies. A 2007 Booz & Co. study found that in 2006, every underperforming North American company with a long-tenured CEO lacked an independent board chair (*The Era of the Inclusive Leader*, Booz Allen Hamilton, Summer 2007). Another study found that companies—worldwide—are now routinely separating the jobs of chair and CEO: less than 12 percent of incoming CEOs were also made chair in 2009, compared with 48 percent in 2002 (*CEO Succession 2000-2009: A Decade of Convergence and Compression*, Booz & Co. Summer 2010).

We believe that independent board leadership would be a constructive advance at Rayonier; therefore, please vote FOR this common-sense governance proposal.

**STATEMENT OF THE RAYONIER BOARD OF DIRECTORS IN OPPOSITION  
TO THE SHAREHOLDER PROPOSAL ON SEPARATION OF CEO AND BOARD CHAIR**

**The Board of directors recommends that shareholders vote “AGAINST” this proposal for the following reasons:**

We believe that the Company’s shareholders are best served when the Board retains the flexibility to select the best person to serve as Chairman. We believe that effective corporate governance cannot be achieved by merely conforming a company’s practices to a checklist of pre-determined criteria that fail to take into account the specific realities surrounding each individual company. We similarly believe that it is imprudent to place arbitrary constraints on the Board’s ability to determine a leadership structure that will work best for the Company given the unique dynamics and set of circumstances facing senior management, shareholders and the Board at any given time. Although the Board does not believe it is appropriate to have a policy requiring the separation of Chairman and CEO roles, neither does the Company have a policy of inevitably combining them.

At present, the Board believes that shareholders are best served by the Board’s current leadership structure, in which Paul G. Boynton, the Company’s President and CEO, is also the Chairman of the Board. The Board believes this structure provides the optimum benefit of having Mr. Boynton, the individual most familiar with the Company’s day-to-day operations, chair regular Board meetings as we discuss key business and strategic issues. We believe that by combining the roles of Chairman and CEO, the Company benefits from coherent leadership and direction for the Board and executive management, with clear accountability and a single focus for the chain of command to execute the Company’s strategic initiatives and business plans.

In addition, Mr. Boynton’s extensive industry expertise, leadership experience and familiarity with the Company’s complex business make him uniquely qualified to lead discussions on important matters affecting the Company. With Mr. Boynton both leading management and chairing the Board, Rayonier has been obtaining the benefit of his strong leadership skills and strategic and operational insights throughout the entire continuum of challenges it faces—enabling a focused vision that encompasses the full range from long-term strategic direction to day-to-day operational execution. This leadership has been integral to the success of management and the Board. As shown in the Total Shareholder Return chart on page 17 of this proxy, the Company’s total shareholder return for the period December 31, 2008 to December 31, 2013 was 149%, outperforming both the S&P 500 Index and the S&P 1500 Paper & Forest Products Index.

The Board may determine that, in a different context, the Chairman and CEO roles should be separated. For example, as previously announced, if the planned separation of the Company’s performance fibers business is completed, the Company expects that the Chairman and CEO roles of Rayonier will be held by different persons, with Richard Kincaid serving as the Company’s Chairman and another individual to be identified serving as the Company’s CEO. The Board determined that it would be appropriate to separate the Chairman and CEO roles in those circumstances to ensure continuity in light of a new CEO. The proposed shareholder resolution would deprive the Board of the flexibility to select the leadership structure that best fits the Company’s current circumstances.

We understand the importance of, and support, independent oversight of management. The Board regularly reviews the leadership structure of the Company and does not believe that an independent Chairman is required to obtain a high degree of independent oversight of Rayonier's management. The Board has taken numerous steps to encourage transparency and to create a balanced governance structure in which independent directors exercise substantial oversight over management. These steps include, but are not limited to, the following:

- *Majority Independent Board and Comprehensive Annual Evaluation Process.* The Board is composed of 10 individuals, all of whom are independent directors other than the CEO and Chairman. In addition, each of the Board's key committees—the Audit, Compensation and Nominating Committees—are comprised of fully independent directors. As such, oversight of key matters, such as the integrity of Rayonier's financial statements, executive compensation, the nomination of new directors and any evaluations of the Board and its committees, is entrusted to the Board's independent directors. In addition, our CEO's performance and subsequent compensation is evaluated on an annual basis by the Compensation Committee. The Board and each of its committees have unrestrained access to management and the authority to retain independent advisors.
- *Independent Lead Director with Robust Responsibilities.* The Board has also appointed an independent Lead Director, who was elected by and from the independent board members and who has clearly delineated and comprehensive duties that are set forth in the Company's Corporate Governance Principles. This year, we have expanded the duties of the Lead Director to allow major shareholders to directly communicate with the Lead Director. The Lead Director's duties include, but are not limited to, those duties set forth below, along with any other such duties that are assigned to him from time to time by the independent directors on the Board:
  - presides at all meetings of the Board at which the Chairman/CEO is not present, including executive sessions of the independent directors;
  - serves as liaison between the Chairman/CEO and the independent directors;
  - approves information sent to the Board;
  - approves meeting agendas for the Board;
  - approves meeting schedules to assure that there is sufficient time for discussion of all agenda items;
  - has the authority to call meetings of the independent directors; and
  - if requested by major shareholders, ensures that he or she is available for consultation and direct communication.

In addition to oversight measures described above, the Nominating Committee, on which the CEO and Chairman does not sit, oversees an annual performance evaluation of the Board and an assessment of the independence of each director in accordance with the criteria set forth under the Company's Corporate Governance Principles and the rules of the NYSE and SEC. Such evaluations also address the Board's governance policies and practices, such as the robustness and effectiveness of the Lead director structure during periods when the Chairman is not an independent director, such as the present time. We believe that this structure further benefits shareholders and ensures that the Board operates in a manner and fashion most suited to the advancement of the mutual goals of the shareholders, the Board and the executive management team.

We believe that a fixed policy regarding Board leadership structure is also unnecessary because of the Company's other strong corporate governance practices, including those providing for a majority vote standard in uncontested director elections, a majority of independent directors on our Board, fully independent Board committees, required executive sessions of the Board and committees where non-management directors meet without management participation, director access to management and independent advisors, elimination of a classified Board, the ability of major shareholders to communicate directly with the Lead Director, and making the Company's Corporate Governance Principles and committee charters publicly available on its website.

We believe that the policy proposed by the shareholder would unduly impair the Board’s flexibility to select the individual it deems best suited to serve as Chairman depending on the circumstances. We believe that ensuring such flexibility to the Board, while maintaining an effective, balanced corporate governance structure, will continue to best serve the interests of the Company and its shareholders. Accordingly, and after careful consideration and discussion of this proposal, the Board has unanimously determined that retention of our current board structure continues to be in the best interests of our Company and its shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “AGAINST”  
THE PROPOSAL ON SEPARATION OF THE CEO AND BOARD CHAIR.**

**ITEM 5—SHAREHOLDER PROPOSAL ON MANAGING RISK**

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We have been notified that Jane Fulcher, c/o Investor Voice, SPC, 10033 – 12<sup>th</sup> Ave NW, Seattle, WA 98177, expects to introduce and support the following proposal at the Annual Meeting. She has provided certification indicating that, as of December 11, 2013, she was the beneficial owner of 532 of the Company’s Common Shares and that she intends to maintain such ownership through the date of the Annual Meeting.

**SHAREHOLDER PROPOSAL**

**RESOLVED:** Shareholders request that the Board of Directors provide a Report to shareholders (prepared at reasonable cost and omitting proprietary information) that describes how Rayonier, Inc. (“Rayonier”) manages risks and costs related to effluent discharge at its Jesup, Georgia specialty fiber mill. The Report shall address such items as:

- Physical risks to users of the Altamaha River;
- Possible long-term liabilities of river cleanup;
- Risk to operational license from community backlash over the effluent’s high coloration;
- Risk of larger-scale consumer boycott or other brand/reputational harm as environmental awareness and concern grows;
- The viability of using existing technologies to improve effluent discharge quality so that it reduces effluent color to be no longer visible to river users or on Google Earth, and to be at least equal to the quality of competitors’ discharges.

**This Report should be made available by January 31st 2015.**

**SUPPORTING STATEMENT**

Because the Jesup mill is responsible for a majority of Rayonier’s overall annual revenue, how this mill addresses such issues sets a tone and is critical to shareholders at large.

Increasingly, customers pay attention to the environmental impact of the products they buy, and being labeled an environmental “bad actor” can create an enduringly negative reputation. Examples of this include Nike and Exxon, whose brands continue to suffer from labor and environmental problems many years after the original issues have been resolved.

Mitigation or elimination of an environmental problem—before public image is degraded—is typically far more cost effective than cleaning up afterward.

Most competitors to Rayonier's Jesup mill have either installed, or are in the process of installing, Activated Sludge Treatment ("AST") processes. Most mills in the world have AST systems, many having long-since converted from the older ASB system used at Jesup. Independent experts agree that AST and other pulp mill systems can reduce pollutants and color to approximately half the concentration of the archaic ASB systems.

Jesup's mill effluent is dark brown and smelly—it renders fish inedible for many miles downstream. Mill discharge is clearly visible at the river surface, from the air, and Google Earth shows it changing the river to an unnatural dark brown color the entire distance from the mill to the Atlantic Ocean.

A longer-term concern is what the cost will be of cleaning up the ASB. Shareholders will bear the inevitable long-term cost of cleanup, while current company managers will likely be long retired—taking their high salaries and bonuses with them.

Rayonier's net income exceeded \$320 million for the 12 months ending September 30, 2013 so now is the time to evaluate how to best position the company for a future when environmental scrutiny will be even higher and the ability of consumers to organize against environmental polluters has grown.

THEREFORE, please vote FOR this common-sense reporting and transparency initiative.

**STATEMENT OF THE RAYONIER BOARD OF DIRECTORS IN OPPOSITION  
TO THE SHAREHOLDER PROPOSAL ON MANAGING RISK**

**The Board of directors recommends that shareholders vote "AGAINST" this proposal for the following reasons:**

In our opinion, there is no significant benefit to producing a separate environmental report regarding the issues raised in the shareholder proposal relating to the Jesup specialty fiber mill, for all of the reasons set forth below.

1. The Company's Enterprise Risk Management (the "ERM") Committee, which consists of senior executives chaired by the Chief Executive Officer, who also serves as the Company's Chief Risk Officer, identifies and assesses business risks of the Company, including environmental risks such as those described in the proposal. With input from staff function-level teams that are well-situated to identify risks to the Company, the ERM Committee evaluates and categorizes risk based on probability, potential impact and the Company's tolerance for the risk type. The ERM Committee's annual risk assessment is reported to the Audit Committee for review and evaluation of mitigation strategies, including ongoing Board-level oversight responsibility for each material risk. We believe that the process overseen by the ERM committee is an efficient and effective means of evaluating potential risks associated with the Company's business, including those relating to environmental matters such as mill effluent discharge. We further believe that, whatever limited benefit that could be derived by preparation of a separate report with respect to Jesup's effluent discharge, such benefit is far outweighed by the time, cost and expense of producing such a report.
2. In addition to undertaking Board-level review of environmental and other risks, the Company produces a sustainability report that details the Company's sustainability strategies and practices, including those with respect to effluent discharge. This report is available on the Company's website. We believe that producing a separate report in addition to the sustainability report would be costly, duplicative and unnecessary.
3. The Company is committed to improving the quality of its effluent and has made significant progress in doing so. As the Company previously reported in its SEC filings, in 2008 the Company entered into a consent order with the Environmental Protection Division of the Georgia Department of Natural Resources (the "EPD"), pursuant to which the Company agreed to undertake significant color reduction



measures at the Jesup mill. Since that time, the Company has spent approximately \$70 million to reduce the color in its effluent. So far, these efforts have resulted in a 50% reduction in the color of the effluent discharged from the Jesup mill. The Company is in full compliance with the consent order and, in fact, is ahead of schedule in achieving the milestones for color reduction.

4. The Company works closely with state and federal regulators to ensure that its business is in compliance with all applicable environmental regulations. As of the date of this proxy statement, neither the EPD nor the Environmental Protection Agency, which are the state and federal agencies that regulate the Company's environmental operations, are alleging that the Company is in violation of the Company's applicable permits or state or federal environmental law relating to the Jesup mill. The Company also has spent tens of millions of dollars over the past five years alone and has made numerous operating and process modifications to reduce the impact of effluent discharge from the Jesup mill, and has determined that the mill effluent is not hazardous and does not pose a health risk.
5. In our opinion, the proponent's resolution, if implemented, may require the Company to spend an excessive amount of the Company's financial resources and personnel time and effort without any clear incremental benefit. For example, the proponent requests that the Company prepare a report that addresses, among other things, the viability of using other technologies that the proponent claims will improve effluent discharge quality. Every mill is different, and any such assessment would be speculative and would require guesswork as to competitors' technologies, processes and operations, various aspects of which may be proprietary. Therefore, the Board has determined that preparing a report addressing the items specified in the proposal would require a substantial and unnecessary company investment of financial resources, personnel time, and possibly require the engagement of external consultants with specialized expertise or the hiring of full-time personnel.
6. The subject of the shareholder proposal and requested report is also the subject of a lawsuit against the Company by the Altamaha Riverkeeper, a non-profit environmental organization ("ARK"). As the Company previously reported in its SEC filings, in November 2013, the Company received a "sixty day letter" from lawyers representing ARK in which ARK threatened to file a citizen suit against the Company under the federal Clean Water Act and the Georgia Water Quality Control Act relating to effluent discharge at the Jesup facility. On March 26, 2014, the Company was served with a complaint filed by ARK in the U.S. District Court for the Southern District of Georgia alleging, among other things, the violations alleged in the November, 2013 letter. We believe that information provided in the requested report could be used to undermine the Company's litigation position and defense strategy against ARK. We believe that the litigation by ARK is wholly without merit, and the Company intends to vigorously defend against it.

For the reasons described above, the Board has unanimously determined that preparation of the requested report is an inefficient use of Company resources, and recommends that shareholders vote against the proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "AGAINST" THE PROPOSAL ON MANAGING RISK.**

## MISCELLANEOUS

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### *Annual Report*

A copy of our Annual Report, which includes the 2013 Annual Report on Form 10-K (without exhibits), is available on the Internet at [www.proxyvote.com](http://www.proxyvote.com) as set forth in the Internet Notice. However, we will send a copy of our 2013 Annual Report on Form 10-K to any shareholder without charge upon written request addressed to:

Rayonier Inc.  
Shareholder Relations  
1301 Riverplace Boulevard  
Suite 2300  
Jacksonville, FL 32207, USA

### *Delivery of Materials to Shareholders Sharing an Address*

In addition to furnishing proxy materials over the Internet, the Company takes advantage of the SEC's "householding" rules to reduce the delivery cost of materials. Under such rules, only one Internet Notice or, if paper copies are requested, only one Proxy Statement and Annual Report is delivered to multiple shareholders sharing an address unless the Company has received contrary instructions from one or more of the shareholders. If a shareholder sharing an address wishes to receive a separate Internet Notice or copy of the proxy materials, that shareholder may do so by contacting Broadridge Householding Department via telephone at 1-800-542-1061 or via mail addressed to Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Any shareholder making such request will promptly receive a separate copy of the proxy materials, and separate copies of all future proxy materials. Any shareholder currently sharing an address with another shareholder, but nonetheless receiving separate copies of the materials, may request delivery of a single copy in the future by contacting Broadridge Householding Department by telephone or mail as indicated above.

BY ORDER OF THE BOARD OF DIRECTORS



CHRISTOPHER A. VAN TUYL  
*Corporate Secretary*

## APPENDIX A

### **Rayonier Audit Committee Policies and Procedures**

#### **Pre-approval of Services Provided by the Independent Auditor**

To ensure the Audit Committee (the “Committee”) approves all services to be provided by the Company’s independent auditors and maintains appropriate oversight, the following policies and procedures have been established.

#### **Policies and Procedures**

1. The Committee will approve the fees for the annual audit of the Company’s financial statements and reviews of quarterly financial statements.

2. The Committee will also approve at one of its regularly scheduled meetings an annual plan of all permissible services to be provided by the independent auditors as well as unanticipated projects that arise.

3. When the timing of the services does not allow for pre-approval in regularly scheduled Committee meetings, the Chairman of the Committee (or another member of the Committee so designated) may approve any audit or allowable non-audit services provided that such approved services are reported to the full Committee at the next regularly scheduled meeting. Approval must be received prior to commencement of the service, unless the service is one of the specific services listed below (see No. 4) that is permitted to be performed on a pre-approval basis.

4. The following audit-related services are pre-approved as they become required and need commencement before notifying the Chairman:

- a. Required audits of wholly-owned subsidiaries of the Company,
- b. Consent letters,
- c. Audits of statutory financial statements in countries where audited financial statements must be filed with government bodies,
- d. Annual audits of the Company’s defined benefit and savings plans,
- e. Agreed-upon procedures or other special report engagements performed in connection with requirements under debt agreements or environmental laws, and
- f. Subscription services for technical accounting resources and updates.

This pre-approval (prior to notifying the Committee) is for audit services or allowable audit-related services engagements for which fees are less than \$10,000.

Any services performed in these pre-approved services categories that were not anticipated will be reported to the Committee at the next regularly scheduled meeting after commencement of the services. The requirements, scope and objectives of the service as well as estimated fees and timing will be reported to the Committee.

Any other services, such as for tax services unrelated to the audit, will require the explicit approval of the Chairman or the Committee prior to engaging the independent auditor.