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

FORM 10-K

(Mark One)

(x) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
For the year ended December 31, 1993
OR

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

COMMISSION FILE NUMBER 1-6780

RAYONIER INC.

Incorporated in the State of North Carolina

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

1177 SUMMER STREET, STAMFORD, CT. 06905-5529

(Principal Executive Office)

Telephone Number: (203) 348-7000

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

Common Shares
7.5% Notes, due October 15, 2002
Medium Term Notes, due 1998-1999

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

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

YES (x) NO ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. [x]

The aggregate market value of the Common Shares of the registrant held by non-affiliates of the Registrant on March 15, 1994 was approximately $953 million.

As of March 15, 1994, there were outstanding 29,565,392 Common Shares of the Registrant.

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PART I

ITEM 1. BUSINESS

GENERAL

Rayonier Inc. (Rayonier or the Company) is a leading international forest products company primarily engaged in the trading, merchandising and manufacture of logs, timber and wood products, and in the production and sale of high value added specialty pulps. In 1993, timber and wood products accounted for 51 percent of sales and pulp products accounted for 49 percent of sales. For further data on sales, operating income and identifiable assets by segment, see Item 7- "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 17 of the accompanying Notes to Consolidated Financial Statements.

Rayonier traces its origin to the founding of Rainier Pulp and Paper Company in Shelton, Washington, in 1926. With the consolidation of several pulp companies in 1937, the Company became "Rayonier Incorporated", a corporation whose stock was publicly traded on the New York Stock Exchange (NYSE) until Rayonier became a wholly owned subsidiary of ITT Corporation (ITT) in 1968. On February 28, 1994 (the Distribution Date), Rayonier again became an independent company when ITT distributed all of the Common Shares of Rayonier to ITT stockholders. Rayonier shares are publicly traded on the NYSE under the symbol "RYN."

Rayonier owns, leases or controls approximately 1.5 million acres of timberland in the United States and New Zealand. In addition, the Company operates three pulp mills and two lumber manufacturing facilities in the United States. In 1992 the Company made two strategic moves to better balance operating assets between pulp products and its more stable timber and wood products business. In May 1992, the Company acquired long-term harvest rights to approximately 250,000 acres of timberland in New Zealand, and in the fourth quarter of 1992, permanently terminated operations at the Grays Harbor Pulp Mill and Vanillin plant, and the associated Grays Harbor Paper Company (collectively referred to as the Grays Harbor Complex).

With customers in over 60 countries, more than half of Rayonier's 1993 sales of $936 million were shipped to customers outside of the United States, with Asian and Western European customers representing 36 percent and 12 percent of total sales in 1993, respectively.

Rayonier is a North Carolina corporation with its principal executive offices at 1177 Summer Street, Stamford, CT 06905- 5529, and its telephone number is (203) 348-7000.

TIMBER AND WOOD PRODUCTS

Rayonier owns, buys and harvests timber stumpage, and purchases delivered logs, in North America and New Zealand, for subsequent sale into export markets (primarily to Japan, Korea and China), as well as to domestic lumber and pulp mills. Rayonier also produces dimension and specialty lumber products for residential construction and industrial uses.

Rayonier participates in the worldwide timber and wood products business in three specific ways:

Log Trading and Merchandising -- The Company harvests logs from Company owned parcels and from third party parcels on which the Company has acquired cutting rights, and purchases logs on the open markets. The Company then subsequently packages and sells these logs throughout the world.

Timberlands Management and Stumpage (Standing Timber) Sales -- The Company manages owned, leased and otherwise controlled timber properties and, after scientifically growing and nurturing the trees to their economic peak, sells the cutting rights to the timber on these properties at market prices through auction or negotiation.

Wood Products Sales -- The Company manufactures and sells lumber products for construction and other uses both domestically and in international markets.

Sales for the last three years by principal line of business are shown below (in millions of dollars):

	Sales		
Timber and Wood Products	1993	1992	1991
Log Trading and Merchandising	$365	$301	$294
Timberlands Management and Stumpage (Standing Timber) Sales	120	123	106
Wood Products Sales	47	33	24
Total Before Intrasegment Eliminations	532	457	424
Intrasegment Eliminations	(16)	(14)	(22)
Total	$516	$443	$402

LOG TRADING AND MERCHANDISING

Rayonier is a leading supplier and exporter of softwood logs. Rayonier buys and harvests timber stumpage (cutting rights to standing timber) principally in Northwest North America from third parties as well as from Company sources on an arms-length basis, competitively auctioned or negotiated. The Company also purchases, merchandises and sells purchased logs from New Zealand, both domestically in New Zealand as well as in export markets. The sale of logs accounted for approximately 71 percent of the Timber and Wood Products segment's sales in 1993. In 1993, 64 percent of New Zealand's sales came from Company-managed timberlands. In North America 8 percent was directly sourced from Rayonier's timberlands, however, approximately another 2 percent is purchased as logs from local dealers who had, in turn, purchased their cutting rights from the Company's timberland stumpage sales.

The logs harvested and purchased are sold into export markets (primarily to Japan, Korea and China), as well as to pulp and lumber mills in domestic markets. The Company also trades Canadian and Russian timber. During 1993, approximately 83 percent of the revenues Rayonier derived from the sale of logs were from logs sold to export markets.

TIMBERLANDS MANAGEMENT AND STUMPAGE (STANDING TIMBER) SALES

Rayonier manages timberlands, scientifically growing and nurturing tree stands until their economic peak for specific markets. The average rotation age for timber destined for export markets from the Northwestern United States is 50 years (primarily hemlock and Douglas fir species). The average rotation age for timber from the Southeastern United States is 25 years for timber sold to sawmills and 20 years for pulp wood destined for pulp and paper mills. The Company manages its timberlands on a sustainable yield basis in conformity with forest industry practices.

The Company is organized to regularly sell timber stumpage in North America through auction processes predominately to third parties. By requiring the Company's other business sectors (e.g., Specialty Pulp Products and Log Trading and Merchandising) to competitively bid on the stumpage, the Company believes it can maximize the true economic return on its investment.

Also key to the success of the Company's management of timberlands has been the extensive application of Rayonier's silvicultural expertise to species selection for plantations, soil preparation, thinning of timber stands, pruning of selected species and careful timing of harvest, all designed to maximize growth and forest yields while responding to environmental needs.

As of December 31, 1993, Rayonier managed approximately 1.5 million acres of timberlands, with approximately 863,000 acres or 58 percent located in the Southeastern United States, approximately 379,000 acres or 25 percent located in the Pacific Northwest (see "Rayonier Timberlands, L.P.") and approximately 253,000 acres or 17 percent located in New Zealand.

The 863,000 acres of Southeastern timberlands are located primarily in Georgia and Florida. Their proximity to a large number of pulp, paper and lumber mills results in significant competition for the purchase of Rayonier's timber. Approximately 726,000 acres are owned in fee and 137,000 acres are held under long-term leases. The Southeastern timberlands include approximately 554,000 acres of pine plantations, 290,000 acres of hardwood lands and 19,000 non-forest acres (representing main line and access roads and other acreage not suitable for forest development). Approximately

60 percent of the timber harvest is pulpwood, which is destined for pulp mills, with the remaining 40 percent being higher value sawlogs, which are sold to sawmills. Over the last five years the Company, through advanced silvicultural practices, has been able to increase the amount of timber volume per acre available for harvest from its Southeastern timberlands by approximately 2-3 percent per year and expects this trend to continue.

The 379,000 acres of the Company's Northwestern timberlands are located primarily on the Olympic Peninsula in Washington state, are all owned in fee and consist almost entirely of second-growth trees. The dramatic reduction of Northwest federal timber supply due to a shift to preservationist management has significantly increased demand on all alternative private timber supply, including that of the Company. These timberlands include approximately 322,000 acres of softwood stands, approximately 70 percent of which is hemlock and 30 percent Douglas fir, western red cedar and white fir. The Northwestern timberlands also include approximately 19,000 acres of hardwood timber stands, consisting principally of alder and maple. The remaining 38,000 acres are classified as non-forest lands.

On May 15, 1992, Rayonier, through its wholly owned New Zealand subsidiary, purchased for approximately $197 million from the New Zealand government forest assets consisting primarily of Crown Forest licenses providing the right to utilize approximately 250,000 acres of New Zealand plantation forests for a minimum period of 35 years. Most of these timberlands consist of radiata pine trees, with a planting-to-harvesting time of approximately 27 years, well-suited for the highest quality lumber and panel products. These trees typically produce up to twice as much fiber per acre, per year as the most productive commercial tree species in the United States. Rayonier intends to grow and harvest the New Zealand timber for both domestic New Zealand uses and for export primarily to Pacific Rim markets. The Company believes the acquisition was an important strategic initiative, in that it increased Rayonier's assets employed in the Timber and Wood Products segment from 29 percent to 40 percent of total assets from 1991 to 1992, further reducing the effects of the Specialty Pulp Products segment's cyclicality on Rayonier's earnings and cash flows because of the more stable characteristics of the timber stumpage business.

Rayonier seeks to maximize timberland value through reforestation and intensive silvicultural research to improve tree growth and to systematically manage the timberlands investment cycle by optimizing the economic returns on a species, site and market driven basis. Management of the Company's forest resources includes the annual planting of millions of genetically improved seedlings developed at Rayonier or cooperative nurseries.

WOOD PRODUCTS SALES

Rayonier's two Georgia lumber mills located at Baxley and Swainsboro convert southern yellow pine timber into dimension and specialty lumber products for residential construction and industrial uses. The Baxley mill utilizes modern and technologically advanced equipment, including computer and laser technology. The other lumber mill (an integrated complex located at Swainsboro and Lumber City, Georgia) was acquired in October 1993. The mills have a combined annual capacity of approximately 200 million board feet of lumber and an annual output of approximately 483,000 tons of wood chips for pulping. The mills sell their lumber output primarily in Southeastern markets. Their entire wood chip production, however, is shipped to Rayonier's Jesup, Georgia pulp facility and accounts for approximately 20 percent of Jesup's pine chip consumption. The sale of lumber accounted for approximately 9 percent of the Timber and Wood Products segment's sales in 1993.

Sales of logs and lumber in the Timber and Wood Products segment are made directly by Rayonier sales personnel to customers, although sales to certain export locations are made through agents.

SPECIALTY PULP PRODUCTS

Rayonier is a leading specialty manufacturer of chemical cellulose, often called dissolving pulp, from which customers produce a wide variety of products, principally textile, industrial and filtration fibers, plastics and other chemical intermediate industrial products. Rayonier believes that it is one of the world's largest manufacturers of high grade chemical cellulose. Rayonier also manufactures fluff pulps that customers use to produce diapers and other sanitary products, and specialty paper pulps used in the manufacture of products such as filters and decorative laminates.

Sales for the last three years, by principal line of business are shown below (in millions of dollars):

	Sales		
Specialty Pulp Products	1993	1992	1991
Chemical Cellulose	$279	$307	$325
Fluff and Specialty Paper Pulps	183	218	228
Total	$462	$525	$553

Rayonier manufactures more than 25 different grades of pulp. The Company owns and operates three wood pulp mills which have an aggregate annual capacity of approximately 826,000 metric tons. Rayonier's wood pulp production facilities are able to manufacture a broad mix of products to meet customers' needs. The Company owns wood pulp production facilities in Jesup, Georgia; Fernandina Beach, Florida; and Port Angeles, Washington. The Jesup facility, a kraft mill that began operations in 1954 and was subsequently significantly expanded and modernized, today accounts for approximately 530,000 metric tons of annual wood pulp production capacity, or 64 percent of Rayonier's current total. The Fernandina Beach facility began operations in 1939 and accounts for approximately 146,000 metric tons of annual wood pulp production capacity, or 18 percent of Rayonier's current total. The Port Angeles facility began operations in 1929 and accounts for approximately 150,000 metric tons of annual wood pulp production capacity, or 18 percent of Rayonier's current total.

Rayonier does not convert its pulps into finished products but instead concentrates on the production of specialty market pulps that are sold to industrial companies producing a wide variety of products. Rayonier manufactures its specialty pulp products to customers' specifications. Approximately half of Rayonier's pulp sales are to export customers, with the more important overseas markets being Western Europe (23 percent of sales) and Japan (12 percent of sales). Over 90 percent of specialty pulp sales are made directly by Rayonier sales personnel. In certain of the Company's export locations, sales are made with the aid of agents.

CHEMICAL CELLULOSE

Rayonier is one of the world's leading producers of chemical cellulose, often called dissolving pulp, which is a highly-purified form of pulp. Chemical cellulose is used in a wide variety of products such as textile fibers, rigid packaging, photographic film, impact-resistant plastics, high tenacity rayon yarn for tires and industrial hoses, pharmaceuticals, cosmetics, detergents, sausage casings, food products, thickeners for oil well drilling muds, cigarette filters, lacquers, paints, printing inks and explosives. Chemical cellulose accounted for approximately 60 percent of the Company's Specialty Pulp Products' sales in 1993.

Within the chemical cellulose industry, Rayonier concentrates on the most highly valued, technologically demanding end uses, such as cellulose acetate and high purity cellulose ethers. In each of these markets, Rayonier believes it is the leading supplier.

FLUFF AND SPECIALTY PAPER PULPS

Rayonier believes it is one of the top five suppliers to the fluff pulp sector. Fluff pulp is used as an absorbent medium in products such as disposable baby diapers, personal sanitary napkins, incontinent pads, convalescent bed pads, industrial towels and wipes and non-woven fabrics. Fluff pulp accounted for approximately 33 percent of the Company's pulp sales in 1993.

Rayonier is a major producer of specialty paper pulps and produces a small volume of regular paper pulp. Customers use Rayonier's specialty paper pulps to manufacture paper for decorative laminates for counter tops, shoe innersoles, battery separators, circuit boards, air and oil filters and filter media for the food industry. Specialty paper pulp sales were 5 percent of Rayonier's total pulp sales in 1993. A small volume of regular paper pulp, less than 2 percent of total Company pulp sales, is used in the manufacture of bond, book and printing paper.

PULP PRICING

Rayonier believes pulp industry prices are currently at or near a cyclical low. On an inflation adjusted basis such prices are at or below historical lows. However, while Rayonier's pricing has been adversely impacted, the Company's higher value pulps are significantly less cyclical than commodity paper pulp.

Because Rayonier is a non-integrated market pulp producer, its high value product mix pricing trends tend to lag (on both the upturn and downturn) pulp and paper industry trends which are dominated by paper, paperboard and newsprint products. Over the past ten to twelve years, compared to commodity paper pulp prices, the Company's price trends for fluff grades have lagged by one to two quarters and for chemical cellulose by three to four quarters.

FOREIGN SALES AND OPERATIONS

Rayonier relies on foreign markets for its pulp and timber products with approximately 50 percent of its sales going to foreign customers during the past five years. In 1993, Asian markets accounted for 30 percent of U.S. sales and Western Europe 12 percent. Exports, primarily to Asian markets, also accounted for 78 percent of Rayonier's New Zealand sales. The Company is therefore reasonably dependent upon strong economic growth in all international markets including that of the United States. With alternate markets in Latin America and the Middle East, however, the Company has been able to spread its geographical risk when specific markets have entered economic recessions.

In recent years, substantially all of Rayonier's operating activities have been in the United States. In May 1992, the Company purchased timber rights in New Zealand, significantly increasing its overseas assets. Overseas assets amounted to 15 percent of total assets as of the end of 1993, and Rayonier's sales from non-U.S. sources in 1993 were 10 percent of total sales.

The following tables summarize the sales, operating income and identifiable assets of the Company by geographical operating area for the three years ended December 31, 1993 (in millions of dollars):

	Sales		
	1993	1992	1991
United States	$839	$ 944	$ 968
New Zealand	93	30	11
All other	4	-	-
Total	$936	$ 974	$ 979

	Operating Income (Loss)			Identifiable Assets		
	1993	1992	1991	1993	1992	1991
United States	$103	$(89)	$ 99	$1,24	$1,271	$1,367
New Zealand	27	5	1	226	205	5
All other	(3)	(3)	(3)	1	-	-
Total	$127	$(87)	$ 97	$1,475	$1,476	$1,372

Reference is also made to Note 17 of the accompanying Notes to Consolidated Financial Statements.

DISPOSITIONS/DISCONTINUED OPERATIONS

Dispositions/Discontinued Operations includes units and site facilities no longer considered integral to Rayonier's business strategy. This segment includes operations of Rayonier's wholly owned subsidiary, Southern Wood Piedmont Company (SWP), the Grays Harbor Complex and other miscellaneous operations held for disposition.

Management made a determination effective December 31, 1986, to phase out and discontinue SWP, its treated wood and preserving business subsidiary, establishing an after-tax provision for its discontinuation. Increases to the after-tax provision were recorded in 1988 and 1990, primarily as a result of revisions in Rayonier's estimate of environmental costs for closure, post-closure, and corrective action programs at SWP. Rayonier's financial statements reflect SWP as a discontinued operation.

Rayonier is currently actively involved in implementing cleanup and closure programs for SWP in compliance with the Resource Conservation and Recovery Act (RCRA) and is in negotiations with Federal and state environmental agencies on

such programs. The costs of the corrective action and closure programs at SWP's nine primary manufacturing locations are affected by many factors, which has led to increases in the reserves for such programs in the past, and may result in increases in the future, as the effectiveness of the existing cleanup programs is measured against applicable standards. Expenditures for such programs will also depend on new laws, regulations and administrative interpretations, governmental responses to programs proposed by Rayonier and changes in environmental control technology. Although considerable progress on cleanup was made by year-end 1993, in particular at three of SWP's nine locations where the installation of corrective action facilities has been completed, there is still uncertainty as to the timing and amount of expenditures beyond 1993 at these sites and the extent and timing for completing programs at all sites.

In 1992, Rayonier provided $180 million, pre-tax, for the loss on disposal of assets along with the costs for severance, demolition and other close down items associated with the disposition of the Grays Harbor Complex. In August 1993 a portion of the Grays Harbor Complex was sold for cash and notes. The Company is still completing demolition, personnel termination, environmental remediation and other closure programs.

As of December 31, 1993 the Company had $76 million reserved for discontinued operations and units held for disposition. Subject to the uncertainties discussed above, the Company believes that its reserves established to divest or close all of these business activities are adequate. The Company further believes that future change in estimates, if necessary, will not materially affect the financial condition of the Company.

RAYONIER TIMBERLANDS, L.P.

In the United States, Rayonier manages timberlands and sells timber stumpage directly through Rayonier Timberlands, L.P. (RTLP), a publicly traded master limited partnership. Rayonier and Rayonier Forest Resources Company (RFR), a wholly owned subsidiary, are the general partners of RTLP. Rayonier also owns 74.7 percent of the Class A Limited Partnership Units, the remaining 25.3 percent being publicly held. Class A Units participate principally in the revenues, expenses and cash flow associated with RTLP's sales of timber through December 31, 2000 and to a significantly lesser extent in subsequent periods. RTLP's sales of timber after that date as well as cash flow associated with land management activities before and after that date are principally allocable to the Class B Limited Partnership Units, all of which have been retained by Rayonier. RTLP, through Rayonier Timberlands Operating Company, L.P., owns, leases and manages timberlands in the Southeastern and Northwestern United States previously owned or leased by Rayonier, sells timber stumpage from such timberlands and from time to time purchases and sells timberlands. RTLP's timberlands provide a major source of wood used in Rayonier's other businesses. Since RTLP is majority owned by the Company, RTLP is included in the Company's consolidated financial statements as a consolidated entity. The Company's investment in RTLP as of December 31, 1993 was $219 million, on the basis of historical cost.

PATENTS

Rayonier has a large number of patents which relate primarily to its products and processes. It also has pending a number of patent applications. Although, overall, Rayonier's patents are of importance in the operation of its business, Rayonier does not consider any of its patents or group of patents relating to a particular product or process to be of material importance from the standpoint of Rayonier's total business.

COMPETITION AND CUSTOMERS

Rayonier has for many years targeted the Pacific Rim as a market for its timber and wood products. Rayonier has been involved in the marketing of pulp products in Japan since the 1930's and in Korea and China for over 15 years. With the acquisition of the New Zealand timberland assets described above, Rayonier believes it is in a better position to service its existing and future Pacific Rim customers.

The Company's domestic timberlands are located in two major timber growing regions of the United States (the Southeast and the Northwest), where timber markets are fragmented and very competitive. In the Northwest, stumpage sold by Hancock Insurance Company and from Washington state owned public forests is the most significant competition. In both the Northwest and Southeast, smaller forest products companies and private land owners compete with the Company. Price is the principal method of competition in this market.

Export markets for Rayonier's logs are equally competitive, with logs available to customers from several countries and from several suppliers within each country. Within New Zealand, major competitors include Carter Holt Harvey Limited, Fletcher Challenge Limited and New Zealand Forestry Corporation. Weyerhaeuser Company, International Paper

Company and Cavenham Forest Industries, Inc. are the principal competitors to Rayonier in the log trading business. Log customers may switch species of logs from those sold by Rayonier to other lower-cost species sourced elsewhere. Price is the principal method of competition with respect to the acquisition of logs or stumpage for resale, and price and customer relationships are important methods of competition in the sale of logs to final customers.

Rayonier's wood products, in particular lumber, compete with the products of numerous companies, many of which are larger and have greater resources than Rayonier. Such lumber also competes with alternative construction materials. In most of the markets in which Rayonier is engaged, competition is primarily through price, quality, customer relationships and technical service.

Rayonier is a major producer of specialty pulp products, including chemical cellulose, fluff and specialty paper pulps (for example, pulps for filtration papers) and is only a minor producer of regular paper making pulp. The Company's products are marketed worldwide against strong competition from domestic and foreign producers. Some of Rayonier's major competitors are Georgia-Pacific Corporation, International Paper Company, Weyerhaeuser Company, Buckeye Cellulose Corporation and Stora Kopparbergs Bergslags AB. Product performance, pricing and, to a lesser extent, technical service are the principal methods of competition.

Rayonier sells its pulp products primarily to a diversified group of major domestic and foreign companies, with no single customer accounting for more than 8 percent of total sales. In 1993, 46 percent of pulp product sales were to North America, 23 percent to Western Europe, 12 percent to Japan and 10 percent to Latin America.

ENVIRONMENTAL MATTERS

Rayonier's current and future operations are closely linked with the environment. Timber regeneration, wildlife protection, recycling and waste reduction, energy conservation and compliance with increasingly stringent environmental standards are significant factors affecting operations. As a result, Rayonier closely monitors all of its environmental responsibilities, together with trends in environmental laws.

Historically, Rayonier has invested substantial capital in order to comply with Federal, state and local environmental laws and regulations. During 1993, 1992, 1991 and 1990, capital expenditures attributable to environmental compliance amounted to $3 million, $25 million, $43 million and $15 million, respectively. By making the anticipated expenditures for its ongoing pollution abatement program, Rayonier believes that it will continue to meet the environmental standards now applicable to its various facilities. Failure to meet applicable pollution control standards could result in interruption or suspension of operations of the affected facilities, or could require additional capital expenditures at these facilities in the future.

Rayonier believes that the Clean Air Act Amendments of 1990 (the CAAA) will require substantial capital expenditures by the pulp and paper industry over the next ten years. In particular, regulations recently proposed by the U.S. Environmental Protection Agency (the EPA) would require incineration of volatile pulp mill emissions and scrubbing of similar emissions from bleach plants. While Rayonier has some of the technology to meet these proposed regulations in place, it believes that certain parts of this proposal are not based on sound technology and are outside the authority of the law that the EPA seeks to apply. During the regulatory comment period, Rayonier expects to file comments with the EPA documenting this position and seeking to have the EPA modify these proposed regulations.

Rayonier believes that many provisions of these proposed regulations, if adopted in their current form, would also require substantial modifications in the operations of most mills within the industry. Other provisions of the CAAA will require more stringent monitoring of mill emissions than has previously been required in order to demonstrate compliance with air permits to be issued under Title V of the CAAA. These permits will apply emission limitations on a facility-wide basis to each of Rayonier's mill operations.

The EPA is also revising effluent guidelines applicable to pulp and paper facilities under the Clean Water Act (the CWA). The proposed regulations, which are designed to reduce or eliminate the discharge of chlorinated organics, are, in some cases, based on technological requirements which would prevent Rayonier from meeting certain product quality specifications for substantially all of its chemical cellulose products and in other cases will increase the cost of making such products. Sales of the Company's chemical cellulose products accounted for approximately 30 percent of the Company's total 1993 sales. Rayonier expects to file comments with the EPA during the CWA regulatory comment period to challenge the technical and legal bases of these proposed regulations and to seek to have the proposals modified by the EPA.

These proposed regulations would also require a large reduction in the discharge of conventional pollutants from dissolving sulfite mills (Rayonier's Port Angeles, Washington and Fernandina Beach, Florida mills are dissolving sulfite mills). Rayonier expects to submit comments challenging the technical and legal bases for the proposed regulations.

The proposed regulations under the CAAA and CWA are scheduled to be promulgated in final form by late 1995, and compliance must be achieved within three years thereafter. Although these regulations, if not changed, may have a material effect on Rayonier's operations, it will not be possible for Rayonier to determine the nature or costs of such effect until the regulations are issued in final form. The Company recently developed initial order of magnitude estimates of the costs of complying with these regulations if they are modified to remove the technological bases that would prevent Rayonier from manufacturing some of its products. These estimates indicate that with incremental capital expenditures of approximately $95 million at Jesup, $55 million at Fernandina Beach and $40 million at Port Angeles, the Company could continue to manufacture its current product line. Such expenditures would most likely be incurred over several years and not commence before 1995. Rayonier, however, will continue to argue, both individually and through the industry trade association, for modifying the proposed operating guidelines further to eliminate errors it believes the agency has made and Rayonier will continue to explore new and revised operating and technical process alternatives in lieu of spending such funds. Rayonier cannot predict, however, whether these efforts will be successful.

Over the past three years, the harvest of timber from private lands in the state of Washington has been restricted as a result of the listing of the northern spotted owl as a threatened species under the Endangered Species Act (ESA). These restrictions have caused RTLP to restructure and reschedule some of its harvest plans. The U.S. Fish and Wildlife Service (FWS) is developing a proposed rule under the ESA to redefine protective measures for the northern spotted owl on private lands. This rule, as currently drafted, would reduce the harvest restrictions on private lands except within specified special emphasis areas, where restrictions would be increased. One proposed special emphasis area is on the Olympic Peninsula, where a significant portion of RTLP's Washington timberlands is located. The new rule may also include guidelines for the protection of the marbled murrelet, also recently listed as a threatened species. Separately, the state of Washington Forest Practices Board is in the process of adopting new harvest regulations to protect the northern spotted owl and the marbled murrelet. The State Department of Natural Resources draft of this rule also provides for a special emphasis area to protect the northern spotted owl on the Olympic Peninsula, which would increase harvest restrictions on the Company's lands. The Company is unable at this time to predict the form in which the Federal or state rules will eventually be adopted. However, if either rule is adopted in the form proposed by the respective agencies, the result will be some reduction in the volume of Company timber available for harvest.

See Item 3.- "Legal Proceedings".

RAW MATERIALS

Regional timber availability continues to be restricted by legislation, litigation and pressure from various preservationist groups. While Rayonier's timber products business has benefited from a significant increase in log and timber stumpage prices, this has also adversely impacted fiber costs at Rayonier's Port Angeles pulp manufacturing facility in the Northwest.

Rayonier has pursued, and is continuing to pursue, reductions in costs of other raw materials, supplies and contract services at the Company's pulp mills. Lower prices have already been negotiated for caustic/chlorine. Management foresees no constraints in pricing or availability of its key raw materials, other than the comments concerning wood fiber above.

RESEARCH AND DEVELOPMENT

Rayonier believes it has one of the preeminent research facilities and staffs in the forest products industry. Rayonier has been able to utilize this research resource to enhance the marketing of its products to various customers. For its pulp business, research and development efforts are directed primarily at the development of new and improved pulp grades, improved manufacturing efficiency, reduction of energy needs, product quality and development of improved environmental controls. Research efforts are concentrated at the Rayonier Research Center in Shelton, Washington. Research activities related to Rayonier's forest resources operations include genetic tree improvement programs as well as applied silviculture programs to identify management practices that improve returns from the timberland asset. Research and development expenditures were $7 million in 1993 and $8 million in both 1992 and 1991.

EMPLOYEE RELATIONS

Rayonier currently employs approximately 2,600 people. Of this number, approximately 2,500 are employees in the United States, of whom 60 percent are represented by labor unions. Most hourly employees are represented by labor unions. Generally, labor relations have been maintained in a normal and satisfactory manner. The ten labor unions within Rayonier represent approximately 1,500 employees at the three pulp mills and at the Rayonier Research Center. Bargaining activity in 1993 resulted in a three-year extension of the Port Angeles pulp mill's two labor agreements. The Fernandina pulp mill (approximately 300 covered employees) and the Rayonier Research Center (approximately 25 covered employees) contracts will expire on April 30, 1994 and August 31, 1994, respectively. During 1995, labor contracts of Rayonier's Jesup mill will expire, covering approximately 875 employees.

Rayonier has in effect various plans which extend to its employees and retirees certain group medical, dental and life insurance coverage, pension, and other benefits. The cost of such benefit plans is borne primarily by Rayonier, with the exception of health care, for which employees are responsible for approximately 20 percent of premium costs.

ITEM 2. PROPERTIES

RTLP owns, leases or controls approximately 1.2 million acres of timberlands in the United States previously owned or leased by Rayonier. See Note 5 of the accompanying Notes to Consolidated Financial Statements. Rayonier, through its wholly owned subsidiary, RFR, as managing general partner of RTLP, continues on behalf of RTLP to manage such properties and sell stumpage therefrom to Rayonier as well as unaffiliated parties. Rayonier's New Zealand subsidiary owns or manages the forest assets on approximately 253,000 acres of plantation forests in New Zealand. Rayonier and its wholly owned subsidiaries own or lease various other properties used in their operations, including three pulp mills, two lumber manufacturing facilities, a research facility, various other timberlands, and Rayonier's executive offices. These facilities (except for the executive offices in Stamford, Connecticut) are located in the northwestern and southeastern portions of the United States and in New Zealand.

ITEM 3. LEGAL PROCEEDINGS

The Company and its wholly owned subsidiary, SWP, are named defendants in six cases arising out of former wood preserving operations at SWP's plant located in Augusta, Georgia. In general, these cases, five pending in the U.S. District Court for the Southern District of Georgia and one pending in the Superior Court of Richmond County, Georgia, seek recovery for property damage and personal injury or medical monitoring costs based on the alleged exposure to toxic chemicals used by SWP in its former operations. One case, Ernest Jordan v. Southern Wood Piedmont Co., et al., seeks certification as a class action and damages in the amount of $700 million. Counsel for the Company believes that the Company has meritorious defenses in all these cases. Several previous lawsuits related to the Augusta facility have been settled for amounts not material to the Company.

Rayonier has been named as a "Potentially Responsible Party" (PRP) or is a defendant in actions being brought by a PRP in five proceedings instituted by the U.S. Environmental Protection Agency (EPA) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) or by state agencies under comparable state statutes. In three of these proceedings, Rayonier is presently considered a de minimis participant. In one proceeding, the Company is not a de minimis participant because of the limited number of PRP's, and the Company believes that its share of liability for total cleanup costs (currently estimated to be between $30 million and $39 million) will be less than 9 percent of the total. In another proceeding, the Company is not a de minimis participant based on an analysis of the volume and type of waste that the Company is alleged to have disposed of at the site, and the Company believes that its share of liability for total cleanup costs (currently estimated to be between $25 million and $32 million) will be less than 1.75 percent of the total. In each case, Rayonier has established reserves for its estimated liability. Rayonier has also received requests for information from the EPA in connection with two other CERCLA sites, but the Company does not currently know to what extent, if at all, liability under CERCLA will be asserted against Rayonier with respect to either site.

There are various other lawsuits pending against or affecting Rayonier and its subsidiaries, some of which involve claims for substantial amounts. The ultimate liability with respect to all actions pending against Rayonier and its subsidiaries is not considered material in relation to the consolidated financial condition of Rayonier and its subsidiaries.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company was incorporated as "Rayco, Inc." under the laws of North Carolina on December 3, 1993 and issued 79 Common Shares to ITT Rayonier Incorporated, a Delaware Corporation (Rayonier Delaware). By written consents effective December 10, 1993, ITT Corporation as the sole stockholder of Rayonier Delaware and Rayonier Delaware as the sole shareholder of the Company approved the merger of Rayonier Delaware into the Company, with the name of the surviving corporation being "ITT Rayonier Incorporated." As a result of such merger, the Company's outstanding 79 Common Shares were issued to ITT. By written consents effective December 13, 1993, ITT as the sole shareholder of the Company (a) elected ITT executives D. Travis Engen and Robert A. Bowman to join Ronald M. Gross, Chairman, President and Chief Executive Officer, on the Company's Board of Directors and (b) approved the Amended and Restated Articles of Incorporation of the Company.

Subsequent to December 31, 1993, ITT as the sole shareholder of the Company took three actions by written consent prior to the Distribution. The subject matter of these consents and their respective effective dates were: (1) approval of an amendment to the Company's Amended and Restated Articles of Incorporation changing its name to "Rayonier Inc." (consent effective February 2, 1994; Articles of Amendment were filed on February 17, 1994); (2) approval of certain compensation plans (consent effective February 28, 1994); and (3) election as directors of the individuals listed in Item 10 of this Form 10-K (consent in lieu of the 1994 Annual Meeting of Shareholder effective February 28, 1994).

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On February 28, 1994 ITT Corporation, the Registrant's sole shareholder, distributed, as a special dividend, all of the common shares of the Registrant. On March 2, 1994 the common shares of the Registrant began trading on the New York Stock Exchange. On March 15, 1994 the Company had 29,565,392 Common Shares outstanding and 59,581 shareholders of record. For the period March 2, 1994 through March 15, 1994 the price of Rayonier Common Shares ranged from $31.625 to $35.000 per share. In the first quarter of 1994, the Board of Directors declared a dividend of $.18 per share payable on March 31, 1994 to holders of record of Rayonier Common Shares on March 10, 1994.

ITEM 6. SELECTED FINANCIAL DATA

The following summary of historical financial data for each of the five years ended December 31, 1993 are derived from the consolidated financial statements of the Company. The data should be read in conjunction with the consolidated financial statements ($ in millions except per share).

	Year Ended December 31,				
	1993	1992	1991	1990	1989
INCOME STATEMENT DATA:					
Sales	$ 936	$ 974	$ 979	$1,104	$1,082
Operating income before provision for dispositions	130	102	97	190	224
Provision for dispositions	(3)	(189) (1)	-	-	2
Operating income (loss)	127	(87)	97	190	226
Interest expense	(23)	(21)	(14)	(12)	(18)
Minority interest	(23)	(23)	(20)	(21)	(19)
Income (loss) from continuing operations	52	(81)	44	109	128
Provision for discontinued operations	-	-	-	(43)	-
Cumulative effect of accounting changes	-	(22) (2)	-	-	-
Net income (loss)	52	(103)	44	66	128
DIVIDENDS (3)	122	18	20	61	48
EARNINGS (LOSS) PER COMMON SHARE:					
Income (loss) from continuing operations before cumulative effect of accounting changes	$ 1.77	($2.77)	$ 1.50	$ 3.70	$ 4.33
Cumulative effect of accounting changes	-	(0.74)	-	-	-
Income (loss) from continuing operations	1.77	(3.51)	1.50	3.70	4.33
Discontinued operations	-	-	-	(1.47)	-
Net Income (loss)	1.77	(3.51)	1.50	2.23	4.33
BALANCE SHEET DATA:					
Total assets	$1,475	$1,476	$1,372	$1,353	$1,330
Short-term bank debt and current maturities of long-term debt	182	102	12	32	7
Long-term debt	316	302	193	141	174
Shareholder equity	606	676	797	772	767
CASH FLOW DATA:					
Capital expenditures	$ 72	$ 97	$ 134	$ 100	$ 80
New Zealand acquisition	-	197	-	-	-
Depreciation, depletion and amortization	78	78	69	64	64
EBITDA (4)	187	156	147	234	271
EBIT (5)	109	78	78	170	207
SELECTED FINANCIAL RATIOS (UNAUDITED)					
Operating income before provision for dispositions as a percentage of sales	13.9%	10.5%	9.9%	17.2%	20.7%
Return on equity	8.2%	(14.1)%	5.7%	8.6%	17.6%
Total debt to capitalization	45.1%	37.4%	20.5%	18.3%	19.1%
Total debt to EBITDA - ratio	2.7x	2.6x	1.4x	0.7x	0.7x
EBIT/Interest expense - ratio	4.7x	3.7x	5.6x	13.7x	11.6x

	Year Ended December 31,				
	1993	1992	1991	1990	1989
SELECTED OPERATING DATA (UNAUDITED)					
Timber and Wood Products Segment					
Log Sales:					
North America - million board feet	47	435	506	585	629
New Zealand - thousand cubic meters	1,375	682	259	114	57
Other - million board feet	11	-	-	-	-
Timber Harvested:					
Northwest U.S. - million board feet	143	195	189	202	270
Southeast U.S. - thousand short green tons	2,001	2,006	2,037	1,838	1,765
New Zealand - thousand cubic meters	918	636	-	-	-
Lumber sold - million board feet	125	118	103	113	109
Intercompany Sales					
Logs - million board feet	15	25	35	31	63
Northwest U.S. Timber Stumpage - million board feet	28	44	68	69	92
Southeast U.S. Timber Stumpage - thousand short green tons.	299	317	398	114	129
Wood Chips to Jesup pulp mill - thousand short green tons	319	352	320	356	295
Specialty Pulp Products Segment					
Chemical cellulose sales - thousand metric tons	369	399	412	403	436
Fluff and specialty paper sales - thousand metric tons(6)	352	367	409	446	318
Production as a Percentage of Capacity	85%	95%	97%	96%	92%

(1) Represents a charge of $189 million ($121 million after-tax) to provide for the loss on the disposal of assets along with the costs for severance, demolition and other closedown items associated with the disposition of certain facilities; $180 million ($115 million after-tax) of this charge relates to the Grays Harbor Complex; as defined elsewhere herein.

(2) Represents the cumulative effect of accounting changes due to the adoption of Statement of Financial Accounting Standards (SFAS) No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions," and SFAS No. 112 "Employers' Accounting for Postemployment Benefits." These standards were adopted as of January 1, 1992 using the immediate recognition method, and the resulting after-tax charge of $22 million ($33 million pre-tax) is included in net income (loss) in 1992.

(3) Pursuant to a recapitalization program, Rayonier paid a special dividend to ITT in the fourth quarter of 1993 of $90 million. Dividends paid by Rayonier to ITT are not indicative of future dividends. In the first quarter of 1994, the Board of Directors declared a dividend of $.18 per share payable on March 31, 1994 to holders of record of Rayonier Common Shares on March 10, 1994.

(4) EBITDA is defined as earnings (income) from continuing operations before the cumulative effect of accounting changes, provision for dispositions, income taxes, interest expense and depreciation, depletion and amortization.

(5) EBIT is defined as earnings (income) from continuing operations before the cumulative effect of accounting changes, provision for dispositions, income taxes and interest expense.

(6) Excludes wood pulp produced by the Grays Harbor pulp mill of 62, 78, 103 and 105 thousands of metric tons for the years ended December 31, 1992, 1991, 1990 and 1989, respectively.

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

On February 28, 1994, ITT Corporation (ITT), Rayonier's sole shareholder, distributed, as a special dividend, all of the Common Shares of Rayonier to the holders of ITT Common Stock and Series N Preferred Stock. In connection with the Distribution, the Company changed its name from ITT Rayonier Incorporated to Rayonier Inc. and became a publicly traded Company listed on the New York Stock Exchange under the symbol "RYN." On March 1, 1994, there were approximately 29.6 million Common Shares of Rayonier outstanding.

SEGMENT INFORMATION

The amounts and relative contributions to sales and operating income attributable to each of Rayonier's business segments for each of the last three years ended December 31, 1993 were as follows: ($ in millions)

Sales	Year Ended December 31		
	1993	1992	1991
Timber and Wood Products:			
Log Trading and Merchandising	$ 365	$ 301	$ 294
Timberlands Management and Stumpage (Standing Timber) Sales	120	123	106
Wood Products Sales	47	33	24
Total Before Intrasegment Eliminations	532	457	424
Intrasegment Eliminations	(16)	(14)	(22)
Total Timber and Wood Products	516	443	402
Specialty Pulp Products:			
Chemical Cellulose	279	307	325
Fluff and Specialty Paper Pulps	183	218	228
Total Specialty Pulp Products	462	525	553
Intersegment Eliminations	(42)	(34)	(31)
Total Before Dispositions	936	934	924
Dispositions	--	40	55
Total Sales	$ 936	$ 974	$ 979
Operating Income (Loss)			
Timber and Wood Products	$ 144	$ 100	$ 79
Specialty Pulp Products	(4)	16	44
Corporate and Other	(8)	(10)	(9)
Intersegment Eliminations	(2)	3	(1)
Total before Dispositions	130	109	113
Dispositions	(3)	(196)	(16)
Total Operating Income (Loss)	$ 127	$ (87)	$ 97

BUSINESS CONDITIONS

Operating results in the forest products industry are cyclical. Rayonier's recent operating results for the Timber and Wood Products segment have improved due to significantly higher selling prices and increased activity resulting from the Company's May 1992 expansion of its New Zealand operations. However, Rayonier's recent operating results for the Specialty Pulp Products segment have been adversely affected by lower selling prices and reduced shipments resulting from excess capacity in the pulp industry combined with weak domestic and international markets. As a result, sales for the Company's Specialty Pulp Products segment declined in the last three fiscal years, affecting total Company sales results. In 1992 and 1993, increasing Timber and Wood Products sales have offset the Specialty Pulp Products sales decline. During the most recent economic downturn, the Company remained profitable, except for the effect of the pre-tax restructuring charge for the Grays Harbor Complex of $180 million, which resulted in a net loss in 1992 of $103 million.

Specialty Pulp Products operating results in 1993 continued to decline from prior year levels as a result of an extended period of slow economic growth and overcapacity in the industry. The Company expects that this business segment will continue to be under pressure in 1994.

Rayonier's results continue to be heavily dependent on the pulp industry cycle, and the Company continues to look at the strategic value of its facilities in light of these market conditions. In 1992 the Company permanently closed operations at the Grays Harbor Pulp Mill and Vanillin plant, and the associated Grays Harbor Paper Company (collectively referred to as the Grays Harbor Complex). The Company took a charge of $189 million ($121 million after-tax) in the year for the write-off of assets and closure costs for certain facilities; $180 million ($115 million after-tax) of this charge related to the Grays Harbor Complex.

The Company's two remaining sulfite mills, Port Angeles, Washington, and Fernandina Beach, Florida, are currently facing severe margin pressure as a result of many factors including their age and size and possible environmental compliance costs. The mill in Port Angeles, Washington, in particular, has faced and will likely continue to face significantly higher wood costs than facilities in other parts of the country. The viability of these two particular facilities will be dependent upon a resurgence of economic growth in Rayonier's markets and, for the Port Angeles mill, the return of Northwest wood costs to a more competitive level. If the resurgence in economic growth is delayed, and, in the case of Port Angeles, raw material wood costs do not become more competitive, the Company may be faced with considering other alternatives relative to these facilities. Potential options include sale of the facilities, a restructuring of the operations to make alternative products, temporary mothball of the facilities, joint-venture arrangements or possible closure and termination of operations. The net plant and equipment invested in the Port Angeles and Fernandina pulp facilities was $101 million and $142 million, respectively, at December 31, 1993. The Company's repositioning of strategic assets into timber and wood markets, such as the expansion of its New Zealand timber and wood based operations, and its significant timberland holdings, have allowed it to moderate the affect of the pulp cycle and, except for the significant write-off of the Grays Harbor Complex in 1992, report profitable results for the last three fiscal years.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1993 COMPARED WITH THE YEAR ENDED DECEMBER 31, 1992

SALES AND OPERATING INCOME

Sales of $936 million for the year ended December 31, 1993 were $38 million (4 percent) lower than the comparable period of 1992. Operating income of $127 million for the year ended December 31, 1993 increased $214 million over the comparable 1992 period.

Timber and Wood Products

Sales for the Timber and Wood Products segment were $516 million, an increase of $73 million (16 percent) over 1992 sales due to significantly higher selling prices and increased activity resulting from the Company's May 1992 major expansion of its New Zealand operations, partially offset by lower North American log and stumpage volume. Prices were substantially higher for stumpage, logs and lumber products due to supply shortages caused by environmental restrictions and litigation in the Northwest U.S., wet weather conditions in the Southeast U.S. in the first quarter, and concerns over the availability of timber and lumber supplies worldwide. Sales in 1993 were adversely affected by lower timber harvest volumes in the Northwest as a result of customers delaying stumpage harvesting due to previously contracted prices outpacing end use export log values. Sales in 1992 included $17 million in timberland parcel sales in the Northwest with no comparable sales during 1993.

Timber and Wood Products operating income improved $44 million (44 percent) to $144 million reflecting significantly improved stumpage, log and lumber prices and expanded New Zealand operations. The 1992 operating income included $16 million from the Northwest timberland parcel sales. Other operating expenses in 1992 included several charges for contract settlements and reserves.

Specialty Pulp Products

Sales for the Specialty Pulp Products segment were $462 million, declining $63 million (12 percent) from the prior period. The decrease primarily reflects lower selling prices and reduced volume resulting from excess capacity in the pulp industry combined with weak domestic and international markets.

Operating income for Specialty Pulp Products decreased $20 million to an operating loss of $4 million, reflecting lower pulp prices, lower sales volume, temporary market related downtime costs and higher pulpwood costs.

Dispositions

The Dispositions segment includes the results of the Grays Harbor Complex which was closed in 1992, and other miscellaneous operations that are being held for disposition. These operations had no sales in 1993 versus sales of $40 million in 1992. Operating losses of this segment were $3 million in 1993, representing a provision for disposition of other miscellaneous operations. Operating losses of the Dispositions segment were $196 million in 1992 which included a provision for dispositions of $189 million related to the closure of the Grays Harbor Complex and other miscellaneous facilities. A portion of the Grays Harbor Complex assets was sold in August 1993 for cash and notes. The Company is still completing demolition, personnel termination, environmental remediation and other closure programs. See Note 8 of the accompanying Notes to Consolidated Financial Statements for further information.

Intersegment sales consist primarily of pulpwood sales by the Timber and Wood Products segment to the Company's pulp mills.

OTHER ITEMS

Commission expenses for the year ended December 31, 1993 decreased $12 million from the prior year, as 1992 included external commissions incurred under a sales agency agreement with ITT Foreign Sales Corporation (FSC). Effective January 1, 1993, ITT transferred ownership of FSC to Rayonier.

Equity in the net loss of Grays Harbor Paper Company decreased $3 million from the prior year as this joint venture company ceased operations in late 1992. See Note 8 of the accompanying Notes to Consolidated Financial Statements for further information. Interest expense increased $2 million from the prior year reflecting higher debt levels resulting from the May 1992 New Zealand timber rights acquisition.

INCOME TAXES

The provision for income taxes was adversely impacted by the effects of tax reform legislation enacted August 10, 1993. This legislation increased the corporate income tax rate from 34 percent to 35 percent retroactive to January 1, 1993 and eliminated tax benefits related to log exports for foreign sales corporations effective in the third quarter. The provision for income taxes includes a charge of $2 million as a result of the remeasurement of the Company's deferred tax liability for the 1 percent increase in the corporate income tax rate. In total, the 1993 tax reform legislation negatively impacted results by approximately $3 million.

NET INCOME

Net income in 1993 was $52 million compared to a net loss of $103 million in 1992. As noted above, the 1992 net loss includes commission expenses of $12 million, pretax ($8 million after-tax) incurred under a sales agency agreement with FSC and $190 million, pretax, ($123 million after-tax) of operating losses, equity losses and closure provision relating to the Grays Harbor Complex. In addition, in 1992 the Company recorded an after-tax charge of $22 million to reflect the cumulative effect of accounting changes for the adoption of Statement of Financial Accounting Standards (SFAS) No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits." Excluding the cumulative effect of accounting changes, the FSC commission expense and the effect of the Grays Harbor Complex related expenses recorded in 1992, net income of $52 million in 1993 increased $3 million or 6 percent over last year's comparable net income of $49 million.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1992 COMPARED WITH THE YEAR ENDED DECEMBER 31, 1991 SIGNIFICANT ACTIONS DURING 1992

Two significant actions occurred in 1992. In May, the Company acquired rights to approximately 250,000 acres of timber in New Zealand, the operations of which are reported in the Timber and Wood Products segment. Second, in the fourth quarter, the Company permanently terminated operations at the Grays Harbor Complex. See Notes 4 and 8 of the accompanying Notes to Consolidated Financial Statements for further information. As a result, the percentage of Rayonier's total assets employed in the Timber and Wood Products segment increased from 29 percent at year-end 1991 to 40 percent at December 1992.

SALES AND OPERATING INCOME

Sales of $974 million for the year ended December 31, 1992 were $5 million less than the $979 million realized in 1991. The 1992 operating loss of $87 million represented a decline of $184 million from 1991 operating income of $97 million, primarily due to the Company's 1992 provision for dispositions of $189 million related to the closure of the Grays Harbor Complex and other miscellaneous facilities.

Timber and Wood Products

Sales of Timber and Wood Products of $443 million in 1992 represented an increase of $41 million (10 percent) from 1991 sales of $402 million. The increase primarily resulted from the Company's May 1992 expansion of its New Zealand operations, the closing of the final two parcels of a previously contracted timberland sale in the Northwest versus one closing in 1991, and higher selling prices. Selling prices were higher for stumpage and logs due to regional supply shortages caused by a decline in the availability of competitive timber in the Northwest and a continuation of wet weather conditions in the Southeast. Increased demand for lumber resulted in higher prices and volume for the Company's lumber operations. Sales improvements were partially offset by lower export log volume in the Northwest and planned timber harvest reductions in the Southeast.

Operating income for the Timber and Wood Products segment was $100 million, an improvement of $21 million (27 percent) from 1991, reflecting the additional timberland sale in the Northwest region during 1992, expanded New Zealand operations and strong pricing. These improvements were partially offset by other 1992 operating expenses relating to contract settlements and reserves.

Specialty Pulp Products

Revenues of the Specialty Pulp Products segment for 1992 declined $28 million (5 percent) and operating income decreased $28 million (64 percent) from the 1991 period. Most of the decrease in both revenues and operating income resulted from lower selling prices and volumes for fluff, paper and chemical cellulose pulp products. Pulp sales volume of 766,000 metric tons in 1992 was 27,000 metric tons or 3 percent below 1991's level. The decrease in prices reflected excess capacity in the pulp industry combined with weak domestic and international markets and the strengthening of the U.S. dollar. Pulp manufacturing costs increased in 1992 primarily due to higher pulpwood costs in the Northwest as a result of reduced timber availability and in the Southeast due to exceptionally wet weather.

NET INCOME

The Company's equity share in the losses of a jointly owned company, Grays Harbor Paper Company, increased $2 million during 1992 primarily as a result of lower selling prices and volume in its paper products business segment. See Note 8 of the accompanying Notes to Consolidated Financial Statements for further information. Interest expense increased $7 million (53 percent) as a result of higher debt levels resulting from the New Zealand acquisition of forest assets in May 1992. Minority interest in the results of the Company's timberlands partnership increased $3 million (14 percent) to $23 million in 1992 as a result of increased earnings attributable to that portion of the Timber and Wood Products segment.

Continuing operations posted a loss in 1992 of $81 million, representing a $125 million decline from income of $44 million in 1991. The decline in earnings primarily reflects the after tax effect of the $121 million charge to provide for the closure of the Grays Harbor Complex and other miscellaneous facilities. Net loss for 1992 of $103 million also included a charge of $22 million to record the cumulative effect of accounting changes, reflecting the Company's adoption of SFAS No. 106 and SFAS No. 112 as of January 1, 1992.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities for 1993 amounted to $129 million, an increase of $5 million from the prior year. Cash from operating activities and an increase in debt of $95 million were mainly used for capital expenditures of $72 million, cash dividends to ITT of $122 million, environmental remediation and other corrective action programs at

Rayonier's wholly owned subsidiary, Southern Wood Piedmont Company (SWP), and various closure costs of units held for disposition of $28 million.

Cash flow from operating activities in 1992 amounted to $124 million, a decrease of $9 million from the prior year level of $133 million. An increase in debt of $198 million in 1992 was mainly used for the New Zealand forest assets acquisition of $197 million. Cash from operating activities (along with an increase in debt of $32 million in 1991) was mainly utilized for capital expenditures of $97 million and $134 million in 1992 and 1991, respectively, cash dividends to ITT of $18 million and $20 million in 1992 and 1991 respectively, and environmental clean-up and other corrective action programs at SWP of $18 million and $17 million in 1992 and 1991, respectively. Capital expenditures in 1992 were $37 million less than 1991, when additional capital spending was required to lower sulfite emissions at the Jesup, Georgia pulp mill to meet new Federal and State standards while also achieving cost reductions and increased productive capacity.

The Company's EBITDA, defined as earnings (income) from continuing operations (before the cumulative effect of accounting changes and any provision for dispositions) before income taxes, interest expense and depreciation, depletion and amortization, for 1993 amounted to $187 million, increasing $31 million from the prior year, due to the higher pre-tax income reported in 1993. EBITDA for 1992 was $156 million, also increasing from the prior year level of $147 million, but decreasing $78 million and $115 million, respectively, below the Company's recent cyclical peak levels of $234 million in 1990 and $271 million in 1989.

During the second quarter of 1992, the Company completed the purchase of forest assets, primarily Crown forest licenses consisting of long-term rights to utilize approximately 250,000 acres of plantation forest in New Zealand. These assets were acquired from the New Zealand government for a cash purchase price of approximately $197 million. Bridge financing for the acquisition was partially obtained through the issuance of preferred stock to ITT (which has been redeemed) and through additional borrowings from banks and ITT. By October 15, 1992 the Company had completed its external financing program for this acquisition, as described more fully below.

The forest products industry requires substantial annual capital expenditures to maintain production facilities at peak operating efficiency and to comply with environmental standards (see Environmental Regulation).

As of December 31, 1993, the Company had negative working capital of $39 million as compared to working capital of $7 million at December 31, 1992. Bank loans and current maturities of long-term debt increased $80 million, primarily to fund a $90 million dividend to ITT and a portion of intercompany settlements of $21 million related to the Distribution. (The impact on income for additional debt of $111 million will be approximately $8 million ($5 million, after-tax) on an annual basis, assuming an average incremental borrowing rate of 7.7 percent). The Company's current assets also increased in several categories, including accounts receivable by $8 million and prepaid timber stumpage by $15 million. The Company is working with its lenders on a program to refinance a portion of its short-term debt with long-term funding sufficient to return to a positive working capital position. The Company expects to complete this program in the second quarter of 1994.

The Company had net working capital of $7 million at December 31, 1992 as compared to $138 million at the end of 1991. The Company increased its short-term bank loans from $5 million in 1991 to $100 million at the end of 1992, primarily as a result of financing the New Zealand forest asset acquisition.

Dividends paid by the Company on its stock during 1993 were $122 million. Pursuant to a previously planned recapitalization program, Rayonier paid a special dividend to ITT in the fourth quarter of 1993 of $90 million in addition to the normal dividends on earnings. In addition, in the fourth quarter of 1993 and the first quarter of 1994 Rayonier made payments to ITT aggregating approximately $21 million in settlement of certain intercompany account items. Dividends paid during 1992 and 1991 were $18 million and $20 million respectively. The Board of Directors has declared a dividend of $.18 per Rayonier Common Share for the first quarter of 1994.

The Company believes it has good relations with major regional, national and international banks. Its interest and cash flow coverage ratios have been well above the average of the forest products industry. As a capital intensive company in a cyclical industry, the Company goes through periods of time where its cash flow after capital investments requires an increase in borrowing. The borrowings then, generally, are reduced during the business cycle upturn when cash flows increase. It is expected that the Company will borrow funds in 1994 to support its capital program, but its debt levels will stabilize, absent any major acquisition or new major capital program, in the 1995-1996 period.

During the fourth quarter of 1991, Rayonier borrowed $90 million under a term loan agreement which expires on October 31, 1997. This loan agreement was amended in 1992 allowing Rayonier to borrow an additional $10 million. The loan is repayable in three equal annual installments starting in October of 1995 and ending in October of 1997. The proceeds of this loan were primarily used to retire short-term bank borrowings, pay debt owed to ITT and for other corporate purposes. The debt bears a variable rate of interest equal to the London Interbank Offering Rate (LIBOR) plus 62.5 basis points.

The Company established a $140 million Medium Term Note program on April 5, 1993 pursuant to a Registration Statement filed on Form S-3 effective September 29, 1992. The Registration Statement permitted the Company to issue up to $250 million in debt securities through public offerings of which $110 million was issued in October 1992. The Company used the net proceeds from the sale of the 7.5 percent notes to repay bank debt which was utilized as bridge financing for the purchase of forest assets in New Zealand. During April 1993, $16 million of medium term notes, maturing in April 1998 and 1999, were issued under this program at an average effective cost to the Company of 6.25 percent.

As part of the Company's refinancing program, the Company expects to file with the SEC prior to March 31, 1994 a new Registration Statement on Form S-3 covering $150 million of new debt securities. This filing will also serve as a post-effective amendment to the above-referenced Registration Statement filed in 1992. The Company plans to make an offering of $100 million of debentures in the second quarter of 1994, and to increase its Medium Term Note program to $174 million.

The most restrictive long-term debt agreement in effect at December 31, 1993 provides that the ratio of the Company's indebtedness to the sum of such indebtedness plus consolidated tangible net worth cannot exceed 50 percent. As of December 31, 1993, this ratio was 45 percent. In addition, at December 31, 1993, a total of $279 million of retained earnings was unrestricted as to the payment of dividends. Under a lease to the Company of its Baxley, Georgia sawmill entered into in 1985, the trustee on behalf of the lessor and the loan participant has the right to require the Company to purchase the sawmill for approximately $8.4 million because ITT has ceased to own a majority of the Company's voting stock.

As of December 31, 1993, the Company had $498 million in debt with $317 million funded in the bank term and public debt markets, and $181 million in the short term bank debt market. Of the Company's short term debt, $50 million was under committed lines, the earliest of which expires in June 1994. The remainder of the short term debt was funded under uncommitted lines. None of the debt was guaranteed by ITT.

At December 31, 1992 debt of $403 million represented 37 percent of the total of debt and equity. The ratio increased to 45 percent at year end 1993 after the Company completed its recapitalization program. The total debt to capitalization ratio was 21 percent at the end of 1991. The increase in debt to total capitalization during 1992 was mainly due to the financing related to the New Zealand forest assets acquisition. The percentage of debt with fixed interest rates was 44 percent as of December 1993 as compared to 50 percent and 56 percent at year end 1992 and 1991.

As a result of ITT's decision to make the Distribution, Rayonier's senior debt ratings were placed under review. Moody's Investor Service confirmed the Company's rating at Baa2 and Standard & Poor's Corporation (S&P) lowered the Company's rating from A+ to BBB. The earlier S&P rating had carried with it an implied support from ITT (although ITT did not have any legally enforceable obligations with respect to Rayonier's debt). It is expected that some of the Company's borrowing costs may rise as a result of the Distribution, but the increased interest expense, if any, is not expected to be material.

DISCONTINUED OPERATIONS AND UNITS HELD FOR DISPOSITION

In 1986 the Company discontinued its SWP treated wood business segment. The Company is currently actively involved in implementing environmental remediation and closure programs for SWP and is in negotiations with state and environmental agencies on the scope and timing of such programs. In prior years, the Company had provided $153 million in pre-tax reserves for discontinued operations for closure, post-closure and corrective action programs at SWP. The costs of the corrective action and closure programs at SWP's nine primary manufacturing locations are affected by many factors, which has led to increases in the reserves for such programs in the past, and may result in increases in the future, as the effectiveness of the existing cleanup programs is measured against applicable standards. Expenditures for such programs will also depend on, among other things, new laws, regulations and administrative interpretations, governmental responses to programs proposed by the Company and changes in environmental control technology.

Although considerable progress on cleanup was made by year end 1993, in particular at three of SWP's nine locations where the installation of corrective action facilities has been completed, there is still uncertainty as to the timing and amount of expenditures beyond 1993 at these sites and the extent and timing for completing programs at all sites. The Company currently estimates that expenditures for environmental remediation and closure costs at these sites during the two-year period 1994-1995 will approximate $10 million.

In the fourth quarter of 1992, the Company provided $180 million, pre-tax, for the loss on disposal of assets along with the costs for severance, demolition and other closedown items associated with the disposition of the Grays Harbor Complex. A portion of the Grays Harbor Complex assets were sold in August 1993 for cash and notes.

As of December 31, 1993 the Company had $76 million reserved for discontinued operations and units held for disposition. Subject to the uncertainties discussed above, the Company believes that its reserves established to divest or close all of these business activities are adequate. The Company further believes that any future change in estimates, if necessary, will not materially affect the financial condition of the Company.

ENVIRONMENTAL REGULATION

The Company has become subject to increasingly stringent environmental laws and regulations concerning air emission, water discharges and waste disposal which, in the opinion of management, will require substantial expenditures over the next ten years. During 1993, 1992, 1991 and 1990 the Company spent approximately $3 million, $25 million, $43 million and $15 million, respectively, for capital projects related to environmental compliance for its continuing operations. The Company expects to spend approximately $4 million on such projects for its continuing operations for the two-year period 1994-1995. However, recently proposed Federal environmental regulations governing air and water discharges may require further expenditures and, if finally enacted in their proposed form, would prevent Rayonier from meeting certain product quality specifications for substantially all of its chemical cellulose products and in other cases will increase the cost of making such products. Sales of the Company's chemical cellulose products accouted for approximately 30 percent of the Company's total 1993 sales. While these regulations may have a material effect on the Company's operations if not changed, it will not be possible for the Company to determine the nature or costs of such effect until the regulations are issued in final form. The Company recently developed initial order of magnitude estimates of the costs of complying with these regulations if they are modified to remove the technological bases that would prevent Rayonier from manufacturing some of its products. These estimates indicate that with incremental capital expenditures of approximately $95 million at Jesup, $55 million at Fernandina Beach and $40 million at Port Angeles, the Company could continue to manufacture its current product line. Such expenditures would most likely be incurred over several years and not commence before 1995. Rayonier, however, will continue to argue, both individually and through the industry trade association, for modifying the proposed operating guidelines further to eliminate errors it believes the agency has made and Rayonier will continue to explore new and revised operating and technical process alternatives in lieu of spending such funds. Rayonier cannot predict, however, whether these efforts will be successful.

Over the past three years, the harvest of timber from private lands in the state of Washington has been restricted as a result of the listing of the northern spotted owl as a threatened species under the Endangered Species Act (ESA). These restrictions have caused RTLP to restructure and reschedule some of its harvest plans. The U.S. Fish and Wildlife Service (FWS) is developing a proposed rule under the ESA to redefine protective measures for the northern spotted owl on private lands. This rule, as currently drafted, would reduce the harvest restrictions on private lands except within specified special emphasis areas, where restrictions would be increased. One proposed special emphasis area is on the Olympic Peninsula, where a significant portion of RTLP's Washington timberlands is located. The new rule may also include guidelines for the protection of the marbled murrelet, also recently listed as a threatened species. Separately, the state of Washington Forest Practices Board is in the process of adopting new harvest regulations to protect the northern spotted owl and the marbled murrelet. The State Department of Natural Resources draft of this rule also provides for a special emphasis area to protect the northern spotted owl on the Olympic Peninsula, which would increase harvest restrictions on the Company's lands. The Company is unable at this time to predict the form in which the federal or state rules will eventually be adopted. However, if either rule is adopted in the form proposed by the respective agencies, the result will be some reduction in the volume of Company timber available for harvest.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See "Index to Financial Statements" on Page ii.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

BOARD OF DIRECTORS

The Rayonier Articles of Incorporation provide that the number of directors shall be not less than three and not more than twelve, with the exact number to be fixed by the Rayonier Board of Directors from time to time. Rayonier has a board of eight directors divided into three classes, with the term of Class I to expire in 1995, the term of Class II to expire in 1996, and the term of Class III to expire in 1997. This classification is conditional, however, upon compliance of such classification with North Carolina law at the time of the 1995 annual meeting. If such classification is not in compliance with North Carolina law at such time the Board will not be classified and all directors will be elected annually. It is the intent of the Company that a majority of the directors comprising the Company's Board not be employees of the Company and that a majority of the nonemployee directors be individuals who will not be directors of ITT.

The following table sets forth information as to the directors of the Company, of each class, and of their original terms.

CLASS I, TERM EXPIRES IN 1995

RONALD M. GROSS, 60, Chairman, President and Chief Executive Officer, Rayonier - - He joined Rayonier in March 1978 as President and Chief Operating Officer and a director. He was elected Chairman in 1984. Mr. Gross serves as President and director of RFR, the managing general partner of RTLP. From 1968 to 1978, he was with Canadian Cellulose Company Limited of Vancouver, British Columbia, where he held various senior positions before becoming President and Chief Executive Officer and director in 1973. Mr. Gross is currently a director of Lukens Inc. He serves as a member of the Executive Committee of the Board of Directors of the American Forest and Paper Association (AFPA) and is Vice Chairman of the AFPA International Business Committee. He is a member of the Investment Policy Advisory Committee of the United States Trade Representative. Mr. Gross is a graduate of Ohio State University and the Harvard Graduate School of Business Administration.

KATHERINE D. ORTEGA, 59, Former Treasurer of the United States - She served as the 38th Treasurer of the United States from September 1983 through June 1989 and as Alternate Representative of the United States to the United Nations General Assembly during 1990 to 1991. Prior to these appointments, she served as a Commissioner of the Copyright Royalty Tribunal and as a member of the President's Advisory Committee on Small and Minority Business. Before entering government, Ms. Ortega practiced as a certified public accountant with Peat, Marwick, Mitchell & Co. in Los Angeles from 1969 to 1972, was Vice President of the Pan American National Bank of East Los Angeles from 1972 to 1975 and was President and director of the Santa Ana State Bank from 1975 to 1978. She currently serves on the Boards of Directors of Diamond Shamrock, Inc., Ralston Purina Company, The Kroger Co., Long Island Lighting Company, Catalyst, Quest International and The Paul Revere Corporation and is a member of the Comptroller General's Consultant Panel. She is a graduate of Eastern New Mexico University, holds three honorary Doctor of Law Degrees and one honorary Doctor of Social Science Degree.

BURNELL R. ROBERTS, 66, Chairman, Sweetheart Holdings, Inc. and Sweetheart Cup Company (producer of plastic and paper disposable food service and food packaging products) - He served as Chairman of the Board and Chief Executive Officer of Mead Corporation (an integrated manufacturer of paper and forest products and provider of electronic publishing services) from April 1982 until his retirement in May 1992. Previously he was President of Mead from 1981 to 1982 and Senior Vice President from 1979 to 1981. He was a director of Mead from October 1981 until May 1993. He continues to serve as a director of National City Corporation, Cleveland, OH; Armco Inc., Pittsburgh, PA; The Perkin-Elmer Corporation, Norwalk, CT, and DPL Inc., Dayton, OH. He also serves as a director of the Japan Society, New York. He is a graduate of the University of Wisconsin and the Harvard Graduate School of Business Administration.

CLASS II, TERM EXPIRES IN 1996

WILLIAM J. ALLEY, 64, Chairman of the Board and Chief Executive Officer, American Brands, Inc. (diversified manufacturing and other businesses) - He joined The Franklin Life Insurance Company in 1967 and was Chairman, President and Chief Executive Officer of that organization when it was acquired by American Brands, Inc. in 1979. He was elected to the Board of Directors of American Brands in 1979 and subsequently held various senior executive positions with American Brands before being elected to his present position on June 15, 1987. He is also a director of RFR (the managing general partner of RTLP), CIPSCO Incorporated, Bunn-O-Matic Corporation, Moorman Manufacturing Company, The Business Council of Southwestern Connecticut (SACIA), Co-operation Ireland, United Way of Tri- State and the Connecticut Business for Education Coalition, Inc. and on the Advisory Board of Governors of the National Women's Economic Alliance Foundation. He is a member of the Business Roundtable and is also a member of The Conference Board, The Board of Overseers of the Executive Council on Foreign Diplomats, The Ambassadors' Roundtable Advisory Council and The Economic Club of New York. He is a graduate of Northeastern Oklahoma A&M College, the University of Oklahoma School of Business and the University of Oklahoma School of Law.

PAUL G. KIRK, JR., 56, of Counsel to Sullivan & Worcester (law firm) - He became a partner in the law firm of Sullivan & Worcester in 1977 and is presently of Counsel to the firm. He served as Chairman of the Democratic National Committee from 1985 to 1989 and as Treasurer from 1983 to 1985. Following his graduation from law school, Mr. Kirk became an assistant district attorney in Massachusetts. In 1969, he went to Washington to serve as assistant counsel to the Senate Judiciary Committee's Subcommittee on Administrative Practices and Procedures. In 1971, he left the Subcommittee staff to join Senator Edward M. Kennedy's U.S. Senate staff as special assistant. Following his resignation in 1989 as Chairman of the Democratic National Committee, he returned to Sullivan & Worcester as a partner in general corporate practice at the firm's Boston and Washington offices. Mr. Kirk is a director of Kirk-Sheppard & Co., Inc., of which he also is Chairman and Treasurer. He is a trustee of the Bradley Real Estate Trust and a director of ITT and of Hartford Fire Insurance Company, a subsidiary of ITT. He is co-chairman of the Commission on Presidential Debates, Chairman of the John F. Kennedy Library Foundation Board of Directors, Chairman of the Board of the National Democratic Institute for International Affairs, and a trustee of Stonehill College and St. Sebastian's School. He is a graduate of Harvard College and Harvard Law School.

GORDON I. ULMER, 61, Former Chairman and Chief Executive Officer of Connecticut Bank and Trust Company and Retired President of Bank of New England Corporation - - He joined Connecticut Bank and Trust Company (CBT) in 1957 and held numerous positions before being elected President and director in 1980 and Chairman and Chief Executive Officer in 1985. In 1988 he was elected President of the Bank of New England Corporation (BNEC), holding company of CBT. He retired as President of BNEC in December 1990. In January 1991, BNEC filed a petition under Chapter 7 of the Bankruptcy Code and CBT commenced insolvency proceedings. Mr. Ulmer also serves as a director of Hartford Fire Insurance Company, a subsidiary of ITT, and the Old State House Association. He is a graduate of Middlebury College, the American Institute of Banking and the Harvard Graduate School of Business Administration Advanced Management Program and attended New York University's Graduate School of Engineering.

CLASS III, TERM EXPIRES IN 1997

RAND V. ARASKOG, 62, Chairman, President and Chief Executive Officer, ITT Corporation - He joined ITT in 1966 and has been Chief Executive of ITT since 1979 and Chairman since 1980. In March 1991, he assumed the title of President. Mr. Araskog is a director of ITT and of Hartford Fire Insurance Company and ITT Sheraton Corporation, subsidiaries of ITT, and of Alcatel Alsthom of France, in which ITT holds a six percent interest. He is also a director of Dow Jones & Company, Inc.; Dayton-Hudson Corporation; Shell Oil Company and the New York Stock Exchange. He is a member of The Business Council, The Business Roundtable, the Council on Foreign Relations and the Trilateral Commission. He is a trustee of the New York Zoological Society and of the Salk Institute. In 1988, Mr. Araskog was named Officier de la Legion d'Honneur by the President of the French Republic, Franscois Mitterand; and, in April 1991, he was awarded the Vermeil Grand Medal of the City of Paris. In May 1991, he was awarded the Order of Merit of the Republic of Italy in the level of Grand Officer. In 1994, he received the order Gen. Bernardo O'Higgins (Comendador) Award by the President of Chile. Mr. Araskog is a graduate of the U.S. Military Academy at West Point and attended the Harvard Graduate School of Arts and Sciences.

DONALD W. GRIFFIN, 57, President and Chief Operating Officer, Olin Corporation (diversified manufacturing corporation) - He joined Olin in 1961 and was part of its Brass Division marketing organization beginning in 1963. He advanced through various managerial positions and in 1983 was elected an Olin Corporate Vice President and appointed President of the Brass Division. He became President of the Winchester Division of Olin in 1985, was appointed President of Olin's Defense Systems Group in 1986 and was elected an Executive Vice President of Olin in 1987. He became a director of Olin in 1990 and was elected Vice Chairman of the Board for Operations on January 12, 1993. He was elected President and Chief Operating Officer on February 24, 1994. He is also a director of RFR (the managing general partner of RTLP), the Sporting Arms and Ammunition Manufacturers Institute, the Wildlife Management Institute, the National Shooting Sports Foundation, River Bend Bancshares, Inc. and Illinois State Bank and Trust in East Alton, Illinois. He is a trustee of the Buffalo Bill Historical Center, the Olin Charitable Trust and the National Security Industrial Association. He is a member of the American Society of Metals, the Association of the U.S. Army and the American Defense Preparedness Association. He is a life member of the Navy League of the United States and the Surface Navy Association. He is a graduate of the University of Evansville, Evansville, Indiana, and has completed the Graduate School for Sales and Marketing Managers at Syracuse University, Syracuse, N.Y.

DIRECTORS' COMPENSATION

No director who is an employee of the Company is compensated for service as a member of the Board of Directors or any Committee of the Board of Directors. Compensation for nonemployee directors consists of an annual retainer of $20,000, a $1,000 fee for each Board meeting attended, and a $750 fee for each Committee meeting attended. Directors are reimbursed for travel expenses incurred on behalf of the Company.

DIRECTORS' RETIREMENT POLICY

The Company's Board of Directors has adopted a retirement policy which provides (i) that no person may be nominated for election or reelection as a nonemployee director after reaching age 72 and (ii) that no employee of Rayonier or of any of its subsidiaries (other than an employee who has served as chief executive of Rayonier) may be nominated for election or reelection as a director after reaching age 65, unless there has been a specific waiver by the Board of Directors of these age requirements.

COMMITTEES OF THE BOARD OF DIRECTORS

The Company's Board of Directors has four committees: Audit, Compensation and Management Development, Environmental and Legal Affairs and Nominating Committees.

AUDIT COMMITTEE. The Audit Committee supports the independence of the Company's external and internal auditors and the objectivity of the Company's financial statements. The Audit Committee (1) reviews the Company's principal policies for accounting, internal control and financial reporting, (2) recommends to the Company's Board of Directors the engagement or discharge of the external auditors, (3) reviews with the external auditors the plan, scope and timing of their audit and (4) reviews the auditors' fees and, after completion of the audit, reviews with management the external auditors' report.

The Audit Committee also reviews, before publication, the annual financial statements of the Company, the independence of the external auditors, the adequacy of the Company's internal accounting control system, and the Company's policies on business integrity and ethics and conflicts of interest. The Audit Committee also performs a number of other review functions related to auditing the financial statements and internal controls. The Audit Committee is comprised of three or more non-employee directors. The current members are Messrs. Roberts (Chairman), Kirk and Ulmer.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE. The Compensation and Management Development Committee (1) reviews and makes recommendations to the Company's Board of Directors with respect to the direct and indirect compensation and employee benefits of the Chairman of the Board and other elected officers of the Company, (2) reviews, administers and makes recommendations to the Company's Board of Directors with respect to any incentive plans and bonus plans that include elected officers and (3) reviews the Company's policies relating to the compensation of senior management and, generally, other employees. In addition, the Committee reviews management's long-range planning for executive development and succession, establishes and periodically reviews policies on management perquisites and performs certain other review functions relating to management compensation and employee relations policies. The

Compensation and Management Development Committee is comprised of three or more non-employee directors. The current members are Messrs. Alley (Chairman) and Roberts and Ms. Ortega.

ENVIRONMENTAL AND LEGAL AFFAIRS COMMITTEE. The Environmental and Legal Affairs Committee (1) reviews and recommends to the Company's Board of Directors proposed actions on major environmental compliance and regulatory matters which could have a significant impact on the Company's business and strategic operating objectives and (2) reviews and considers major claims and litigation, and legal, regulatory, patent and related governmental policy matters affecting the Company. In addition, the Committee reviews and approves management policies and programs relating to compliance with environmental matters, legal and regulatory requirements and business ethics. The Environmental and Legal Affairs Committee is comprised of three or more non-employee directors. The current members are Messrs. Kirk (Chairman), Griffin and Ulmer.

NOMINATING COMMITTEE. The Nominating Committee makes recommendations concerning the organization, size and composition of the Board of Directors and its Committees, proposes nominees for election to the Board and its Committees and considers the qualifications, compensation and retirement of directors. The Nominating Committee is comprised of three or more non-employee directors. The current members are Ms. Ortega (Chairman) and Messrs. Alley and Griffin.

EXECUTIVE OFFICERS

Listed below is certain information as to the Company's executive officers.

NAME, POSITION WITH COMPANY, AGE AND BIOGRAPHICAL DATA

RONALD M. GROSS, 60, Chairman, President and Chief Executive Officer - See information under "Board of Directors."

WALLACE L. NUTTER, 49, Executive Vice President - He was elected Executive Vice President of Rayonier in 1987 and has overall responsibility for the specialty pulp, log trading and wood products businesses. He was named Senior Vice President, Operations, in 1985 and Vice President and Director, Forest Products Operations, in 1984. He joined Rayonier in 1967 in the Northwest Forest Operations. Mr. Nutter is a member of the Board of Governors of the National Council for Air and Stream Improvement. He holds a B.A. in Business Administration from the University of Washington and has completed the Advanced Management Program at the Harvard Graduate School of Business Administration.

WILLIAM S. BERRY, 52, Senior Vice President, Forest Resources and Corporate Development - He was elected Senior Vice President, Forest Resources and Corporate Development, of Rayonier in January 1994. He was Senior Vice President, Land and Forest Resources, of Rayonier from January 1986 to January 1994. From October 1981 to January 1986 he was Vice President and Director of Forest Products Management. Mr. Berry joined Rayonier in 1980 as Director of Wood Products Management. He serves as Senior Vice President of RFR, the managing general partner of RTLP. He also serves on the Executive Boards of the American Forest Council and the Center for Streamside Studies. Prior to joining Rayonier, Mr. Berry was employed with Champion International and Kimberly-Clark Corporation. He holds a B.S. in Forestry from the University of California at Berkeley and an M.S. in Forestry from the University of Michigan.

GERALD J. POLLACK, 52, Senior Vice President and Chief Financial Officer - He was elected Senior Vice President and Chief Financial Officer of Rayonier in May 1992. From July 1986 to May 1992, he was Vice President and Chief Financial Officer. Mr. Pollack joined Rayonier in June 1982 as Vice President and Controller. Prior to joining Rayonier, Mr. Pollack was employed with Avis, Inc. where he held a number of positions, including Vice President and Corporate Comptroller and finally Vice President-Operations, Europe, Africa and Middle East Divisions in England. He serves as Chief Financial Officer of RFR, the managing general partner of RTLP. Mr. Pollack has a B.S. degree in Physics from Rensselaer Polytechnic Institute and an MBA in Accounting and Finance from the Amos Tuck School at Dartmouth.

KEVIN S. O'BRIEN, 61, Senior Vice President, Pulp Marketing - He was elected Senior Vice President, Pulp Marketing, for Rayonier in November 1989. From 1982 to 1989, he was Vice President, Strategic Planning and Development. In 1980 he was elected a Vice President and was appointed Director of Strategic Planning and Development. Since joining Rayonier in 1957, Mr. O'Brien has held a variety of assignments in domestic and international sales and marketing, including an assignment at ITT Corporate Headquarters as Product Line Manager for Natural Resources from 1977 to 1979. He holds an A.B. in Economics from Harvard University and an MBA from New York University.

JOHN P. O'GRADY, 48, Senior Vice President, Human Resources - He was elected Senior Vice President, Human Resources, of Rayonier in January 1994. He was Vice President, Administration, of Rayonier from July 1991 to January 1994. From December 1975 to July 1991, he held a number of human resources positions at ITT. Prior to joining Rayonier, he was Vice President, Administration, at ITT Federal Services Corporation from October 1983 through June 1991. Mr. O'Grady is a Management Trustee for United Paperworkers' Health and Welfare Trust and serves on the Board of Directors of Trenton State College Business and Industry Council. He holds a B.S. degree in Labor Economics from the University of Akron, an M.S. degree in Industrial Relations from Rutgers University and a Ph.D in Management from California Western University.

ITEM 11. EXECUTIVE COMPENSATION

The following table discloses compensation received by Rayonier's Chief Executive Officer and the four other most highly paid executive officers for the fiscal year ended December 31, 1993.

SUMMARY COMPENSATION TABLE (1)

	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	
				AWARD OF	
NAME AND PRINCIPAL POSITION	SALARY($)	BONUS($)	OTHER($)	STOCK OPTIONS(3)(#)	ALL OTHER COMPENSATION(4)($)
Ronald M. Gross Chairman of the Board, President and Chief Executive Officer	421,920	185,000	64 (2)	33,000	14,767
Wallace L. Nutter Executive Vice President	235,631	90,000	-	7,000	8,247
William S. Berry Senior Vice President, Forest Resources and Corporate Development	180,000	60,000	-	4,500	6,300
Kevin S. O'Brien Senior Vice President, Pulp Marketing	178,962	35,000	-	2,000	6,264
Gerald J. Pollack Senior Vice President and Chief Financial Officer	167,042	60,000	-	4,500	5,846

(1) This table does not include columns for Restricted Stock Awards and Long-Term Incentive Plan Compensation since Rayonier had no amounts to report for 1993.

(2) Represents tax reimbursement allowances which are intended to offset the inclusion in taxable income of the value of certain benefits.

(3) The stock options reported are for ITT Common Stock and do not represent options to acquire Rayonier Common Shares. In connection with the Distribution, options to purchase ITT Common Stock which were not exercised were canceled, and options to acquire Rayonier Common Shares have been granted to replace the canceled ITT options. See "Stock Options Generally".

(4) All the amounts shown in this column are company contributions under the ITT Investment and Savings Plan and the ITT Excess Savings Plan, which are defined contribution plans. ITT makes a matching contribution in an amount equal to 50 percent of an employee's contribution not to exceed three percent (3 percent) of such employee's salary. Under these plans, ITT also makes a non-matching contribution equal to one-half of one percent (0.5 percent) of an employee's salary.

ANNUAL BONUS PLAN

Eligible executives and key managers of Rayonier participated in an annual incentive bonus program sponsored by ITT. Under this program, each executive and key manager was assigned to a salary grade which had a standard bonus associated with it expressed as a percentage of the executive's year-end base salary rate (standard bonus). At year end, the aggregate amount of individual standard bonuses was adjusted in accordance with a pre-established formula to create a spendable bonus pool for the year. The formula measured actual net income, return on total capital (ROTC) and operating funds flow (OFF) against the approved budgeted amounts for the year for each performance measure. Net income, ROTC and OFF performance was weighted 60 percent, 25 percent and 15 percent, respectively. The maximum spendable pool was 150 percent of the aggregate standard bonus pool. Individual bonus amounts within the authorized pool were determined on a discretionary basis taking into account specific personal contributions during the year.

Bonus awards for Rayonier executive officers were subject to approval by ITT senior line management. Bonus awards for Messrs. Gross and Nutter were subject to final approval by the ITT Compensation and Personnel Committee.

During 1993, the standard bonus adjustment factor pursuant to the above formula was 100 percent. In total, $1,342,000 was authorized for expenditure to 54 executives and seven middle managers, including the amounts indicated in the Summary Compensation Table for the named executive officers.

The annual bonus program has been carried forward in substantially the same form under the Rayonier Annual Incentive Bonus Award Plan which is administered by the Compensation and Management Development Committee of the Rayonier Board of Directors.

STOCK OPTIONS GENERALLY

The employees of Rayonier held as of December 31, 1993 unexercised options to acquire 149,887 shares of ITT Common Stock, of which six executive officers held 105,001 such unexercised options. To the extent those ITT options were not exercised prior to the Distribution Date, Rayonier has granted to the named executive officers substitute options to acquire Rayonier Common Shares in substitution for the canceled options on ITT Common Stock. The substitution of options maintained the economic value of each option, and the total number of Rayonier options granted was determined so that the aggregate spread between the exercise price and the fair market value with respect to the Rayonier options equaled such aggregate spread with respect to the ITT options. As of February 28, 1994, there were 130,319 outstanding unexercised ITT options of which 100,667 were awarded to the six named executive officers. Under conversion, options to acquire 382,434 Rayonier Common Shares were granted to the employees of Rayonier in substitution for the ITT options which were canceled. The six named executive officers were granted 295,416 of such options to acquire Rayonier Common Shares.

Replacement of the canceled ITT options is believed to be beneficial to Rayonier and its shareholders, since it will allow Rayonier to restore meaningful compensation incentives to key employees.

OPTION GRANTS ON ITT COMMON STOCK TO RAYONIER EXECUTIVES IN LAST FISCAL YEAR

The following table provides information on fiscal year 1993 grants of options to the named Rayonier executives to purchase shares of ITT Common Stock. Except as indicated above with respect to substitute stock options granted in 1994, no options to acquire Rayonier Common Shares have been granted or are outstanding. Under the provisions of the Rayonier Substitute Stock Option Plan, outstanding unexercised ITT options, including 1993 grants to purchase ITT Common Stock, have been converted and carried over to Rayonier with the same terms and conditions as were applicable under the former ITT Option Plans.

	INDIVIDUAL GRANTS TO PURCHASE ITT COMMON STOCK				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1)(#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 1993(2)	EXERCISE PRICE($/SHARE)(3)	EXPIRATION DATE	5 PERCENT	10 PERCENT
Ronald M. Gross	33,000	1.6%	$92.00	10/16/2003	$1,909,324	$4,838,602
Wallace L. Nutter	7,000	0.3%	92.00	10/16/2003	405,008	1,026,370
William S. Berry	4,500	0.2%	92.00	10/16/2003	260,362	659,809
Kevin S. O'Brien	2,000	0.1%	92.00	10/16/2003	115,717	293,249
Gerald J. Pollack	4,500	0.2%	92.00	10/16/2003	260,362	659,809

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(1) The numbers on this column represent the options to purchase ITT Common Stock.

(2) Percentages are based on a total of 2,070,900 options granted to 677 ITT employees during 1993.

(3) The exercise price per share is 100 percent of the fair market value of ITT Common Stock on the date of grant, which was October 14, 1993. The exercise price may be paid in cash or in shares of ITT Common Stock valued at their fair market value on the date of exercise.

Options granted to Messrs. Gross and Nutter are not exercisable until the trading price of ITT Common Stock equals or exceeds $115 per share for 10 consecutive trading days at which time two-thirds of the options will be exercisable; when the trading price equals or exceeds $128.80 per share for 10 consecutive trading days, the options will be fully exercisable. Notwithstanding the above, the options will be fully exercisable on October 16, 2002. (Converted Rayonier option grants are not exercisable until target trading price levels of $39.19 and $43.89 per common share are achieved as outlined herein.)

Options granted to the other three named officers will be exercisable as to one-third on the first anniversary date of grant; two-thirds on the second anniversary date of the grant and in full on the third anniversary of the grant date.

(4) At the end of the term of the options granted on October 14, 1993, the projected price of a share of ITT Common Stock would be $149.86 at an assumed annual appreciation rate of 5 percent and $238.62 at an assumed annual appreciation rate of 10 percent. Gains to ITT Common stockholders at those assumed annual appreciation rates would exceed $6.8 billion and $17.4 billion, respectively, over the term of the options.

AGGREGATED OPTION EXERCISES IN THE LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUE

The following table provides information on option exercises in 1993 by the named Rayonier executives and the value of each such executive's unexercised options to acquire ITT Common Stock at December 31, 1993.

	OPTIONS EXERCISED DURING 1993		NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/93 EXERCISABLE/	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS HELD AT 12/31/93(1) EXERCISABLE/
NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED	UNEXERCISABLE	UNEXERCISABLE
Ronald M. Gross	54,500	$1,849,605	12,000/33,000	$ 511,440/-0-
Wallace L. Nutter	5,000	158,750	32,500/ 7,000	1,228,625/-0-
William S. Berry	8,333	227,408	1,667/ 4,500	71,048/-0-
Kevin S. O'Brien	2,500	100,800	2,500/ 2,000	100,625/-0-
Gerald J. Pollack	3,500	100,500	1,834/ 4,500	75,795/-0-

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(1) The values reported in this column are based on the New York Stock Exchange consolidated trading closing price of ITT Common Stock of $91.25 at December 31, 1993.

ITT LONG-TERM PERFORMANCE PLAN

Under the ITT Long-Term Performance Plan, target contingent cash awards were made on December 12, 1991 (the 1992 Class Awards) to ITT executives including the executive officers of Rayonier. With respect to Rayonier executive officers, under the 1992 Class Awards, the ultimate payment value of a target award, if any, will be based upon Rayonier's return on equity (ROE) performance during the three-year period 1993 through 1995 as measured against predetermined ROE goals for each year. Each year of the performance period has been assigned a specific weighting: 15 percent, 35 percent and 50 percent for 1993, 1994 and 1995, respectively. If the actual weighted average ROE performance is less than 90 percent of the ROE goals, no payment is earned.

1992 Class Awards for the five most highly compensated executive officers of Rayonier are listed in the table below:

NAME	CONTINGENT TARGET AWARDS	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT	1992 CLASS AWARD THRESHOLD(1)	1992 CLASS AWARD TARGET(2)	1992 CLASS AWARD MAXIMUM(3)
Ronald M. Gross	$ 700,000	12/31/95	$233,333	$ 700,000	$1,400,000
Wallace L. Nutter	300,000	12/31/95	100,000	300,000	600,000
William S. Berry	200,000	12/31/95	66,667	200,000	400,000
Kevin S. O'Brien	200,000	12/31/95	66,667	200,000	400,000
Gerald J. Pollack	180,000	12/31/95	60,000	180,000	360,000

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(1) Based upon a weighted average ROE goal achievement of 90 percent, resulting in payment of 33 1/3 percent of the target award in the first quarter of 1996.

(2) Based upon a weighted average ROE goal achievement of 100 percent, resulting in payment of 100 percent of the target award in the first quarter of 1996.

(3) Based upon a weighted average ROE goal achievement of 130 percent or more, resulting in payment of 200 percent of the target award in the first quarter of 1996.

For all 18 Rayonier participants as of December 31, 1993, an aggregate 1992 Class Award target amount of $2,790,000 is outstanding. Reserves for these awards are maintained on the books of Rayonier. These awards are being continued and the program is administered by the Compensation and Management Development Committee of the Rayonier Board of Directors in accordance with the provisions of the Long-Term Performance Plan.

The Plan provides that in the event of material changes in accounting practices, principles, or their application, the Committee may make such adjustments as it deems appropriate in Performance Goals and/or target values so that the performance measurement for all purposes of this Plan with respect to awards may be made as nearly as practicable on the same accounting basis. In addition, the Committee may make such other adjustments as it deems appropriate in Performance Goals and/or target values for material acquisitions or dispositions of stock or property or for other circumstances specified by the Committee in order to limit or avoid distortion in the operation of the Plan that may result from such circumstances.

It is contemplated that any modification of the pre-established ROE goals pursuant to the above provision will be disclosed to and, if required under Federal income tax or other laws, approved by Rayonier's shareholders.

The following is a description of the compensation, benefit and retirement plans adopted by the Company.

1994 RAYONIER INCENTIVE STOCK PLAN

Rayonier desires to provide meaningful long-term incentives for its executives and other key employees, directly related to their individual and collective performance in enhancing shareholder value. Market-based incentives based on Rayonier stock performance will allow Rayonier to provide significant incentives to the key employees of Rayonier to a degree not previously available under ITT's compensation programs. Awards of stock options and other market-based incentives will permit key employees to profit proportionately as shareholder value is enhanced (as evidenced by the market price for

Rayonier Common Shares), and will also give Rayonier an effective tool to encourage key employees to continue in the employ of Rayonier.

In order to achieve these objectives, effective prior to the Distribution, the Board of Directors of Rayonier adopted, and ITT as its sole shareholder approved, the 1994 Rayonier Incentive Stock Plan (the 1994 Plan). The 1994 Plan will be administered by the Compensation and Management Development Committee of the Rayonier Board of Directors (the Committee).

The 1994 Plan provides for the grant of incentive stock options (qualifying under Section 422 of the Internal Revenue Code of 1986, as amended), non-qualified stock options, stock appreciation rights (Rights), performance shares and restricted stock, or any combination of the foregoing, as the Committee may determine (collectively, Awards). The 1994 Plan will expire on December 31, 2003.

The 1994 Plan contains a formula for establishing an annual limit on the number of shares which may be awarded (or with respect to which non-stock Awards may be made) in any given calendar year (the Annual Limit). The Annual Limit formula is expressed as a percentage of Rayonier's total issued Common Shares as of the year end immediately preceding the year of awards (Plan Year). Under the Annual Limit formula, the maximum number of shares of Rayonier Common Shares for which Awards may be granted under the Plan in each Plan Year shall be 1.5 percent of the total of the issued and outstanding shares of Rayonier Common Shares as reported in the Annual Report on Form 10-K of the Corporation for the fiscal year ending immediately prior to any Plan Year. Any unused portion of the Annual Limit for any Plan Year shall be carried forward and be made available for awards in succeeding Plan Years.

In addition to the foregoing, in no event shall more than one million (1,000,000) Rayonier Common Shares be cumulatively available for Awards of incentive stock options under the 1994 Plan, and provided further, that no more than twenty percent (20 percent) of the total number of shares available on a cumulative basis shall be available for restricted stock and performance share awards. For any Plan Year, no individual employee may receive stock options for more than ten percent (10 percent) of the Annual Limit applicable to that Plan Year.

Subject to the above limitations, Rayonier Common Shares to be issued under the 1994 Plan may be made available from the authorized but unissued Rayonier Common Shares. In the event of a stock split or stock dividend, reorganization, recapitalization, or other similar event affecting the price of Rayonier Common Shares, the number of shares subject to the 1994 Plan, the number of shares then subject to Awards and the price per share payable on exercise of options may be appropriately adjusted by the Committee. Other than the above adjustments, it is the Rayonier Board's policy that no options will be canceled and reissued at a lower price unless the shareholders approve such action. For the purpose of computing the total number of shares available for Awards under the 1994 Plan, there shall be counted against the foregoing limitations the number of Rayonier Common Shares subject to issuance upon exercise or settlement of Awards and the number of Rayonier Common Shares which equal the value of Performance Share Awards, in each case determined as at the dates on which such Awards are granted. If any Awards under the 1994 Plan are forfeited, terminated, expire unexercised, are settled in cash in lieu of Rayonier Common Shares or are exchanged for other Awards, the shares which were theretofore subject to such Awards shall again be available for Awards under the 1994 Plan to the extent of such forfeiture or expiration of such Awards. Further, any shares that are exchanged (either actually or constructively) by optionees as full or partial payment to the Company of the purchase price of shares being acquired through the exercise of a stock option granted under the 1994 Plan may be available for subsequent Awards, provided, however, that such shares may be awarded only to those participants who are not directors or executive officers (as that term is defined in the rules and regulations under Section 16 of the Exchange Act).

At the Distribution Date, 29,565,392 Rayonier Common Shares were issued and outstanding. The Annual Limit applicable to 1994 for Awards under the 1994 Plan is 1.5 percent thereof or 443,481 shares.

Reference is made to the "Individual Grants to Purchase ITT Common Stock" table which sets forth information concerning the grant of ITT stock options made effective on October 14, 1993 to Rayonier's chief executive officer and the other named executive officers in 1993.

The Committee, made up entirely of outside directors, none of whose members may receive any Award under the 1994 Plan, will administer the 1994 Plan, including, but not limited to, making determinations with respect to the designation of those employees who shall receive Awards, the number of shares to be covered by options, Rights and restricted stock awards, the exercise price of options (which may not be less than 100 percent of the fair market value of Rayonier Common Shares on the date of grant), other option terms and conditions, and the number of performance shares to be

granted and the applicable performance objectives. The Committee may impose such additional terms and conditions on an Award as it deems advisable. The Committee's decisions in the administration of the 1994 Plan shall be binding on all persons for all purposes.

The Committee may in its sole discretion delegate such administrative powers as it may deem appropriate to the chief executive officer or other members of senior management, except that Awards to executive officers shall be made solely by the Committee and subject to compliance with Rule 16b-3 of the Exchange Act.

Awards will be made, in the discretion of the Committee, to employees of Rayonier and any of its subsidiaries (including officers and members of the Board of Directors who are also employees) whose responsibilities and decisions directly affect the performance of Rayonier and its subsidiaries. No final determination has yet been made as to the number of recipients or the number of shares to be granted during the 1994 and later plan years. During 1993, 22 employees of Rayonier, including the named officers, were awarded options under an ITT employee stock option plan to purchase 74,300 shares of ITT Common Stock. There were no awards to employees of Rayonier of Rights, performance shares or restricted stock during 1993.

STOCK OPTIONS AND RELATED RIGHTS. Incentive stock options and related Rights under the 1994 Plan must expire within ten years after grant; non-qualified stock options and related Rights will expire not more than ten years and two days after grant. No Right may be exercised until at least six months after it is granted. The exercise price for options and Rights must be at least equal to the fair market value of the Rayonier Common Shares on the date of grant. The exercise price for options must be paid to Rayonier at the time of exercise and, at the discretion of the Committee, may be paid in the form of cash or already-owned Rayonier Common Shares or a combination thereof. During the lifetime of an employee, an option must be exercised only by the individual (or his or her estate or designated beneficiary) but no later than three months after his or her termination of employment (or for longer periods as determined by the Committee if termination is caused by retirement, disability or death, but in no event later than the expiration of the original term of the option). If an optionee voluntarily resigns or is terminated for cause, the options and Rights are canceled immediately.

PERFORMANCE SHARES. Performance shares under the 1994 Plan are contingent rights to receive future payments based on the achievement of individual or Company performance objectives as prescribed by the Committee. The amounts paid, which may be subject to a prescribed maximum, will be based on actual performance over a period from two to five years, as determined by the Committee, using such objective criteria as it deems appropriate including, but not limited to, earnings per share and return on equity of Rayonier. Payments may be made in the form of Rayonier Common Shares, cash or a combination of Rayonier Common Shares and cash. The ultimate payments are determined by the number of shares earned out and the price of a Rayonier Common Share at the end of the performance period. In the event an employee terminates employment during such a performance period, the employee will forfeit any right to payment. However, in the case of retirement, permanent total disability, death or cases of special circumstances, the employee may, at the discretion of the Committee, be entitled to an award prorated for the portion of the performance period during which he was employed by Rayonier.

RESTRICTED SHARES. Restricted Rayonier Common Shares awarded under the 1994 Plan shall be issued subject to a restriction period set by the Committee during which time the shares may not be sold, transferred, assigned or pledged. In the event an employee terminates employment during a restriction period, all such shares still subject to restrictions will be forfeited by the employee and reacquired by Rayonier. The Committee may provide for the lapse of restrictions in installments where deemed appropriate and it may also require the achievement of predetermined performance objectives in order for such shares to vest. The recipient, as owner of the awarded shares, shall have all other rights of a shareholder, including the right to vote the shares and receive dividends and other distributions during the restriction period. The restrictions may be waived, in the discretion of the Committee, in the event of the awardee's retirement, permanent total disability, death or in cases of special circumstances.

COMPENSATION UPON CHANGE OF CONTROL. The 1994 Plan provides for the automatic protection of intended economic benefits by key employees in the event of a change in control of Rayonier (i.e., upon the occurrence of an Acceleration Event as defined in the 1994 Plan). Notwithstanding any other provisions of the 1994 Plan, upon the occurrence of an Acceleration Event (a) all options and Rights will generally become immediately exercisable for a period of 60 calendar days; (b) options and Rights will continue to be exercisable for a period of seven months in the case of an employee whose employment is terminated other than for cause or who voluntarily terminates employment because of a good faith belief that such employee will not be able to discharge his or her duties; (c) Rights exercised during the 60-day period will be settled fully in cash based on a formula price generally reflecting the highest price paid for a Rayonier Common Share during the 60-day period preceding the date such Right is exercised; (d) "limited stock appreciation rights" shall

automatically be granted on all outstanding options not otherwise covered by a Right, which shall generally be immediately exercisable in full and which shall entitle the holders to the same exercise period and formula price referred to in (a), (b) and (c) above; (e) outstanding performance share awards shall automatically vest, with the valuation of such performance shares based on the formula price; and (f) restrictions applicable to awards of restricted shares shall be automatically waived.

Options, Rights, performance shares or restricted shares which are granted, accelerated or enhanced upon the occurrence of a takeover (i.e., an Acceleration Event as defined in the 1994 Plan) may give rise, in whole or in part, to "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code and, to such extent, will be nondeductible by Rayonier and subject to a 20 percent excise tax to the awardee.

The Board may amend or discontinue the 1994 Plan at any time and, specifically, may make such modifications to the Plan as it deems necessary to avoid the application of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the Treasury regulations issued thereunder. However, shareholder approval is required for certain amendments, including any amendment which may (i) increase the number of shares reserved for awards (except as provided in the 1994 Plan with respect to stock splits or other similar changes), (ii) materially change the group of employees eligible for Awards, (iii) materially increase the benefits accruing to participants under the 1994 Plan or (iv) permit Awards after December 31, 2003.

RAYONIER SENIOR EXECUTIVE SEVERANCE PAY PLAN

The Rayonier Senior Executive Severance Pay Plan applies to eight Rayonier senior executives who are United States citizens or who are employed in the United States, including all executive officers. Under the Plan, if a participant's employment is terminated by Rayonier, other than for cause or as a result of other occurrences specified in the Plan, the participant is entitled to severance pay in an amount up to 24 months' base salary depending upon his or her length of service, but in no event more than the amount of base salary for the number of months remaining between the termination of employment and the participant's normal retirement date or two times the participant's total annual compensation during the year immediately preceding such termination.

Based upon their length of service, each of the aforementioned executive officers is entitled to severance pay under the Plan in an amount of 24 months' base salary, subject to the above-mentioned limitation in the event of an earlier retirement date. The Plan includes offset provisions for other compensation from Rayonier and requirements on the part of executives with respect to non- competition and compliance with the Rayonier Code of Corporate Conduct. While under the Plan severance payments would ordinarily be made monthly over the scheduled term of such payments, Rayonier has the option to make such payments in the form of a single lump- sum payment discounted to present value.

If within two years after a change in corporate control (as defined in the Plan), a participant terminates employment or is terminated, he or she will have the option to receive severance pay in a single discounted lump-sum payment. The current aggregate amount of the annual base salaries of such eight senior officers is approximately $1.6 million. The annual salaries of Messrs. Gross, Nutter, Berry, O'Brien and Pollack as of December 31, 1993 were $430,000, $236,000, $180,000, $180,000 and $174,000, respectively.

RAYONIER INVESTMENT AND SAVINGS PLAN

Many of the Company's salaried employees were participants in the ITT Investment and Savings Plan for Salaried Employees. Effective on the Distribution Date the Company and its participating subsidiaries adopted a substantially similar Rayonier Investment and Savings Plan for Salaried Employees, with a transfer of the account balances of each Company employee participating in the ITT Investment and Savings Plan to an account for such employee in the Rayonier Investment and Savings Plan.

Salaried employees of Rayonier and certain of its subsidiaries who become members of the Rayonier Investment and Savings Plan may elect to make contributions to a trust fund, through payroll deductions, of 2 percent to 16 percent of their salary up to the allowable compensation maximum for qualified plans. The contributions of highly compensated salaried employees are limited to lesser amounts. The employing company makes a matching contribution in an amount equal to 50 percent of the employee's contribution, not to exceed 3 percent of each employee's salary. In addition, Rayonier makes a non-matching contribution equal to one-half of one percent (.5 percent) of an employee's salary. Such amounts are invested in accordance with the provisions of the Plan. A before-tax savings feature of the Plan permits employees to have their salaries reduced by up to the aforementioned percentages, but not in excess of limits prescribed by

tax law, and have such amounts contributed to the trust fund under the Plan for their benefit. Matching company contributions become vested at the rate of 20 percent after the first year of employment and another 20 percent after each additional year of employment, with full vesting after five years of employment; however, full vesting takes place immediately upon the attainment of age 65, retirement, disability, death, termination of the Plan or complete discontinuance of company contributions. The non-matched company contribution is fully vested immediately.

Federal legislation limits the annual contributions which an employee may make to the Investment and Savings Plan, a tax-qualified retirement Plan. Accordingly, Rayonier has adopted the Rayonier Excess Savings Plan which enables an employee who is precluded by these limitations from contributing 6 percent of salary to the tax-qualified plan to make up the shortfall through salary deferrals and thereby receive the 3 percent maximum matching company contribution and one-half of one percent non-matching company contribution otherwise allowable under the tax-qualified plan. Salary deferrals, company contributions and investment earnings are entered into a book reserve account maintained by the Company for each participant.

RAYONIER RETIREMENT PROGRAM

Most of the Company's salaried employees were participants in the ITT Retirement Plan for Salaried Employees. Effective on the Distribution Date, the Company and its participating subsidiaries adopted an identical "mirror-image" Rayonier Salaried Employees Retirement Plan.

The Company's Retirement Plan covers substantially all eligible salaried employees of the Company, including senior executive officers and other Rayonier executives. The cost of the retirement program is borne entirely by the Company.

The annual pension amounts to two percent of a member's average final compensation (as defined below) for each of the first 25 years of benefit services, 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. A member's average final compensation (including salary plus approved bonus payments) is defined under the Plan as the total of (i) a member's average annual base salary for the five calendar years of the last 120 consecutive calendar months of eligibility service affording the highest such average plus (ii) a member's average annual compensation not including base salary for the five calendar years of the member's last 120 consecutive calendar months of eligibility service affording the highest such average. The Plan also provides for undiscounted early retirement pensions for members who retire at or after age 60 following completion of 15 years of eligibility service. A member is vested in benefits accrued under the Plan upon completion of five years of eligibility service.

Applicable Federal legislation limits the amount of benefits that can be paid and compensation which may be recognized under a tax- qualified retirement plan. The Company has adopted a non-qualified unfunded retirement plan ("Excess Plan") for payment of those benefits at retirement that cannot be paid from the qualified Retirement Plan. The practical effect of the Excess Plan is to continue calculation of retirement benefits to all employees on a uniform basis. Benefits under the Excess Plan will generally be paid directly by the Company.

Based on various assumptions as to remuneration and years of service, before Social Security reductions, the following table illustrates the estimated annual benefits payable from the Retirement Program at retirement at age 65 that are paid for by the Company.

PENSION PLAN TABLE

AVERAGE FINAL COMPENSATION	YEARS OF SERVICE 20	25	30	35	40
$50,000	$ 20,000	$ 25,000	$ 28,750	$ 32,500	$ 36,250
100,000	40,000	50,000	57,500	65,000	72,500
300,000	120,000	150,000	172,500	195,000	217,500
500,000	200,000	250,000	287,500	325,000	362,500
750,000	300,000	375,000	431,250	487,500	543,750
1,000,000	400,000	500,000	575,000	650,000	725,000

The amounts shown under "Salary" and "Bonus" opposite the names of the individuals in the Summary Compensation Table comprise their compensation which is used for purposes of determining "average final compensation" under the plan. The plan will recognize their service with ITT for eligibility and vesting purposes which, as of December 31, 1993, are as follows: Mr. Gross, 15.83 years; Mr. Nutter, 26.55 years; Mr. Berry, 13.58 years; Mr. O'Brien, 34.29 years; and Mr. Pollack, 11.58 years.

RAYONIER EMPLOYEE WELFARE BENEFITS

Effective on the Distribution Date, the Company and its participating subsidiaries adopted a broad-based employee welfare benefits program which "mirror images" the various ITT welfare benefit programs previously available to salaried employees. Rayonier executives will participate in the Company's comprehensive benefits program which will include group medical and dental coverage, group life insurance and other benefit plans, in addition to the pension program and investment and savings plan described previously. In addition to the coverage available generally to salaried employees under the Rayonier welfare benefits plans, Mr. Gross has Company-provided death benefits equal to his annual salary during active employment and reduced coverage after retirement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning Rayonier Common Shares beneficially owned effective February 28, 1994 by (a) each of the Company's directors and executive officers and (b) all directors and executive officers as a group. None of the directors or executive officers, individually, nor all the directors and executive officers as a group, beneficially owns as much as 1 percent of the outstanding Rayonier Common Shares after the Distribution. All Common Shares are owned directly by the individual unless otherwise indicated.

NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP
Rand V. Araskog	101,452
	4,258(a)
Ronald M. Gross	21,701
	697(b)
William J. Alley	1,000
Donald W. Griffin	-
Paul G. Kirk, Jr.	252
Katherine D. Ortega	-
Burnell R. Roberts	1,000
Gordon I. Ulmer	3,000
Wallace L. Nutter	184
	1,708(c)
William S. Berry	169
	149(b)
Gerald J. Pollack	458
	86(b)
Kevin S. O'Brien	-
John P. O'Grady	14
	11(b)
Directors and executive officers as a group	136,139

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(a) Indicates Common Shares held under the ITT Investment and Saving Plan.

(b) Includes Common Shares held under the Rayonier Investment and Savings Plan.

(c) Includes 1,264 Common Shares owned by a corporation of which Mr. Nutter and his spouse are the sole stockholders. All other Common Shares in this total are held under the Rayonier Investment and Savings Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Rayonier was a wholly owned subsidiary of ITT through February 28, 1994, ("the Distribution Date"). Prior to the Distribution Date ITT rendered advice and assistance to Rayonier in general engineering, plants, traffic, operating, accounting, commercial, financial and other matters. The fee for such services was approximately 1/4 of 1 percent of Rayonier's annual sales. The total fee paid by Rayonier to ITT for these services amounted to $2.3 million in 1993.

As a result of the Distribution, ITT has no ownership interest in Rayonier, and Rayonier is an independent public company. Rayonier and ITT entered into certain agreements, described below, governing their relationship subsequent to the Distribution and providing for the allocation of tax and certain other liabilities and obligations arising from periods prior to the Distribution. Copies of the forms of such agreements are filed as exhibits to this Form 10-K, Annual Report. The following description summarizes the material terms of such agreements, but is qualified by reference to the texts of such agreements, which are incorporated herein by reference.

DISTRIBUTION AGREEMENT

ITT and Rayonier entered into the Distribution Agreement providing for, among other things, the principal corporate transactions required to effect the Distribution and other arrangements between Rayonier and ITT related to the Distribution.

The Distribution Agreement provides for the retention by ITT of all liabilities relating to the business conducted by ITT or any subsidiary of ITT (excluding Rayonier and its subsidiaries) and the indemnification of Rayonier with respect to such liabilities.

The Distribution Agreement also provides for the retention by Rayonier of all liabilities relating to the business conducted by Rayonier and its subsidiaries (including environmental liabilities) and the indemnification of ITT with respect to such liabilities.

The Distribution Agreement provides that neither ITT nor Rayonier will take any action that would jeopardize the intended tax consequences of the transaction. Specifically, each of ITT and Rayonier will maintain its status as a company engaged in the active conduct of a trade or business, as defined in Section 355(b) of the Internal Revenue Code of 1986, as amended, until February 28, 1996.

TAX ALLOCATION AGREEMENT

ITT and Rayonier entered into a Tax Allocation Agreement (the Tax Allocation Agreement) providing that Rayonier will pay its share of ITT's consolidated tax liability for the tax years Rayonier is included in ITT's consolidated Federal income tax return. The Agreement also provides for sharing of pre-closing state taxes where appropriate as well as certain other matters.

EMPLOYEE BENEFITS AGREEMENT

ITT and Rayonier entered into an Employee Benefit Services and Liability Agreement providing for the allocation of retirement, medical, disability and other employee welfare benefit plans between ITT and Rayonier.

ADMINISTRATIVE SERVICES AGREEMENT

For the purpose of an orderly transition following the Distribution Date, ITT and Rayonier entered into an Administrative Services Agreement pursuant to which, until December 31, 1994, ITT will provide to Rayonier such corporate administrative services as Rayonier may request, and Rayonier will provide to ITT similar services with respect to particular ITT subsidiaries which were formerly the management responsibility of Rayonier (the Administrative Services Agreement). The party which provides any such services will be compensated by the other party.

CANADIAN ASSETS PURCHASE AGREEMENT

A subsidiary of ITT and a subsidiary of Rayonier entered into a Canadian Assets Purchase Agreement pursuant to which on February 28, 1994 the ITT subsidiary sold to the Rayonier subsidiary certain assets located in Canada and owned by the ITT subsidiary which are used in the Canadian operations of Rayonier. The purchase price was equal to the net book value of the assets purchased, which approximated $3.2 million.

DIRECTORS

Two current ITT Directors, Messrs. Rand V. Araskog and Paul G. Kirk, Jr. are also serving on the Board of Directors of Rayonier.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS OF FORM 8-K

(a) Documents filed as a part of this report:

1. See Index to Financial Statements on page ii for a list of the financial statements filed as part of this report.
2. See Index to Financial Statement Schedules on page ii for a list of the financial statement schedules filed as a part of this report.
3. See Exhibit Index on pages B and C for a list of the exhibits filed or incorporated herein as part of this report.

(b) Reports on Form 8-K:

1. The Company filed, on December 10, 1993, a Form 8-K related to the announcement by ITT Corporation, the Registrant's sole shareholder, of its intentions to distribute, as a special dividend, all of the common shares of the Registrant to holders of ITT Common Stock and Series N Preferred Stock.

REPORT OF MANAGEMENT

The management of Rayonier Inc. is responsible for the preparation and integrity of the information contained in the accompanying financial statements and other sections of the Annual Report. The financial statements are prepared in accordance with generally accepted accounting principles and, where necessary, include amounts that are based on management's informed judgments and estimates. Other information in the Annual Report is consistent with the financial statements.

Rayonier's financial statements are audited by Arthur Andersen & Co., independent public accountants. Management has made Rayonier's financial records and related data available to Arthur Andersen & Co., and believes that the representations made to the independent public accountants are valid and complete.

Rayonier's system of internal controls is a major element in management's responsibility for the fair presentation of the financial statements. The system includes both accounting controls and the internal auditing program, which are designed to provide reasonable assurance that Rayonier's assets are safeguarded, that transactions are properly recorded and executed in accordance with management's authorization, and that fraudulent financial reporting is prevented or detected.

Rayonier's internal controls provide for the careful selection and training of personnel and for appropriate divisions of responsibility. The controls are documented in written codes of conduct, policies and procedures that are communicated to Rayonier's employees. Management continually monitors the system of internal controls for compliance. Rayonier's internal auditors independently assess the effectiveness of internal controls and make recommendations for improvement on a regular basis. The independent public accountants also evaluate internal controls and perform tests of procedures and accounting records to enable them to express their opinion on Rayonier's financial statements. They also make recommendations for improving internal controls, policies and practices. Management takes appropriate action in response to each recommendation from the internal auditors and the independent public accountants.

The Board of Directors and the officers of Rayonier monitor management's administration of Rayonier's financial and accounting policies and practices and the preparation of financial reports.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Rayonier Inc.:

We have audited the accompanying consolidated financial statements of Rayonier Inc. (a North Carolina corporation and a wholly owned subsidiary of ITT Corporation through February 28, 1994) and subsidiaries as of December 31, 1993 and 1992, and for each of the three years in the period ended December 31, 1993, as described in the Index to Financial Statements. These financial statements and the schedules referred to below are the responsibility of Rayonier's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rayonier Inc. and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statement Schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Stamford, Connecticut
March 1, 1994

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

For the Three Years Ended December 31, 1993
(Thousands of dollars, except per share data)

	1993	1992	1991
Sales	$936,310	$973,673	$978,950
Costs and expenses			
Cost of sales	780,831	821,571	846,246
Selling and general expenses	27,390	32,228	29,550
Commission expenses	885	13,115	14,707
Other operating (income) expenses, net	(2,641)	4,639	(8,298)
Provision for dispositions	2,679	188,724	
	809,144	1,060,277	882,20
Operating income (loss)	127,166	(86,604)	96,745
Equity in net loss of Grays Harbor Paper Company	-	(3,257)	(1,587)
	127,166	(89,861)	95,158
Interest expense	(23,368)	(21,327)	(13,942)
Interest and miscellaneous income, net	1,608	2,004	2,562
Minority interest	(22,508)	(22,702)	(19,884)
Income (loss) before income taxes	82,898	(131,886)	63,894
Income tax (expense) benefit	(30,432)	50,366	(19,557)
Income (loss) before cumulative effect of accounting changes	52,466	(81,520)	44,337
Cumulative effect of accounting changes (SFAS No. 106 and SFAS No. 112) net of tax benefit $11,310	-	(21,956)	-
Net income (loss)	$ 52,466	$(103,476)	$ 44,337
Earnings (loss) per common share:			
Income (loss) before cumulative effect of accounting changes	$1.77	$(2.77)	$1.50
Cumulative effect of accounting changes	$ -	$(0.74)	$ -
Net income (loss)	$1.77	$(3.51)	$1.50

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

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 1993 and 1992
(Thousands of dollars)

ASSETS

	1993	1992
CURRENT ASSETS		
Cash	$ 5,989	$ 5,731
Short-term investments	-	5,000
Accounts receivable, less allowance for doubtful accounts of $4,268 and $4,049	82,696	74,249
Inventories		
Finished goods	46,516	57,457
Work in process	16,235	16,945
Raw materials	44,057	39,552
Manufacturing and maintenance supplies	26,751	26,026
	133,559	139,980
Deferred income taxes	10,498	18,409
Prepaid timber stumpage	55,770	40,544
Other current assets	10,752	7,624
Total current assets	299,264	291,537
OTHER ASSETS	24,025	31,337
TIMBER STUMPAGE	12,480	7,881
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION	470,077	464,123
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment	1,149,447	1,129,209
Less - accumulated depreciation	480,518	447,643
	668,929	681,566
	$1,474,775	$1,476,444

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

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 1993 and 1992
(Thousands of dollars)

LIABILITIES AND SHAREHOLDER EQUITY

	1993	1992
CURRENT LIABILITIES		
Accounts payable	$ 67,783	$ 72,321
Bank loans	180,800	100,000
Current maturities of long-term debt	1,203	1,770
Accrued taxes	2,480	5,363
Accrued payroll and benefits	18,525	17,689
Accrued interest	4,446	5,367
Due to ITT Corporation and affiliated companies, net	2,673	10,106
Other current liabilities	32,657	40,926
Current reserves for dispositions and discontinued operations	27,280	31,231
Total current liabilities	337,847	284,773
DEFERRED INCOME TAXES	126,176	86,478
LONG-TERM DEBT	316,138	301,634
NONCURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS (Net of discontinued operations' assets of $12,986 and $11,003)	35,920	64,439
OTHER NONCURRENT LIABILITIES	15,741	26,025
MINORITY INTEREST	36,649	37,417
SHAREHOLDER EQUITY		
Common shares, 60 million shares authorized, 29,565,392 shares issued and outstanding	157,426	157,426
Retained earnings	448,878	518,252
	606,304	675,678
	$1,474,775	$1,476,444

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

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED RETAINED EARNINGS

For the Three Years Ended December 31, 1993
(Thousands of dollars)

	1993	1992	1991
Balance, beginning of year	$518,252	$639,258	$614,534
Net income (loss)	52,466	(103,476)	44,337
Cash dividends to ITT Corporation	(121,840)	(17,530)	(19,613)
Balance, end of year	$448,878	$518,252	$639,258

STATEMENTS OF CONSOLIDATED COMMON SHARES
AND CUMULATIVE PREFERRED STOCK

For the Three Years Ended December 31, 1993
(Thousands of dollars, except for shares)

	Common Shares		Cumulative Preferred Stock	
	Shares	Amount	Shares	Amount
Balance, January 1, 1991	29,565,392	$157,426	-	$ -
Balance, December 31, 1991	29,565,392	157,426	-	-
Issuance of Cumulative Preferred Stock	-	-	30,000	30,000
Redemption of Cumulative Preferred Stock	-	-	(30,000)	(30,000)
Balance, December 31, 1992	29,565,392	157,426	-	-
Balance, December 31, 1993	29,565,392	$157,426	-	-

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

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

For the Three Years Ended December 31, 1993
(Thousands of dollars)

	1993	1992	1991
OPERATING ACTIVITIES			
Net income (loss)	$ 52,466	$(103,476)	$ 44,337
Cumulative effect of accounting changes	-	21,956	-
Income (loss) before cumulative effect of accounting changes	52,466	(81,520)	44,337
Non-cash items included in income			
Depreciation, depletion and amortization	78,272	77,885	69,270
Deferred income taxes	47,609	(65,871)	6,865
Equity in undistributed losses of Grays Harbor Paper Company	-	3,257	1,587
Write-down of property, plant and equipment	-	81,804	-
Reserves for dispositions	2,679	106,920	-
Decrease in other noncurrent liabilities	(10,284)	(1,387)	(4,239)
Change in accounts receivable, inventories and accounts payable	(5,887)	(13,711)	(31,083)
(Increase) decrease in prepaid timber stumpage	(15,226)	2,391	29,684
Change in due to ITT Corporation and affiliated companies, net	(7,433)	1,927	15,823
Other changes in working capital	(13,569)	12,427	924
Cash from operating activities	128,627	124,122	133,168
INVESTING ACTIVITIES			
Capital expenditures, net of sales, retirements and reclassifications of $167, $755 and $1,554	71,589)	(96,289)	(132,002)
New Zealand forest assets acquisition	-	(196,500)	-
Expenditures for dispositions and discontinued operations	(27,730)	(18,213)	(16,962)
Change in investments, other assets and timber stumpage	(6,179)	(1,394)	5,679
Cash used for investing activities	(105,498)	(312,396)	(143,285)
FINANCING ACTIVITIES			
Increase in indebtedness to ITT Corporation	-	167,000	30,800
Repayments of indebtedness to ITT Corporation	-	(167,000)	(71,100)
Issuance of debt	290,435	424,700	99,439
Repayments of debt	(195,698)	(226,402)	(26,788)
Issuance of preferred stock	-	30,000	-
Redemption of preferred stock	-	(30,000)	-
Cash dividends to ITT Corporation	(121,840)	(17,530)	(19,613)
(Decrease) increase in minority interest	(768)	4,486	1,813
Cash from (used for) financing activities	(27,871)	185,254	14,551
CASH AND SHORT-TERM INVESTMENTS			
(Decrease) increase in cash and short-term investments	(4,742)	(3,020)	4,434
Balance at beginning of year	10,731	13,751	9,317
Balance at end of year	$ 5,989	$ 10,731	$ 13,751
Supplemental disclosures of cash flow information			
Cash paid (received) during the year for			
Interest	$ 16,915	$ 22,562	$ 15,879
Income taxes, net of refunds	$ (18,193)	$ 13,835	$ (6,863)

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

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands unless otherwise stated)

1. THE COMPANY

On February 28, 1994, (the Distribution Date), ITT Corporation (ITT), Rayonier Inc.'s sole shareholder, distributed, as a special dividend, all of the Common Shares of Rayonier to the holders of ITT Common Stock and Series N Preferred Stock (the Distribution). In connection with the Distribution, the Company changed its name from ITT Rayonier Incorporated to Rayonier Inc. and became a publicly traded company listed on the New York Stock Exchange under the symbol "RYN." On March 1, 1994 there were approximately 29.6 million Common Shares of Rayonier outstanding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

Research and Development

Significant costs are incurred each year for research and development programs expected to contribute to the profitability of future operations. Such costs are charged to income as incurred. Research and development expenditures amounted to $7,302, $8,267 and $7,651 in 1993, 1992 and 1991, respectively.

Inventories

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

Prepaid Timber Stumpage/Timber Stumpage

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

Timber Cutting Contracts

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

Timber and Timberlands

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

Logging Roads

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

Property, Plant and Equipment

Property, plant and equipment additions are recorded at cost which includes applicable freight, taxes, interest, construction and installation costs. Interest capitalized in connection with major construction projects amounted to $893 and $3,214 during 1992 and 1991, respectively. No interest costs were capitalized during 1993. Upon ordinary retirement or sale of property, accumulated depreciation is charged with the cost of the property removed and credited with the proceeds of salvage value and no gain or loss is recognized. Gains and losses with respect to any significant and unusual retirements of assets are included in operating income.

Depreciation

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

Earnings (Loss) Per Common Share

Earnings (loss) per common share have been computed, in 1992 after deducting preferred dividends, based on the number of Rayonier Common Shares that were outstanding on the Distribution Date. Common stock equivalents in the form of Rayonier stock options were granted to certain Rayonier employees in substitution for surrendered ITT options. However, these common stock equivalents have been excluded from earnings (loss) per common share computations due to immateriality. The number of common shares used in earnings (loss) per common share computations was 29,565,392 for 1993, 1992 and 1991. See Notes 1, 11 and 12.

3. CHANGES IN ACCOUNTING PRINCIPLES

Statement of Financial Accounting Standards No. 109 - Adopted by Restatement of Prior Periods

During the second quarter of 1992, Rayonier adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," by restating financial statements of prior periods. The new standard requires, among other things, that an asset and liability approach be applied in accounting for income taxes. The significant effects of the adoption of SFAS No. 109 on the balance sheet were to increase shareholder equity by $26,812 and to adjust deferred tax assets and deferred tax liabilities by a corresponding amount. The adoption of SFAS No. 109 had no effect on net income.

Statement of Financial Accounting Standards No. 106 - Adopted with a one-time Cumulative Adjustment to Net Income

Effective January 1, 1992, Rayonier adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," using the immediate recognition method. The new standard requires accrual of postretirement health care and life insurance benefit costs during the years that an employee provides services to the Company rather than on the pay-as-you-go basis generally in effect. Accordingly, a cumulative adjustment (through December 31, 1991) of $31,916 pretax has been recognized at January 1, 1992.

Statement of Financial Accounting Standards No. 112 - Adopted with a one-time Cumulative Adjustment to Net Income

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

1992. Except for the one-time cumulative adjustment, the adoption of SFAS No. 112 was not material to Rayonier's results of operations.

Rayonier's cash flows were not impacted by these changes in accounting principles.

4. NEW ZEALAND ACQUISITION

During the second quarter of 1992, the Company completed the purchase of forest assets, primarily Crown forest licenses consisting of long-term rights to utilize approximately 250,000 acres of plantation forest in New Zealand. These assets were acquired from the New Zealand government for a cash purchase price of approximately $197 million. Bridge financing for the acquisition was obtained through the issuance of preferred stock to ITT and through additional borrowings from banks and ITT. By October 15, 1992, the Company had completed its financing program for this acquisition. See Notes 6, 10 and 11. The Company harvests timber for export to Pacific Rim markets and sale locally in New Zealand. Substantially all of the assets were purchased by, and substantially all operations are conducted through Rayonier New Zealand Limited, an indirect subsidiary of Rayonier.

5. RAYONIER TIMBERLANDS, L.P.

In 1985, Rayonier transferred substantially all of its timberlands business to Rayonier Timberlands, L.P., a master limited partnership, in exchange for 20 million Class A and 20 million Class B Depositary Units. Thereafter, Rayonier offered and sold 5.06 million Class A Units (25.3 percent) to the public. Class A Units participate principally in the revenues and costs associated with RTLP's sales of timber through December 31, 2000 and to a significantly lesser extent in subsequent periods. RTLP's sales of timber after that date as well as cash flow associated with land management activities before and after that date are principally allocable to the Class B units, all of which have been retained by Rayonier. Rayonier and a subsidiary, as general partners, plan to operate and manage RTLP throughout its existence. RTLP is majority owned by Rayonier and is included in these consolidated financial statements.

6. TRANSACTIONS BETWEEN ITT AND RAYONIER

Rayonier was a wholly owned subsidiary of ITT through February 28, 1994. See Notes 1 and 11. ITT rendered advice and assistance to Rayonier in general engineering, plants, traffic, operating, accounting, commercial, financial and other matters. The fee for such services was approximately 1/4 of 1 percent of Rayonier's annual sales. The total fee paid by Rayonier to ITT for these services amounted to $2,326, $2,413 and $2,450 in 1993, 1992 and 1991, respectively.

Rayonier paid sales commissions to ITT Foreign Sales Corporation (FSC) amounting to $12,362, and $13,727 in 1992 and 1991, respectively, under a sales agency agreement initiated in August 1988. Dividends paid to ITT were reduced by the after tax cost of the foreign sales commissions so as not to impact the financial condition of Rayonier due to this arrangement. Effective January 1, 1993, ITT transferred ownership of FSC to Rayonier.

On May 14, 1992, Rayonier borrowed $167 million from ITT, the proceeds of which were utilized as bridge financing in the New Zealand acquisition. On July 28, 1992, all outstanding borrowings from ITT were replaced by bank borrowings at variable interest rates. During 1991, Rayonier repaid $40,300 of a variable rate loan from ITT which was borrowed in 1988 and used primarily to retire commercial paper. The loan balance was repaid primarily with funds borrowed from banks. See Note 10. There were no outstanding borrowings from ITT as of December 31, 1993 and 1992. Interest expense paid to ITT amounted to $2,092 and $1,817 in 1992 and 1991, respectively. No interest expense was paid to ITT in 1993.

Rayonier was one of several affiliates participating in the ITT Salaried Retirement Plan as well as health care and life insurance programs for salaried employees sponsored by ITT. See Note 13.

As a result of the Distribution, ITT has no ownership interest in Rayonier, and Rayonier is an independent public company. Rayonier and ITT entered into certain agreements governing their relationship subsequent to the Distribution and providing for the allocation of tax and certain other liabilities and obligations arising from periods prior to the Distribution.

A subsidiary of ITT and a subsidiary of Rayonier entered into a Canadian Assets Purchase Agreement pursuant to which on February 28, 1994 the ITT subsidiary sold to the Rayonier subsidiary certain assets located in Canada and owned by the ITT subsidiary which are used in the Canadian operations of Rayonier. The purchase price was equal to the net book value of the assets purchased which approximated $3.2 million.

7. INCOME TAXES

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

The provision for income taxes was adversely impacted in 1993 by the effects of tax reform legislation enacted August 10, 1993. This legislation increased the corporate income tax rate from 34 percent to 35 percent retroactive to January 1, 1993 and eliminated tax benefits related to log exports for foreign sales corporations effective in the third quarter. The provision for income taxes includes a charge of $1,583 as a result of the remeasurement of the Company's deferred tax liability for the 1 percent increase in the corporate income tax rate. In total, the 1993 tax reform legislation negatively impacted results by approximately $3 million.

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

	1993	1992	1991
Provision (benefit) for income tax			
Current			
U.S. federal	$(18,530)	$ 1,199	$ 6,781
State and local	(1,216)	117	932
Foreign	2,569	-	-
	(17,177)	1,316	7,713
Deferred			
U.S. federal	39,713	(47,795)	10,870
State and local	3,292	(3,268)	974
Foreign	4,604	(619)	-
	47,609	(51,682)	11,844
	$ 30,432	$(50,366)	$ 19,557

Deferred income tax provision (benefit) represents the tax effect related to recording revenues and expenses in different periods for financial reporting and tax return purposes. Deferred tax assets (liabilities) include the following at December 31, 1993 and 1992:

	1993	1992
Accelerated depreciation	$(122,544)	$(110,748)
Reserves for dispositions and discontinued operations	23,212	52,224
Other	(16,346)	(9,545)
	$(115,678)	$ (68,069)

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

	1993	1992	1991
Tax (benefit) provision at U.S. statutory rate	$29,014	$(44,841)	$21,724
Benefit of foreign sales corporations	(1,500)	(3,089)	(3,631)
Effect of remeasurement of deferred tax liability	1,583	-	-
State and local taxes, net of federal tax benefit	1,349	(2,080)	1,258
All other, net	(14)	(356)	206
Provision (benefit) for income tax	$30,432	$(50,366)	$19,557

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

8. DISCONTINUED OPERATIONS AND UNITS HELD FOR DISPOSITION

In 1986 the Company discontinued its Southern Wood Piedmont Company (SWP) treated wood business segment. The Company is currently actively involved in implementing cleanup and closure programs for SWP and is in negotiations with state and environmental agencies on the scope and timing of such programs. In prior years, the Company had provided $153 million in pre-tax reserves for discontinued operations for closure, post-closure and corrective action programs at SWP. The costs of the corrective action and closure programs at SWP's nine primary manufacturing locations are affected by many factors, which has led to increases in the reserves for such programs in the past, and may result in increases in the future, as the effectiveness of the existing cleanup programs is measured against applicable standards. Expenditures for such programs will also depend on, among other things, new laws, regulations and administrative interpretations, governmental responses to programs proposed by the Company and changes in environmental control technology. Although considerable progress on cleanup was made by year end 1993, in particular at three of SWP's nine locations where the installation of corrective action facilities has been completed, there is still uncertainty as to the timing and amount of expenditures beyond 1993 at these sites and the extent and timing for completing programs at all sites. The Company currently estimates that expenditures for environmental remediation and closure costs at these sites during the two year period 1994-1995 will approximate $10 million.

Net assets of discontinued operations as of December 31, 1993 and 1992 include $11.5 million for receivables from insurance claims. Such receivables represent the Company's claim for reimbursements in connection with property damage settlements relating to SWP's former wood preserving operations.

In the fourth quarter of 1992, the Company provided $180 million, pre-tax, for the loss on disposal of assets along with the costs for severance, demolition and other closedown items associated with the disposition of the Grays Harbor Pulp Mill and Vanillin plant, and the associated Grays Harbor Paper Company (collectively referred to as the Grays Harbor Complex). In August 1993 a portion of the Grays Harbor Complex was sold for cash and notes. The Company is still completing demolition, personnel termination, environmental remediation and other closure programs.

As of December 31, 1993, the Company had $76.2 million reserved for discontinued operations and units held for disposition. Subject to the uncertainties discussed above, the Company believes that its reserves established to divest or close all of these business activities are adequate. The Company further believes that any future change in estimates, if necessary, will not materially affect the financial condition of the Company.

9. BANK LOANS

At December 31, 1993, the Company had short-term loans payable to various banks totaling $180.8 million at interest rates ranging from 3.46 percent to 3.86 percent. At December 31, 1992, the Company's short-term loans payable to banks totaled $100 million at interest rates ranging from 3.75 percent to 4.44 percent.

The fair value of Rayonier's short-term bank loans approximates carrying value at December 31, 1993.

10. LONG-TERM DEBT

As of December 31, 1993 and 1992 Rayonier's long-term debt at various interest rates included the following:

Debt Issue	1993	1992
7.5% Notes - due 2002	$110,000	$110,000
Medium Term Notes due 1998-1999 at interest rates of 5.84% to 6.16%	16,000	-
Variable rate Term Loan Agreement - due 1995-1997	100,000	100,000
Pollution control and industrial revenue bonds - due 1994-2015 at interest rates of 4.75% to 9.0%	90,410	91,345
All other	931	2,059
	317,341	303,404
Less: Current maturities	1,203	1,770
Long-term debt	$316,138	$301,634

On October 15, 1992 Rayonier issued $110 million of 7.5 percent notes due October 15, 2002 (the Notes). The Notes were issued pursuant to a Registration Statement, filed on Form S-3 effective September 29, 1992 (the Registration Statement), which permits the Company to issue up to $250 million in debt securities through public offerings. The Company used the net proceeds from the sale of the Notes to repay bank debt which was utilized as bridge financing for the purchase of forest assets in New Zealand. See Note 4.

On April 5, 1993 the Company established a $140 million Medium Term Note program pursuant to the Registration Statement. During April 1993, $16 million of medium term notes, maturing in April 1998 and 1999, were issued under this program at an average effective cost to the Company of 6.25 percent.

During the fourth quarter of 1991, Rayonier borrowed $90 million under a term loan agreement which expires on October 31, 1997. This loan agreement was amended in 1992 allowing Rayonier to borrow an additional $10 million. The loan is repayable in three equal annual installments starting in October of 1995 and ending in October of 1997. The proceeds of this loan were primarily used to retire short-term bank borrowings, pay off debt to ITT and for other corporate purposes. The debt bears a variable rate of interest equal to the London Interbank Offering Rate (LIBOR) plus 62.5 basis points. At December 31, 1993, the rate of interest on this loan was 3.75 percent.

Required repayment of principal for long-term debt is as follows:

1994	$ 1,203
1995	33,552
1996	33,857
1997	35,562
1998	3,342
1999-2015	209,825
	$ 317,341

The estimated fair value of long-term debt as of December 31, 1993 exceeds the carrying value of such debt by approximately $15.5 million.

The most restrictive long-term debt agreement in effect at December 31, 1993 provides that the ratio of Rayonier's indebtedness to the sum of such indebtedness plus consolidated tangible net worth shall not exceed 50 percent. As of December 31, 1993, this ratio was 45 percent. In addition, at December 31, 1993 a total of $279 million of retained earnings was unrestricted as to the payment of dividends.

11. SHAREHOLDER EQUITY

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

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

Dividends paid by Rayonier on its classes of stock during 1993, 1992, and 1991 were $121,840, $17,530 and $19,613, respectively. The 1993 amount includes a fourth quarter special dividend of $90 million that was paid to ITT pursuant to a planned recapitalization program. Dividends in 1992 include $471 paid on the Series A Preferred Stock.

12. INCENTIVE STOCK PLANS

In 1994, prior to the Distribution, the Board of Directors adopted and ITT, as the Company's sole shareholder, approved the 1994 Rayonier Incentive Stock Plan (the "1994 Plan"). The 1994 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, performance shares and restricted stock for up to one million shares, subject to certain limitations. The 1994 Plan will expire on December 31, 2003. No options have been issued under this Plan.

In the first quarter of 1994, the Company implemented a Substitute Stock Option Plan under which options to acquire 382,434 Common Shares of Rayonier were granted in substitution for canceled ITT options. The Rayonier options were granted at exercise prices of $16.57 to $31.35 per share to maintain the same economic value to the option holders that they would have had under ITT's stock option plan. Of these shares, 168,794 are immediately exercisable.

13. EMPLOYEE BENEFIT PLANS

Rayonier has several pension plans covering substantially all of its employees. The entire cost of these plans is borne by Rayonier. Certain plans are subject to union negotiation. Rayonier is also one of several affiliates participating in the ITT Salaried Retirement Plan.

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

The following table discloses periodic pension cost for Rayonier plans and total Rayonier pension expense for the three years ended December 31, 1993:

	1993	1992	1991
Defined Benefit Plans			
Service cost	$1,567	$1,668	$1,574
Interest cost	5,573	5,707	5,562
Return on assets	(13,138)	(5,325)	(6,320)
Net amortization and deferral	6,276	(1,451)	(73)
Net periodic pension cost of Rayonier plans	278	599	743
Other Pension Costs			
Rayonier portion of ITT Salaried Retirement Plan	2,581	2,938	2,460
Multi-employer plans	165	-	24
Defined contribution (savings) plans	1,294	1,329	1,267
Total Pension Expense	$4,318	$4,866	$4,494

The following table sets forth the funded status of the Rayonier pension plans for hourly paid employees, the amounts recognized in the balance sheets of the Company at December 31, 1993 and 1992 and the principal weighted average assumptions inherent in their determinations:

	1993	1992
Actuarial present value of benefit obligations -		
Vested benefit obligation	$73,017	$67,340
Accumulated benefit obligation	$76,979	$71,175
Projected benefit obligation	$76,979	$71,448
Plan assets at fair value	83,373	77,303
Plan assets in excess of projected benefit obligation	6,394	5,855
Unrecognized net loss	10,223	6,491
Unrecognized past service cost	4,601	5,059
Curtailment effects and termination benefits	(3,550)	-
Unrecognized net assets at January 1, 1993 and 1992	(6,382)	(6,959)
Prepaid pension asset recognized in the balance sheets	$11,286	$10,446
Actuarial Assumptions -		
Discount rate	7 .50%	8.50%
Rate of return on invested assets	9 .75%	9.75%
Salary increase assumption	5 .00%	5.00%

The table for 1993 reflects the costs of curtailment and special termination benefits of certain hourly Rayonier pension plans as a result of the closure of the Grays Harbor Complex. See Note 8. The costs of $3,550 were recorded as part of the 1992 charge of $180 million related to the Grays Harbor Complex closure, and were accounted for in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits."

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

Postretirement health care and life insurance benefits expense (excluding the cumulative catch up adjustment) was comprised of the following in 1993 and 1992:

	1993	1992
Service Cost	$ 260	$ 239
Interest Cost	766	721
Net periodic expense for hourly plans	1,026	960
Rayonier portion of expense for ITT Plans for salaried employees	1,146	1,653
Total Postretirement expense	$ 2,172	$ 2,613

For 1991 the aggregate costs amounted to $2,232 under the prior accounting method.

The following table sets forth the status of the postretirement benefit plans other than pensions for hourly paid employees, the amounts recognized in Rayonier's balance sheets at December 31, 1993 and 1992 and the principal weighted average assumptions inherent in their determination:

	1993	1992
Accumulated postretirement benefit obligation	$10,623	$ 9,228
Unrecognized net loss	(832)	-
Liability recognized in the balance sheet	$9,791	$ 9,228
Actuarial assumptions -		
Discount rate	7.5%	8.5%
Ultimate health care trend rate	6.0%	6.6%

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) was 12.1 percent for 1993, decreasing ratably to 6.0 percent in the year 2001. Increasing the table of health care trend rates by one percent per year would have the effect of increasing the accumulated postretirement benefit obligation by $1,100 and annual expense by $100. To the extent that the actual experience differs from the inherent assumptions, the effect will be amortized over the average future service of the covered active employees.

14. LEASES AND RENTALS

As of December 31, 1993, minimum rental commitments under operating leases were $5,142, $5,133, $4,298, $3,306 and $1,213 for 1994, 1995, 1996, 1997 and 1998. For the remaining years, such commitments amounted to $5,881, aggregating total minimum lease payments of $24,973.

Operating lease commitments at December 31, 1993 include the 1985 sale and leaseback of Rayonier's Baxley, Georgia sawmill assets amounting to approximately $8.3 million, the lease on Rayonier's executive offices, which was renegotiated and renewed in 1991, of approximately $9.0 million, the fixed portions of the 1985 lease of equipment under a master lease agreement through ITT of approximately $2.7 million and the 1992 lease of New Zealand office space of $1.9 million.

Total rental expense for operating leases amounted to $5,587, $6,485 and $6,301 in 1993, 1992 and 1991, respectively.

15. LEGAL PROCEEDINGS

A wholly owned subsidiary of the Company, Southern Wood Piedmont Company (SWP), which has been a discontinued operation since 1986, was formerly in the wood preserving business and continues to incur substantial expenditures in cleaning up its former wood preserving sites. See Note 8. In addition, Rayonier and SWP are named defendants in six cases arising out of former wood preserving operations at SWP's plant located in Augusta, Georgia. In general, these cases, five pending in the U.S. District Court for the Southern District of Georgia and one pending in the Superior Court of Richmond County, seek recovery for property damage and personal injury or medical monitoring costs based on the alleged exposure to toxic chemicals used by SWP in its former operations. One case, Ernest Jordan v. Southern Wood

Piedmont Co., et al, seeks certification as a class action and damages in the amount of $700 million. Counsel for the Company believes that the Company has meritorious defenses in all these cases. Several previous lawsuits related to the Augusta facility have been settled for amounts not material to the Company.

Rayonier has been named a "Potentially Responsible Party" (PRP) or is a defendant in actions being brought a PRP in five proceedings instituted by the U.S. Environmental Protection Agency (EPA) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) or state agencies under comparable state statutes. In three of these proceedings, Rayonier is presently considered a de minimis participant. In one proceeding, the Company is not a de minimis participant because of the limited number of PRP's, and the Company believes that its share of liability for total cleanup costs (currently estimated to be between $30 million and $39 million) will be less than 9 percent. In another proceeding, the Company is not a de minimis participant based on an analysis of the volume and type of waste that the Company is alleged to have disposed of at the site, and the Company believes that its share of liability for total cleanup costs (currently estimated to be between $25 million and $32 million) will be less than 1.75 percent. In each case, Rayonier has established reserves for its estimated liability. Rayonier has also received requests for information from the EPA in connection with two other CERCLA sites, but the Company does not currently know to what extent, if at all, liability under CERCLA will be asserted against Rayonier with respect to either site.

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

16. ENVIRONMENTAL MATTERS

Rayonier has become subject to increasingly stringent environmental laws and regulations concerning air emission, water discharge and waste disposal which, in the opinion of management, will require substantial expenditures over the next ten years. Recently proposed Federal environmental regulations governing air and water discharges may require further expenditures and, if finally enacted in their proposed form, may prevent Rayonier from meeting certain product quality specifications for substantially all of its chemical cellulose products and in other cases will increase the cost of making such products. Sales of the Company's chemical cellulose products accounted for approximately 30 percent of the Company's total 1993 sales. While these regulations may have a material effect on Rayonier's operations if not changed, it will not be possible for Rayonier to determine the nature or costs of these proposals until the regulations are issued in detail form.

Over the past three years, the harvest of timber from private lands in the state of Washington has been restricted as a result of the listing of the northern spotted owl as a threatened species under the Endangered Species Act (ESA). These restrictions have caused RTLP to restructure and reschedule some of its harvest plans. The U.S. Fish and Wildlife Service (FWS) is developing a proposed rule under the ESA to redefine protective measures for the northern spotted owl on private lands. This rule, as currently drafted, would reduce the harvest restrictions on private lands except within specified special emphasis areas, where restrictions would be increased. One proposed special emphasis area is on the Olympic Peninsula, where a significant portion of RTLP's Washington timberlands is located. The new rule may also include guidelines for the protection of the marbled murrelet, also recently listed as a threatened species. Separately, the state of Washington Forest Practices Board is in the process of adopting new harvest regulations to protect the northern spotted owl and the marbled murrelet. The State Department of Natural Resources draft of this rule also provides for a special emphasis area to protect the northern spotted owl on the Olympic Peninsula, which would increase harvest restrictions on the Company's lands. The Company is unable at this time to predict the form in which the Federal or state rules will eventually be adopted. However, if either rule is adopted in the form proposed by the respective agencies, the result will be some reduction in the volume of Company timber available for harvest.

17. SEGMENT INFORMATION

Rayonier operates in two major industry segments. The Timber and Wood Products segment manages timberlands and is engaged in the trading, merchandising and manufacture of logs, timber and wood products while the Specialty Pulp Products segment is engaged in the production and sale of high value added specialty pulps.

Please refer to Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations where business conditions and segment sales and operating income information are provided. Additional segment information for the three years ended December 31, 1993 was as follows (millions of dollars):

	Gross Plant Additions			Depreciation Depletion & Amortization			Identifiable Assets		
	1993	1992	1991	1993	1992	1991	1993	1992	1991
Timber and Wood Products	$ 30	$ 23	$ 20	$ 21	$ 17	$ 12	$ 649	$ 591	$ 400
Specialty Pulp Products	41	71	108	56	54	48	794	822	791
Corporate and Other	1	1	1	1	1	1	31	51	50
Dispositions	-	2	5	-	6	8	1	12	131
Total	$ 72	$ 97	$134	$ 78	$ 78	$ 69	$1,475	$1,476	$1,372

Geographical Operating Information - All Segments (millions of dollars)

	Sales			Operating Income (Loss)			Identifiable Assets		
	1993	1992	1991	1993	1992	1991	1993	1992	1991
United States	$839	$944	$968	$103	$ (89)	$ 99	$1,248	$1,271	$1,367
New Zealand	93	30	11	27	5	1	226	205	5
All Other	4	-	-	(3)	(3)	(3)	1	-	-
Total	$936	$974	$979	$127	$ (87)	$ 97	$1,475	$1,476	$1,372

Export Sales - All Segments (millions of dollars)

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

Operating Location	Sales Destination	1993	1992	1991
United States	Asia Pacific	$282	$303	$291
	Western Europe	109	146	160
	All Other	62	63	62
		453	512	513
New Zealand	Asia Pacific	67	19	11
	Western Europe	4	-	-
	All Other	2	-	-
		73	19	11
All Other		4	-	-
Total		$530	$531	$524

18. QUARTERLY RESULTS FOR 1993 AND 1992 (UNAUDITED):

	Quarter Ended				Total
	March 31	June 30	Sept. 30	Dec. 31	Year
1993					
Sales	$216,320	$256,575	$226,445	$236,970	$936,310
Operating Income	$ 36,649	$ 48,750	$ 24,245	$ 17,522	$127,166
Net Income	$ 16,820	$ 24,790	$ 7,733	$ 3,123	$ 52,466
Earnings Per Common Share	$.57	$.84	$.26	$.10	$1.77
1992					
Sales	$232,390	$235,218	$265,579	$ 240,486	$ 973,673
Operating Income (Loss)	$ 31,944	$ 22,987	$ 31,962	$(173,497) (b)	$ (86,604)
Net Income (Loss)	$ (8,287) (a)	$ 6,996	$ 12,754	$(114,939)(b)	$(103,476) (a)
Earnings (Loss) Per Common Share	$(.28) (a)	$.23	$.43	$(3.89)	$(3.51) (a)

(a) The first quarter of 1992 includes an after tax adjustment of $22.0 million to record the cumulative effect of changes in accounting principles due to the adoption of SFAS No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions and SFAS No. 112, Employers' Accounting for Postemployment Benefits. The cumulative effect of accounting changes negatively impacted earnings by $.74 per common share for the first quarter and full year 1992. Excluding the cumulative effect of accounting changes, earnings (loss) per common share was $0.46 and $(2.77) for the first quarter and full year 1992, respectively.

(b) The fourth quarter of 1992 includes an after tax charge of $115 million to provide for the loss on disposal of assets along with the costs for severance, demolition and other closedown items associated with the disposition of the Grays Harbor Complex.

RAYONIER INC. AND SUBSIDIARIES
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
(Thousands of dollars)

Classification	Balance at Beginning of Year	Additions at Cost	Retirements or Sales	Other Changes	Balance at End of Year
Year Ended December 31, 1993					
Land and land improvements	$ 7,181	$ 657	$ 44	$ 177	$ 7,971
Construction in progress	28,001	(6,504)	-	(731)	20,766
Buildings and permanent fixtures	88,035	4,598	2,059	47	90,621
Furniture and fixtures	20,838	2,634	1,653	607	22,426
Machinery, logging, transportation and automotive equipment	985,154	47,955	25,621	175	1,007,663
	1,129,209	49,340	29,377	275 (a)	1,149,447
Timber, net	416,636	19,343	254	(15,615)(b)	420,110
Timberlands	41,847	13	175	-	41,685
Logging Roads	6,449	3,060	-	-	9,509
	$ 1,594,141	$ 71,756	$ 29,806	$ (15,340)	$1,620,751

Classification	Balance at Beginning of Year	Additions at Cost	Retirements or Sales	Other Changes	Balance at End of Year
Year Ended December 31, 1992					
Land and land improvements	$ 8,542	$ 61	$ 601	$ (821)	$ 7,181
Construction in progress	58,742	(27,873)	61	(2,807)	28,001
Buildings and permanent fixtures	107,608	4,259	23,740	(92)	88,035
Furniture and fixtures	20,522	1,720	2,700	1,296	20,838
Machinery, logging, transportation and automotive equipment	1,033,993	101,229	149,844	(224)	985,154
	1,229,407	79,396	176,946	(2,648)(a)	1,129,209
Timber, net	218,994	212,041	1,387	(13,012)(b)	416,636
Timberlands	42,038	25	172	(44)	41,847
Logging Roads	5,110	1,340	1	-	6,449
	$ 1,495,549	$292,802(c)	$ 178,506(d)	$ (15,704)	$1,594,141

RAYONIER INC. AND SUBSIDIARIES
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
(Thousands of dollars)

Classification	Balance at Beginning of Year	Additions at Cost	Retirements or Sales	Other Changes	Balance at End of Year
Year Ended December 31, 1991					
Land and land improvements	$ 8,743	$ 151	$ 27	$ (325)	$ 8,542
Construction in progress	66,059	(7,021)	-	(296)	58,742
Buildings and permanent fixtures	103,931	5,803	1,381	(745)	107,608
Furniture and fixtures	18,505	3,167	1,348	198	20,522
Machinery, logging, transportation and automotive equipment	946,331	114,206	27,042	498	1,033,993
Assets held on capital leases	15	-	-	(15)	-
	1,143,584	116,306	29,798	(685)(a)	1,229,407
Timber, net	213,163	14,499	632	(8,036)(b)	218,994
Timberlands	39,696	2,747	1,067	662	42,038
Logging Roads	5,110	4	4	-	5,110
	$1,401,553	$133,556	$31,501	$(8,059)	$1,495,549

(a) Primarily reclassifications and transfers between affiliated companies.

(b) Includes timber depletion charged to income and applied directly against the asset accounts of $16,499, $13,051 and $8,283 in 1993, 1992 and 1991, respectively.

(c) Additions in 1992 include the acquisition of New Zealand forest assets.

(d) Retirements in 1992 include the writedown of Grays Harbor Complex property, plant, and equipment.

RAYONIER INC. AND SUBSIDIARIES
SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT
(Thousands of dollars)

Classification	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Retirements	Other Changes	Balance at End of Year
Year Ended December 31, 1993					
Land improvements	$ 1,757	$ 299	$ 64	$ -	$ 1,992
Buildings and permanent fixtures	43,831	3,467	1,586	-	45,712
Furniture and fixtures	12,542	2,889	1,674	185	13,942
Machinery, logging, transportation and automotive equipment	389,513	54,700	25,842	501	418,872
	447,643	61,355	29,166	686	480,518
Logging Roads	809	418	-	-	1,227
	$448,452	$61,773	$29,166	$ 686(a)	$481,745

Classification	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Retirements	Other Changes	Balance at End of Year
Year Ended December 31, 1992					
Land improvements	$ 2,120	$ 284	$ 28	$ (619)	$ 1,757
Buildings and permanent fixtures	53,372	4,005	12,829	(717)	43,831
Furniture and fixtures	12,111	2,657	2,199	(27)	12,542
Machinery, logging, transportation and automotive equipment	408,318	57,768	76,347	(226)	389,513
	475,921	64,714	91,403	(1,589)	447,643
Logging Roads	689	120	-	-	809
	$476,610	$64,834	$91,403(b)	$(1,589)(a)	$448,452

RAYONIER INC. AND SUBSIDIARIES
SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT
(Thousands of dollars)

Classification	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Retirements	Other Changes	Balance at End of Year
Year Ended December 31, 1991					
Land improvements	$ 1,837	$ 283	$ -	$ -	$ 2,120
Buildings and permanent fixtures	50,577	4,316	1,101	(420)	53,372
Furniture and fixtures	10,478	2,970	1,348	11	12,111
Machinery, logging, transportation and automotive equipment	381,873	53,295	26,924	74	408,318
Assets held on capital leases	15	-	-	(15)	-
	444,780	60,864	29,373	(350)	475,921
Logging Roads	566	123	-	-	689
	$445,346	$60,987	$29,373	$ (350)(a)	$476,610

Depreciation has been provided, using straight line methods based upon estimated useful lives except for pulp manufacturing facilities which are depreciated under the units of production method. These depreciation rates are as follows:

Building and permanent fixtures	10-50 years
Furniture and fixtures	5-17 years
Machinery and equipment	5-25 years
Logging equipment, including roads	5-40 years
Transportation and automotive equipment	5-10 years

(a) Primarily reclassifications and transfers between affiliated companies.

(b) Retirements in 1992 include accumulated depreciation related to the Grays Harbor Complex.

RAYONIER INC. AND SUBSIDIARIES
SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
(Thousands of dollars)

	1993	1992	1991
Taxes other than payroll and income taxes	$10,950	$13,258	$14,569
Maintenance and repairs	$50,233	$65,778	$66,047

Royalty costs, advertising costs and amortization of intangible assets are not set forth inasmuch as such items do not exceed one percent of total sales as shown in the related consolidated statement of income.

SIGNATURES

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

RAYONIER INC.

By GEORGE S. ARESON
George S. Areson
Acting Corporate Controller

March 24, 1994

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

SIGNATURE	TITLE	DATE
RONALD M. GROSS Ronald M. Gross (Principal Executive Officer)	Chairman of the Board, President, Chief Executive Officer and Director	March 24, 1994
GERALD J. POLLACK Gerald J. Pollack (Principal Financial Officer)	Senior Vice President and Chief Financial Officer	March 24, 1994
GEORGE S. ARESON George S. Areson (Principal Accounting Officer)	Acting Corporate Controller	March 24, 1994
* William J. Alley	Director	
* Rand V. Araskog	Director	
* Donald W. Griffin	Director	
* Paul G. Kirk, Jr.	Director	
* Katherine D. Ortega	Director	
* Burnell R. Roberts	Director	
* Gordon I. Ulmer	Director	
*By GERALD J. POLLACK Attorney-In-Fact		March 24, 1994

EXHIBIT INDEX

Exhibit No.	Description	Location
2.1	Distribution agreement between ITT Corporation and Rayonier Inc.	Filed herewith
3.1	Amended and Restated Articles of Incorporation	Incorporated by reference to Exhibit 4(a) to the Registrant's Registration Statement on Form S-8 (Registration No. 33-52437).
3.2	By-Laws	Incorporated by reference to Exhibit 3.2 of Registrant's Registration Statement on Form 8-A dated December 15, 1993 (the Form 8-A).
4.1	Indenture dated as of September 1, 1992 between the Company and Bankers Trust Company, as Trustee, with respect to certain debt securities of the Company.	Filed herewith
4.2	First Supplemental Indenture dated as of December 13, 1993	Filed herewith
4.3	Other instruments defining the rights of security holders, including indentures	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any other instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission.
9	Voting trust agreement	None
10.1	Administrative Services Agreement between ITT Corporation and Rayonier Inc.	Filed herewith as Exhibit A to the Distribution Agreement filed as Exhibit 2.1 hereto.
10.2	Employee Benefits Agreement between ITT Corporation and Rayonier Inc.	Filed herewith as Exhibit B to the Distribution Agreement filed as Exhibit 2.1 hereto.
10.3	Tax Allocation Agreement between ITT Corporation and Rayonier Inc.	Filed herewith as Exhibit C to the Distribution Agreement filed as Exhibit 2.1 hereto.
10.4	Canadian Assets Purchase Agreement between ITT Corporation and Rayonier Inc.	Filed herewith as Exhibit D to the Distribution Agreement field as Exhibit 2.1 hereto.
10.5	Rayonier Incentive Stock Plan	Incorporated by reference to Exhibit 4(c) to the Registrant's Registration Statement on Form S-8 (File No. 33-52445).
10.6	Rayonier Senior Executive Severence Pay Plan	Incorporated by reference to Exhibit 10.6 to the Form 8-A.
10.7	Rayonier Investment and Savings Plan for Salaried Employees	Incorporated by reference to Exhibit 4(c) to the Registrant's Registration Statement on Form S-8 (File No. 33-52437).

EXHIBIT INDEX

Exhibit No.	Description	Location
10.8	Rayonier Salaried Employees Retirement Plan	Incorporated by reference to Exhibit 10.8 to the Form 8-A.
10.9	Form of Indemnification Agreement between Rayonier Inc. and its Directors and Officers	Filed herewith
10.10	Rayonier Inc. Excess Benefit Plan	Filed herewith
10.11	Rayonier Inc. Excess Savings Plan	Filed herewith
10.12	Agreement for Transfer of Crown Forestry Licenses among Her Majesty, the Queen, as vendor, and Rayonier New Zealand Limited, as purchaser, and Rayonier Inc., as guarantor	Incorporated by reference to Exhibit to Registrant's Form 8-K dated May 15, 1992.
10.13	Other material contracts	None
11	Statement re computation of share earnings	Not required to be filed
12	Statements re computation of ratios	Filed herewith
13	Annual report to security holders, Form 10-Q or quarterly report to security holders	Not applicable
16	Letter re change in certifying accountant	Not applicable
18	Letter re change in accounting principles	Not applicable
19	Previously unfiled documents	None
21	Subsidiaries of the Registrant	Filed herewith
22	Published report regarding matters submitted to vote of security holders	None
23	Consents of experts and counsel	Filed herewith
24	Powers of attorney	Filed herewith
28	Information from reports furnished to state insurance regulatory authorities	Not applicable
99.1	Annual report on Form 11-K	To be filed by amendment
99.2	Other additional exhibits	None

EXHIBIT 2.1

DISTRIBUTION AGREEMENT, dated as of February 11, 1994, by and between ITT CORPORATION, a Delaware corporation ("ITT"), and ITT RAYONIER INCORPORATED, a North Carolina corporation ("Rayonier").

WHEREAS, the Board of Directors of ITT has determined that it is appropriate and desirable to distribute to the holders of shares of Common Stock, par value $1.00 per share, of ITT (the "ITT Common Stock") and Cumulative Preferred Stock, without par value, $2.25 Convertible Series N of ITT (the "ITT Series N Preferred Stock") all the outstanding Common Shares of Rayonier (the "Rayonier Common Shares"); and

WHEREAS, ITT and Rayonier have determined that it is necessary and desirable to set forth the principal corporate transactions required to effect such distribution and to set forth other agreements that will govern certain other matters following such distribution.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 GENERAL

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

AAA: As defined in Article V.

ACTION: any action, suit, arbitration, inquiry, proceeding or investigation by or before any court, any governmental or other regulatory or administrative agency or commission or any arbitration tribunal.

AFFILIATE: as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as such Rule is in effect on the date hereof.

AGENT: As defined in Section 2.01 (a).

ANCILLARY AGREEMENTS: this Agreement and the following other agreements, each of which is between ITT or an ITT Subsidiary and Rayonier or a Rayonier Subsidiary and a copy of each of which is attached hereto as an exhibit as designated: the Administrative Services Agreement (Exhibit A), the Employee Benefit Services and Liability Agreement

(Exhibit B), the Tax Allocation Agreement (Exhibit C) and the Canadian Assets Purchase Agreement (Exhibit D).

CODE: the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, including any successor legislation.

COMMISSION: as defined in Section 4.02(b).

DISTRIBUTION: the distribution on the Distribution Date to holders of record of shares of ITT Common Stock and ITT Series N Preferred Stock as of the Distribution Record Date of the Rayonier Common Shares owned by ITT on the basis of one Rayonier Common Share for each outstanding four shares of ITT Common Stock and one Rayonier Common Share for each outstanding 3.1595 shares of ITT Series N Preferred Stock.

DISTRIBUTION DATE: February 28, 1994 or such other date as may hereafter be determined by ITT's Board of Directors as the date as of which the Distribution shall be effected.

DISTRIBUTION RECORD DATE: February 24, 1994 or such other date as may hereafter be determined by ITT's Board of Directors as the record date for the Distribution.

EFFECTIVE TIME: 11:59 p.m., New York time, on the Distribution Date.

ENVIRONMENTAL LAWS: laws, ordinances, codes, standards, administrative rulings, regulations or guidances of any Federal, provincial, state or local governmental authority relating to, and common law causes of action, such as trespass and nuisance, based on, (i) the emission, discharge, release or threatened release of Hazardous Substances into the environment (including, without limitation, the air, surface water, ground water, land or subsurface strata) or (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances.

FENCOURT LOSSES: claims paid and expenses reasonably incurred by Fencourt Reinsurance Company, Ltd., a Bermuda company and an ITT Subsidiary engaged in the reinsurance business, and any successors thereto or assigns thereof after the date hereof, which claims are paid or expenses incurred under policies effective after January 1, 1986 involving the Rayonier Business or the SWP Business and arise out of or are based upon Environmental Laws.

GHP: GHP Leasing Company, a Delaware corporation (formerly known as Grays Harbor Paper Company), jointly owned by Rayonier and International Paper Company.

HAZARDOUS SUBSTANCES: pollutants, contaminants or hazardous or toxic substances, materials or wastes, including, but not limited to, those defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as

amended, the Resource Conservation and Recovery Act, as amended, the Toxic Substances Control Act, as amended, petroleum, including crude oil or any fraction thereof, and those substances regulated under any applicable law due to their known or suspected ability to cause harm to human health or the environment.

INDEMNIFIABLE LOSSES: any and all losses, liabilities, claims, damages, demands, costs or expenses (including, without limitation, Fencourt Losses, reasonable attorney's fees and any and all expenses whatsoever reasonably incurred in investigating, preparing for or defending against any Actions or potential Actions).

INDEMNIFYING PARTY: As defined in Section 3.03.

INDEMNITEE: As defined in Section 3.03.

INSURANCE ACTIONS: As defined in Section 2.09(b).

INSURANCE RECOVERY: As defined in Section 2.09(b).

INFORMATION STATEMENT: the Information Statement sent to the holders of shares of ITT Common Stock and ITT Series N Preferred Stock in connection with the Distribution.

ITT: ITT Corporation, a Delaware corporation and its predecessor Maryland corporation.

ITT AGENT: any individual retained as a consultant, agent, advisor or independent contractor by ITT or any ITT Subsidiary on, before or following the Distribution Date, but only during the time such individual was or is retained by ITT or any ITT Subsidiary.

ITT EMPLOYEE: any individual employed by ITT or any ITT Subsidiary on, before or following the Distribution Date, but only during the time such individual was or is employed by ITT or any ITT Subsidiary.

ITT INDEMNITEES: ITT, each of its directors, officers, employees and agents, each Affiliate of ITT and each of the heirs, executors, successors and assigns of any of the foregoing.

ITT LIABILITIES: collectively, (i) all the Liabilities of ITT and ITT Subsidiaries under any of the Ancillary Agreements, (ii) all the Liabilities (whenever arising whether prior to, on or following the Effective Time) arising out of or in connection with or otherwise relating to the management or conduct of any business conducted by ITT or any ITT Subsidiary in the past, at the date hereof or in the future (other than the Rayonier Business and the SWP Business), including without limitation, the products made, sold or distributed by, and the operations of, ITT or any ITT Subsidiary prior to, on or following the Distribution Date, the former, present or future assets of ITT or any such ITT

Subsidiary or the former, present or future ITT Agents or ITT Employees (but only with respect to the time any such Subsidiary or individual was an ITT Subsidiary, ITT Agent or ITT Employee, respectively), and (iii) all the Liabilities arising out of or based upon any untrue statement of material fact contained in any portion of the Information Statement other than any portion of the Information Statement set forth on Schedule 1.01, or the omission or alleged omission to state in any such portion a material fact required to be stated therein or necessary in order to make the statements made therein, in light of circumstances under which they were made, not misleading.

ITT RECORDS: As defined in Section 4.01(a).

ITT SUBSIDIARY: any entity which is or was a Subsidiary of ITT on or at any time before the Distribution Date (including without limitation Eason Oil Company and its Subsidiaries, Carbon Industries, Inc. and its Subsidiaries and Pennsylvania Glass Sand Corporation and its Subsidiaries, but not including Rayonier, any Rayonier Subsidiary or SWP), and any Subsidiary of ITT which may thereafter be organized or acquired, but only during the time such entity was or is an ITT Subsidiary.

LIABILITIES: any and all debts, liabilities and obligations, absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, including, without limitation, those debts, liabilities and obligations arising under any law, rule, regulation, Action, threatened Action, order or consent decree of any court, any governmental or other regulatory or administrative agency or commission or any award of any arbitration tribunal, and those arising under any contract, guarantee, commitment or undertaking. Without limiting the generality of the foregoing, "Liabilities" specifically includes any debts, liabilities and obligations, absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, under any Environmental Law.

RAYONIER: ITT Rayonier Incorporated, a North Carolina corporation to be renamed "Rayonier Inc." in connection with the Distribution, and its predecessor Delaware corporation.

RAYONIER AGENT: any individual retained as a consultant, agent, advisor or independent contractor by Rayonier or any Rayonier Subsidiary on, before or following the Distribution Date, but only during the time such individual was or is retained by Rayonier or any Rayonier Subsidiary.

RAYONIER BUSINESS: the forest products and market pulp businesses and any other businesses conducted by Rayonier or any Rayonier Subsidiary in the past, at the date hereof or in the future, and any forest products or market pulp business actually conducted by any ITT Subsidiary with the active participation of Rayonier management.

RAYONIER EMPLOYEE: any individual employed by Rayonier or any Rayonier Subsidiary on, before or following the Distribution Date, but only during the time such individual was or is employed by Rayonier or any Rayonier Subsidiary.

RAYONIER INDEMNITEES: Rayonier, each of its directors, officers, employees and agents, each Affiliate of Rayonier and each of the heirs, executors, successors and assigns of any of the foregoing.

RAYONIER LIABILITIES: collectively, (i) all the Liabilities of Rayonier and Rayonier Subsidiaries under any of the Ancillary Agreements, (ii) all the Liabilities (whenever arising whether prior to, on or following the Effective Time) arising out of or in connection with or otherwise relating to the management or conduct of the Rayonier Business in the past, at the date hereof or in the future, including without limitation, the products made, sold or distributed by, and the operations of, Rayonier, GHP or any Rayonier Subsidiary prior to, on or following the Distribution Date, the former, present or future assets of Rayonier, GHP or any Rayonier Subsidiary or the former, present or future Rayonier Agents and Rayonier Employees (but only with respect to the time any such Subsidiary or individual was a Rayonier Subsidiary, Rayonier Agent or Rayonier Employee, respectively), and (iii) all the Liabilities arising out of or based upon any untrue statement of material fact contained in any portion of the Information Statement set forth on Schedule 1.01 or the omission or alleged omission to state in any such portion a material fact required to be stated therein or necessary in order to make the statements made therein, in light of circumstances under which they were made, not misleading.

RAYONIER RECORDS: As defined in Section 4.01(b).

RAYONIER SUBSIDIARY: any entity which is or was a Subsidiary of Rayonier at any time on or before the Distribution Date (including without limitation Rayonier Timberlands, L.P. and Rayonier Timberlands Operating Company, L.P., but not including Pennsylvania Glass Sand Corporation and its Subsidiaries or SWP), and any Subsidiary of Rayonier which may thereafter be organized or acquired, but only during the time such entity was or is a Rayonier Subsidiary.

SUBSIDIARY: any corporation, partnership or other entity of which another entity (i) owns, directly or indirectly, ownership interests sufficient to elect a majority of the Board of Directors (or persons performing similar functions) (irrespective of whether at the time any other class or classes of ownership interests of such corporation, partnership or other entity shall or might have such voting power upon the occurrence of any contingency) or (ii) is a general partner or an entity performing similar functions (e.g., a trustee).

SWP: Southern Wood Piedmont Company, the current Subsidiary of Rayonier, and all of its predecessors, including Southern Wood Piedmont Company, the former Subsidiary of ITT, and all of its predecessors and associated companies, any past present or future Subsidiary of any of the foregoing companies, and any other companies or

entities engaged in the SWP Business at any time which, directly or indirectly, are or were wholly or partly owned by or otherwise belonged to ITT.

SWP AGENT: any individual retained as a consultant, agent, advisor or independent contractor by SWP or any Subsidiary of SWP on, before or following the Distribution Date, but only during the time such individual was or is retained by SWP or any Subsidiary of SWP.

SWP BUSINESS: the wood preserving business of SWP and any successors thereto or assigns thereof after the date hereof.

SWP EMPLOYEE: any individual employed by SWP or any Subsidiary of SWP on, before or following the Distribution Date, but only during the time such individual was or is employed by SWP or any Subsidiary of SWP.

SWP LIABILITIES: all the Liabilities (whenever arising whether prior to, on or following the Effective Time) arising out of or in connection with or otherwise relating to the management or conduct of the SWP Business in the past, at the date hereof or in the future, including without limitation, the products made, sold or distributed by, the plants, properties and equipment owned or used by, the operations of, and all other past, present or future assets of, the SWP Business, or the former, present or future SWP Agents and SWP Employees (but only with respect to the time any such individual was a SWP Agent or SWP Employee).

THIRD PARTY CLAIM: As defined in Section 3.04.

SECTION 1.02 REFERENCES

References to an "Exhibit" or to a "Schedule" are, unless otherwise specified, to one of the Exhibits or Schedules attached to this Agreement, and references to a "Section" are, unless otherwise specified, to one of the Sections of this Agreement.

ARTICLE II

DISTRIBUTION AND RELATED TRANSACTIONS

SECTION 2.01 THE DISTRIBUTION. On the Distribution Date, the following transactions shall occur:

(a) Stock Dividend to ITT. Rayonier shall issue to ITT as a stock dividend a number of Rayonier Common Shares certified by ITT's distribution agent, ITT Corporate Stock Services (the "Agent"). In connection therewith ITT shall deliver to Rayonier for cancellation the share certificate currently held by it representing 79 Common Shares and

shall receive a new certificate representing the total number of Rayonier Common Shares to be owned by ITT after giving effect to such stock dividend.

(b) Amendment to Rayonier Articles of Incorporation. Rayonier shall have filed with the Secretary of State of North Carolina an amendment to its Articles of Incorporation to change its name to "Rayonier Inc."

(c) Rayonier Directors. All existing directors of Rayonier shall have submitted their written resignations. ITT as the sole shareholder of Rayonier on and prior to the Distribution Date shall have taken action by written consent in lieu of the 1994 Annual Meeting of Shareholder of Rayonier to elect to Rayonier's Board of Directors the individuals identified in the Information Statement as Rayonier directors for the terms specified in the Information Statement.

(d) Delivery of Shares to Agent. ITT shall deliver to the Agent the share certificate representing Rayonier Common Shares issued to ITT by Rayonier pursuant to Section 2.01(a) and shall instruct the Agent to distribute, on or as soon as practicable following the Distribution Date, such Rayonier Common Shares to holders of record of shares of ITT Common Stock and ITT Series N Preferred Stock on the Distribution Record Date. Rayonier shall provide all share certificates that the Agent shall require in order to effect the Distribution.

SECTION 2.02 CERTAIN FINANCIAL ARRANGEMENTS

(a) Intercompany Accounts. All intercompany receivables and payables (other than receivables and payables otherwise specifically provided for in any of the Ancillary Agreements) between Rayonier or any Rayonier Subsidiary, on the one hand, and ITT or any ITT Subsidiary, on the other hand, shall, as of the Effective Time, be settled or converted into ordinary trade accounts, as may be agreed in writing prior to the Effective Time by duly authorized representatives of ITT and Rayonier.

(b) Operations in Ordinary Course. Each of ITT and Rayonier covenants and agrees that, except as otherwise provided in any Ancillary Agreement, during the period from the date of this Agreement through the Distribution Date, it will, and will cause any entity which is a Subsidiary of such party at any time during such period to, conduct its business in a manner substantially consistent with current operating practices and in the ordinary course, including, without limitation, with respect to the payment and administration of accounts payable and the administration of accounts receivable, the purchase of capital assets and equipment and the management of inventories.

SECTION 2.03 ASSIGNMENT OF PATENTS.

Prior to or on the Distribution Date, ITT shall, or shall cause an ITT Subsidiary to, assign to Rayonier or a Rayonier Subsidiary, as directed by Rayonier, all right, title and interest to all letters patent and applications therefor in any country owned by ITT or any

ITT Subsidiary which originated from Rayonier or any Rayonier Subsidiary, including without limitation the patents set forth on Exhibit E hereto.

SECTION 2.04 ASSUMPTION AND SATISFACTION OF LIABILITIES

Except as otherwise set forth in any Ancillary Agreement, from and after the Effective Time, (a) ITT shall, and shall cause the ITT Subsidiaries to, pay, perform and discharge in due course all ITT Liabilities and (b) Rayonier shall, and shall cause the Rayonier Subsidiaries and SWP to, assume, pay, perform, and discharge in due course all Rayonier Liabilities and all SWP Liabilities.

SECTION 2.05 RESIGNATIONS

ITT shall cause all ITT Employees to resign, effective as of the Effective Time, from all positions as officers of Rayonier or as officers or directors of any Rayonier Subsidiary in which they serve. Rayonier shall cause all Rayonier Employees to resign, effective as of the Effective Time, from all positions as officers of any ITT division or as officers or directors of any ITT Subsidiary in which they serve.

SECTION 2.06 FURTHER ASSURANCES

In case at any time after the Effective Time any further action is reasonably necessary or desirable to carry out the purposes of this Agreement and the other Ancillary Agreements or to vest Rayonier with full title to all properties, assets, rights, approvals, immunities and franchises pertaining to the Rayonier Business and the SWP Business, the proper officers of each party to this Agreement shall take all such necessary action. Without limiting the foregoing, ITT and the ITT Subsidiaries and Rayonier and the Rayonier Subsidiaries shall use their reasonable best efforts, and Rayonier will cause SWP to use its reasonable best efforts, to obtain all consents and approvals, to enter into all amendatory agreements and to make all filings and applications which may be required for the consummation of the transactions contemplated by this Agreement and the other Ancillary Agreements, including, without limitation, all applicable regulatory filings.

SECTION 2.07 NO REPRESENTATIONS OR WARRANTIES

Each of the parties hereto understands and agrees that, except as otherwise expressly provided, no party hereto is, in this Agreement or in any other agreement or document contemplated by this Agreement or otherwise, making any representation or warranty whatsoever, including, without limitation, as to title, value or legal sufficiency.

SECTION 2.08 GUARANTEES.

ITT and Rayonier shall use their best efforts to have, on or prior to the Distribution Date, or as soon as practicable thereafter, ITT or any ITT Subsidiary removed as guarantor of or obligor for indebtedness or obligations for which Rayonier,

any Rayonier Subsidiary or SWP is primarily liable. Any such indebtedness or obligation of Rayonier, a Rayonier Subsidiary or SWP guaranteed by ITT shall be considered a "Rayonier Liability" for purposes of this Agreement.

SECTION 2.09 PENDING ACTIONS

(a) At all times from and after the Distribution Date, each of Rayonier and ITT shall use reasonable efforts to make available to the other upon written request its and its Subsidiaries' officers, directors, employees and agents as witnesses to the extent that such persons may reasonably be required in connection with any Action (including without limitation the Insurance Actions referred to in Section 2.09(b)) in which the requesting party may from time to time be involved (without reimbursement for such persons' salaries).

(b) The parties recognize that ITT, certain ITT Subsidiaries, Rayonier and SWP are currently engaged in Actions (the "Insurance Actions") relating to the liability of their insurance carriers to indemnify them for damages and remediation costs associated with past discharges or emissions into the environment. The first Insurance Action, seeking indemnification, was brought by ITT Fluid Technology Corporation as plaintiff in the Superior Court, Los Angeles County, California against the carriers, and the insurance carriers are contesting jurisdiction in that court. The insurance carriers in turn have brought another Insurance Action as plaintiffs for declaratory judgment in the Court of Common Pleas of Cuyahoga County, Ohio, naming the plaintiffs in the California action and others as defendants. Rayonier will not pay any of ITT's attorneys fees in either such Insurance Action or any Actions relating to similar issues which may hereafter be brought to which ITT and/or any ITT Subsidiaries are parties. Any recovery by ITT relating to any such Action, whether received pursuant to court order, settlement or otherwise (herein called the "Insurance Recovery") shall be shared by ITT with Rayonier on such basis as ITT, in its sole discretion, shall determine taking into account the following factors: (i) the gross dollar amount of claims by SWP and Rayonier as opposed to claims by ITT or any ITT Subsidiary, (ii) the legal fees ITT has expended in obtaining the Insurance Recovery and (iii) the relative strength under California law of insurance company defenses regarding claims by SWP and Rayonier as compared to claims by ITT or any ITT Subsidiary.

SECTION 2.10 CERTAIN POST-DISTRIBUTION TRANSACTIONS

(a)(i) ITT shall comply with each representation and statement made, or to be made, to Cravath, Swaine & Moore in connection with such firm's rendering an opinion to ITT and Rayonier as to certain tax aspects of the Distribution and (ii) until February 28, 1996 ITT will maintain its status as a company engaged in the active conduct of a trade or business, as defined in Section 355(b) of the Code.

(b)(i) Rayonier shall comply with each representation and statement made, or to be made, to Cravath, Swaine & Moore in connection with such firm's rendering an opinion

to ITT and Rayonier as to certain tax aspects of the Distribution and (ii) until February 28, 1996 Rayonier will maintain its status as a company engaged in the active conduct of a trade or business, as defined in Section 355(b) of the Code.

(c) ITT represents and warrants to Rayonier, and Rayonier represents and warrants to ITT, that it has no present intention to take any action prohibited to it by this Section 2.10.

SECTION 2.11 AFFILIATION AND IDENTIFICATION INDICATIONS

Except as otherwise hereafter provided, (1) any material of any kind existing on the Distribution Date which implicitly or explicitly indicates any affiliation or connection between ITT or an ITT Subsidiary and Rayonier or a Rayonier Subsidiary or SWP may be used by ITT or said ITT Subsidiary and Rayonier or said Rayonier Subsidiary or SWP only for a period of one year after the Distribution Date, and (2) any material of any kind of Rayonier or a Rayonier Subsidiary or SWP existing on the Distribution Date which incorporates any name, mark or other proprietary identification of ITT or an ITT Subsidiary, and any material of any kind of ITT or an ITT Subsidiary existing on the Distribution Date which incorporates any name, mark or other proprietary identification of Rayonier or a Rayonier Subsidiary or SWP, may be used respectively by Rayonier or said Rayonier Subsidiary or SWP and by ITT or said ITT Subsidiary only for a period of one year after the Distribution Date. After the Distribution Date, neither party shall otherwise represent to third parties that it has a present business affiliation with the other. Moreover, in no instance may any of the aforementioned materials be used after the Distribution Date if the use of any such material by Rayonier or a Rayonier Subsidiary or SWP would give rise to a legal commitment by ITT or an ITT Subsidiary or if the use of any such material by ITT or an ITT Subsidiary would give rise to a legal commitment by Rayonier or a Rayonier Subsidiary or SWP.

ARTICLE III

INDEMNIFICATION

SECTION 3.01 INDEMNIFICATION BY ITT

Except as otherwise specifically set forth in any other provision of this Agreement or of any other Ancillary Agreement, ITT shall indemnify, defend and hold harmless the Rayonier Indemnitees from and against any and all Indemnifiable Losses of the Rayonier Indemnitees arising out of, by reason of or otherwise in connection with the ITT Liabilities.

SECTION 3.02 INDEMNIFICATION BY RAYONIER

Except as otherwise set forth in any other Ancillary Agreement, Rayonier shall indemnify, defend and hold harmless the ITT Indemnitees from and against any and all Indemnifiable Losses of the ITT Indemnitees arising out of, by reason of or otherwise in connection with the Rayonier Liabilities and the SWP Liabilities.

SECTION 3.03 LIMITATIONS ON INDEMNIFICATION OBLIGATIONS

The amount which any party (an "Indemnifying Party") is or may be required to pay to any other party (an "Indemnitee") pursuant to Section 3.01 or Section 3.02 shall be reduced (retroactively or prospectively) by any insurance proceeds or other amounts actually recovered by or on behalf of such Indemnitee in reduction of the related Indemnifiable Loss and shall also be reduced by the amount of any deductibles paid by the Indemnitee in connection with recovering any such insurance proceeds. If an Indemnitee shall have received the payment required by this Agreement from an Indemnifying Party in respect of an Indemnifiable Loss and shall subsequently actually receive insurance proceeds or other amounts in respect of such Indemnifiable Loss, then such Indemnitee shall pay to such Indemnifying Party a sum equal to the amount of such insurance proceeds or other amounts actually received, up to the aggregate amount of any payments received from such Indemnifying Party pursuant to this Agreement in respect of such Indemnifiable Loss.

SECTION 3.04 PROCEDURE FOR INDEMNIFICATION

(a) If an Indemnitee shall receive notice or otherwise learn of the assertion by a person (including, without limitation, any governmental entity) who is not a party to any of the Ancillary Agreements of any claim or of the commencement by any such person of any Action (a "Third Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification pursuant to this Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof promptly after becoming aware of such Third Party claim; provided, however, that the failure of any Indemnitee to give notice as provided in this Section 3.04 or in the Tax Allocation Agreement hereafter referred to shall not relieve the applicable Indemnifying Party of its obligations under this Article III, except to the extent that such Indemnifying Party is prejudiced by such failure to give notice. Such notice shall describe the Third Party Claim in reasonable detail under the circumstances. Sections 3.04(b), (c), (d) and (e) of this Agreement shall not govern procedures for Third Party Claims relating to income tax deficiencies or refund claims. Such procedures shall be governed by the Tax Allocation Agreement between the parties in the form attached hereto as Exhibit C, including Section 8(a) thereof.

(b) Subject to the proviso of the following sentence, an Indemnifying Party shall (in the Indemnitee's name, if necessary) defend or seek to settle or compromise any Third Party Claim, at such Indemnifying Party's own expense and with counsel reasonably satisfactory to the Indemnitee. Within 30 days of the receipt of notice from an Indemnitee in accordance with Section 3.04(a) (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the applicable Indemnitee whether the

Indemnifying Party will assume responsibility for defending such Third Party Claim, which notice shall specify any reservations or exceptions with respect to such assumption of responsibility; provided, however, that an Indemnifying Party may elect not to assume responsibility for defending a Third Party Claim only in the event of a good faith dispute as to whether a claim was appropriately tendered under Section 3.01 or 3.02, as the case may be, and if the Indemnifying Party makes such election, the Indemnitee may defend or seek to compromise or settle such Third Party Claim with counsel reasonably satisfactory to the Indemnifying Party. In the case of a Third Party Claim described in the proviso to the preceding sentence, the costs of defense or attempt to compromise or settle shall initially be paid by the Indemnitee subject to ultimate determination pursuant to the dispute resolution provisions of Article V of which party should bear such costs and pay any Liabilities with respect to such Third Party Claim. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnifying Party shall not be liable to such Indemnitee under this Article III for any legal or other expenses (except expenses approved in advance by the Indemnifying Party) subsequently incurred by such Indemnitee in connection with the defense thereof. Notwithstanding the foregoing, the Indemnifying Party shall not be liable for any settlement of any such Claim or action effected without its written consent (which shall not be unreasonably withheld).

(c) If an Indemnifying Party elects to defend or to seek to compromise any Third Party Claim, the appropriate Indemnitee (x) shall cooperate in all reasonable respects with the Indemnifying Party in connection with such defense, (y) shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent (which shall not be unreasonably withheld) and (z) shall agree to any settlement, compromise or discharge of such Third Party Claim which the Indemnifying Party may recommend and which by its terms obligates the Indemnifying Party to pay the full amount of the Liability in connection with such Third Party Claim and which releases the Indemnitee completely in connection with such Third Party Claim.

(d) In the event of payment by an Indemnifying Party to any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall, to the extent of such payment, be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances with respect to which such Indemnitee may have any right or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right or claim.

(e) With respect to any Third Party Claim for which the Indemnifying Party assumes responsibility for defense, the Indemnifying Party shall inform the Indemnitee, upon the reasonable written request of the Indemnitee, of the status of efforts to resolve such Third Party Claim. With respect to any Third Party Claim for which the Indemnifying Party does not assume such responsibility, the Indemnitee shall inform the

Indemnifying Party, upon the reasonable written request of the Indemnifying Party, of the status of efforts to resolve such Third Party Claim.

SECTION 3.05 SURVIVAL OF INDEMNITIES

The obligations of ITT and Rayonier under this Article III shall survive the sale or other transfer by either of them of any assets or businesses or the assignment by either of them of any Liabilities, with respect to any Indemnifiable Loss of the other related to such assets, businesses or Liabilities.

ARTICLE IV

ACCESS TO INFORMATION

SECTION 4.01 PROVISION OF CORPORATE RECORDS

(a) ITT shall arrange, as soon as practicable following the Distribution Date, for the transportation at Rayonier's cost to Rayonier of all original agreements, documents, books, records and files (collectively "Rayonier Records") relating to or affecting Rayonier, any Rayonier Subsidiary, SWP, the Rayonier Business or GHP, to the extent such items are not already in the possession of Rayonier, a Rayonier Subsidiary or SWP, subject to the following exceptions:

(i) Rayonier recognizes that certain Rayonier Records may contain incidental information relating to Rayonier, any Rayonier Subsidiary, SWP, the Rayonier Business or GHP or may relate primarily to Subsidiaries or divisions of ITT other than Rayonier, the Rayonier Subsidiaries, SWP and GHP, and that ITT may retain such Rayonier Records and shall provide copies of the relevant portions thereof to Rayonier; and

(ii) ITT may retain any tax returns, reports, forms or work papers, and Rayonier shall be provided with copies of such returns, reports, forms or work papers only to the extent that they relate to or affect Rayonier's, the Rayonier Subsidiaries', SWP's and GHP's returns or tax liability.

(b) Rayonier shall arrange, as soon as practicable following the Distribution Date, for the transportation at ITT's cost to ITT of all original agreements, documents, books, records and files (collectively "ITT Records") relating to or affecting ITT or any ITT Subsidiary which are in the possession of Rayonier or a Rayonier Subsidiary, subject to the following exceptions:

(i) ITT recognizes that certain ITT Records may contain incidental information relating to ITT and the ITT Subsidiaries or may relate primarily to Rayonier, Rayonier Subsidiaries, SWP and/or GHP, and that Rayonier may retain

such ITT Records and shall provide copies of the relevant portions thereof to ITT; and

(ii) Rayonier may retain any tax returns, reports, forms or work papers, and ITT shall be provided with copies of such returns, reports, forms or work papers only to the extent that they relate to or affect ITT's and the ITT Subsidiaries' returns or tax liability.

SECTION 4.02 ACCESS TO INFORMATION

(a) From and after the Distribution Date, each of ITT and Rayonier shall afford to the other and its authorized accountants, counsel and other designated representatives reasonable access during normal business hours, subject to appropriate restrictions for classified information, to the personnel, properties, books and records of such party and its Subsidiaries insofar as such access is reasonably required by the other party.

(b) For a period of two years following the Distribution Date, each of Rayonier and ITT shall provide to the other, promptly following such time at which such documents shall be filed with the Securities and Exchange Commission (the "Commission"), all documents which shall be filed by it (and, in the case of Rayonier, by any of its Subsidiaries or SWP) with the Commission pursuant to the periodic and interim reporting requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

SECTION 4.03 CONFIDENTIALITY

Each of ITT and the ITT Subsidiaries on the one hand, and Rayonier and the Rayonier Subsidiaries on the other hand, shall not use or permit the use of (without the prior written consent of the other) and shall hold, and shall cause its consultants and advisors to hold, in strict confidence, all information concerning the other in its possession or under its control (except to the extent that (a) such information has been in the public domain through no fault of such party or (b) such information has been later lawfully acquired from other sources by such party or (c) this Agreement or any other Ancillary Agreement or any other document entered into pursuant hereto permits the use or disclosure of such information) to the extent such information (i) relates to the period up to the Effective Time, (ii) relates to any Ancillary Agreement or (iii) is obtained in the course of performing services for the other party pursuant to any Ancillary Agreement, and each party shall not (without the prior written consent of the other) otherwise release or disclose such information to any other person, except its auditors and attorneys, unless compelled to disclose by judicial or administrative process or, as advised by its counsel, by other requirements of law. To the extent either party discloses any such information concerning the other party under circumstances where any evidentiary privilege (including without limitation the privilege for communications between attorney and client) would be available, the party disclosing such information agrees to assert such privilege.

ARTICLE V

DISPUTE RESOLUTION

In the event of any dispute between the parties hereto arising under this Agreement, any other Ancillary Agreement or any other document entered into pursuant hereto or any transaction contemplated hereby, the parties shall attempt to resolve the dispute in an amicable fashion and shall continue to perform their obligations hereunder. If the parties cannot reach an amicable resolution of such a dispute within sixty days, the parties agree to first endeavor in good faith to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under its Commercial Mediation Rules before resorting to arbitration. Thereafter, if such dispute remains unresolved, it shall be settled by arbitration by a single arbitrator having expertise in the subject matter of the dispute, chosen from the AAA's Large Complex Case panel administered by the AAA in accordance with its Commercial Arbitration Rules and the Supplementary Procedures for Large Complex Disputes, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any such arbitration shall be held in New York, New York. Each party thereto shall pay its own expenses, and the fee of the mediator and the arbitrator and the administrative fee of the AAA shall be paid one half by ITT and one half by Rayonier.

ARTICLE VI

MISCELLANEOUS

SECTION 6.01 COMPLETE AGREEMENT; CONSTRUCTION

This Agreement, including the Exhibits and Schedules, and the other Ancillary Agreements shall constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. Notwithstanding any other provisions in this Agreement to the contrary, in the event and to the extent that there shall be a conflict between the provisions of this Agreement and the provisions of any other Ancillary Agreement, such other Ancillary Agreement shall control.

SECTION 6.02 SURVIVAL OF AGREEMENTS

Except as otherwise contemplated by this Agreement, all covenants and agreements of the parties contained in this Agreement shall survive the Distribution Date.

SECTION 6.03 EXPENSES

(a) Except as otherwise set forth in this Agreement or any other Ancillary Agreement, all costs and expenses incurred on or prior to the Distribution Date (whether or not paid on or prior to the Distribution Date) in connection with the preparation,

execution, delivery and implementation of this Agreement and any other Ancillary Agreement, the Information Statement, the Distribution and the consummation of the transactions contemplated thereby shall be paid by ITT, except that Rayonier shall pay fees and expenses of counsel and other consultants retained by Rayonier and expenses relating to the New York Stock Exchange listing fees for the Rayonier Common Shares. Each party shall bear its own costs and expenses incurred after the Distribution Date.

(b) A party seeking reimbursement of costs and expenses under this Section 6.03 from another party shall render to such other party an invoice for such costs and expenses, along with appropriate verification of such costs and expenses, and such other party shall pay the other as soon as practicable, but in any event within 30 days of the date of such invoice.

SECTION 6.04 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that state.

SECTION 6.05 NOTICES

All notices and other communications hereunder shall be in writing and hand delivered or mailed by registered or certified mail (return receipt requested) or sent by any means of electronic message transmission with delivery confirmed (by voice or otherwise) to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice) and will be deemed given on the date on which such notice is received:

To ITT Corporation:

1330 Avenue of the Americas
New York, NY 10019
Attn: Senior Vice President
and General Counsel

To Rayonier:

1177 Summer Street
Stamford, CT 06904
Attn: Vice President
and General Counsel

0SECTION 6.06 AMENDMENTS

This Agreement may not be modified or amended except by an agreement in writing signed by the parties.

SECTION 6.07 SUCCESSORS AND ASSIGNS

This Agreement shall be assignable in whole in connection with a merger or consolidation or the sale of all or substantially all the assets of a party hereto. Otherwise this Agreement shall not be assignable, in whole or in part, directly or indirectly, by either party hereto without the prior written consent of the other, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void; provided, however, that the provisions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and permitted assigns.

SECTION 6.08 TERMINATION

This Agreement may be terminated and the Distribution may be amended, modified or abandoned at any time prior to the Distribution Record Date by and in the sole discretion of ITT without the approval of Rayonier. In the event of such termination, neither party shall have any liability of any kind to any other party.

SECTION 6.09 SUBSIDIARIES

Each of the parties hereto shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary of such party which is contemplated to be a Subsidiary of such party on and after the Distribution Date.

SECTION 6.10 THIRD PARTY BENEFICIARIES

Except for the provisions of Article III relating to Indemnitees, this Agreement is solely for the benefit of the parties hereto and their respective Subsidiaries and Affiliates and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

SECTION 6.11 TITLE AND HEADINGS

Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

SECTION 6.12 EXHIBITS AND SCHEDULES

The Exhibits and schedules shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

SECTION 6.13 LEGAL ENFORCEABILITY

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without prejudice to any rights or remedies otherwise available to any party hereto, each party hereto acknowledges that damages would be an inadequate remedy for any breach of the provisions of this Agreement and agrees that the obligations of the parties hereunder shall be specifically enforceable.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

ITT CORPORATION

By:/s/ Walter F. Diehl, Jr.

Vice President

ITT RAYONIER INCORPORATED

By:/s/ Roger H. Watts

Vice President and
General Counsel

EXHIBIT 10.1

EXHIBIT A
TO DISTRIBUTION AGREEMENT

ADMINISTRATIVE SERVICES AGREEMENT

This Agreement is made as of February 11, 1994 by ITT CORPORATION, a Delaware corporation ("ITT"), and ITT RAYONIER INCORPORATED, a North Carolina corporation to be renamed "Rayonier Inc." in connection with the Distribution hereafter referred to ("Rayonier").

BACKGROUND

The Board of Directors of ITT has determined that it is appropriate and desirable to make a distribution (the "Distribution") to the holders of shares of Common Stock, par value $1.00 per share, of ITT and Cumulative Preferred Stock, without par value, $2.25 Convertible Series N of ITT of all the outstanding Common Shares of Rayonier; and

ITT and Rayonier recognize that it is advisable that ITT continue to provide certain administrative and other services to Rayonier, and that Rayonier continue to provide certain services to ITT with respect to particular ITT subsidiaries which were formerly the management responsibility of Rayonier, until Rayonier or ITT, as the case may be, has had a reasonable opportunity to evaluate its continued need for the services and to investigate other sources of the services.

AGREEMENT

The parties agree as follows:

Section 1. Performance of Services. Beginning on the date determined by ITT's Board of Directors as the date as of which the Distribution shall be effected (the "Distribution Date"), each party will provide, or cause one or more of its subsidiaries to provide, to the other party and its subsidiaries on an "as-needed" basis (as determined by the party to whom the services are to be provided or its subsidiaries) such services as may be agreed upon between ITT and Rayonier from time to time in writing. The party which is to provide the services (the "Provider") will use (and will cause its subsidiaries to use) its best efforts to provide such services to the other party (the "Recipient") and its subsidiaries in a satisfactory and timely manner. ITT and Rayonier will cooperate in planning the scope and timing of services provided under this Agreement.

Section 2. Payment for Services, Expense Reimbursement.

(a) As compensation for the services performed hereunder, the Recipient will pay the Provider (i) the allocated portion of the base salaries of the Provider's employees providing such services and (ii) the amount of the Provider's actual out-of-pocket costs, expenses and disbursements reasonably incurred by the Provider related directly to the performance of any such services and which would not reasonably have been incurred

by the Provider to deliver such services to the businesses of the Recipient but for the Distribution.

(b) Notwithstanding subsection (a), the parties agree that

(i) with respect to each out-of-pocket expense provided under subsection (a)(ii) which individually is greater than $2,500, the Provider will use (and will cause its subsidiaries to use) reasonable efforts to notify the Recipient, prior to incurring or assessing such expense, of the scope and effect of such expense on the related services; and

(ii) with respect to each allocated salary provided under subsection (a)(i) and each out-of pocket expense provided under subsection (a)(ii) which individually is greater than $25,000, the Recipient shall have 30 days following the Provider's written notice to advise the Provider if the Recipient does not want the Provider to incur or provide on the Recipient's behalf the services to which such salary or expense relates. If the Provider timely receives the Recipient's written notice, such services shall be discontinued or modified as the Provider and the Recipient determine is appropriate.

(c) Each party will periodically, but not less frequently than quarterly, submit to the other party for payment statements of amounts due under this Agreement. The statement will specify the nature of the services provided, the identity of the Recipient's department or employee(s) requesting such services, the identity of the Provider's department or employee(s) performing such services and any other supporting detail which the Recipient reasonably requests. The Recipient will pay the amounts due within 30 days after the Recipient's receipt of each statement.

Section 3. Independence. All employees and representatives of the Provider providing the scheduled services to the Recipient will be deemed for purposes of all compensation and employee benefits to be employees or representatives of the Provider and not employees or representatives of the Recipient. In performing such services, such employees and representatives will be under the direction, control and supervision of the Provider (and not the Recipient) and the Provider will have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment and compensation of such employees and representatives.

Section 4. Non-exclusivity. Nothing in this Agreement precludes either party from obtaining, in whole or in part, services of any nature which may be obtainable from the other party from its own employees or from providers other than the other party.

Section 5. Confidentiality. Each party (the "first party") agrees to hold in confidence, and to use its best efforts to cause its employees and representatives to hold in confidence, all confidential information concerning the other party furnished to or obtained by the first party after the Distribution Date in the course of providing and

receiving services hereunder in a manner consistent with ITT's standard policies in effect on the date hereof with respect to the preservation and disclosure of confidential information concerning ITT and its subsidiaries and operating divisions.

Section 6. Termination. Unless otherwise specifically provided in a separate written agreement between the parties hereto (including without limitation any other agreement entered into in connection with the Distribution), this Agreement will continue in effect until December 31, 1994. Upon termination, the parties will make all payments of compensation described in subsection 2(a) to the extent that such compensation has not been fully paid prior to the termination date.

Section 7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that state.

Section 8. Notices. All notices and other communications hereunder must be in writing and hand delivered or mailed by registered or certified mail (return receipt requested) or sent by any means of electronic message transmission with delivery confirmed (by voice or otherwise) to the parties at the following addresses (or at such other address specified by like notice) and will be deemed given on the date such notice is received:

To ITT:

ITT Corporation
1330 Avenue of the Americas
New York, NY 10019
Attn: Senior Vice President
and General Counsel

To Rayonier:

Rayonier Inc.
1177 Summer Street
Stamford, CT 06904
Attn: Vice President
and General Counsel

Section 9. Waivers. The failure of either party to require strict performance by the other party of any provision in this Agreement will not waive or diminish that party's right to demand strict performance thereafter of that or any other provision hereof.

Section 10. Amendments. This Agreement may not be modified or amended except by an agreement in writing signed by the parties.

Section 11. Successors and Assigns. This Agreement shall be assignable in whole in connection with a merger or consolidation or the sale of all or substantially all the assets of a party hereto. Otherwise this Agreement shall not be assignable, in whole or in part, directly or indirectly, by either party hereto without the prior written consent of the other, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void; provided, however, that the provisions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and permitted assigns.

Section 12. Third Party Beneficiaries. This Agreement is solely for the benefit of the parties hereto and their respective subsidiaries and affiliates and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

Section 13. Title and Headings. Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

Section 14. Legal Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

ITT CORPORATION

By: /S/ Walter F. Diehl, Jr.

Vice President

ITT RAYONIER INCORPORATED

By: /s/ Roger H. Watts

Vice President and
General Counsel

EXHIBIT 10.02

Exhibit B to
Distribution Agreement

Employee Benefit Services and Liability Agreement

AGREEMENT, dated as of February 11, 1994, by and between ITT CORPORATION, a Delaware Corporation (which, together with its subsidiaries, is hereinafter referred to as "ITT") and ITT RAYONIER INCORPORATED, a North Carolina Corporation to be renamed "Rayonier Inc." (which together with its subsidiaries is hereinafter referred to as "Rayonier").

W I T N E S S E T H

WHEREAS, ITT intends to spin off its forest products businesses by consolidating those businesses into Rayonier (and its subsidiaries) and distributing Rayonier stock to the stockholders of ITT as a dividend on February 28, 1994 (the "Distribution Date"), and making Rayonier stock available for public purchase on the New York Stock Exchange; and

WHEREAS, in connection with the foregoing transaction, ITT and Rayonier desire to enter into an Employee Benefit Services and Liability Agreement, signed as of February 11, 1994, (the "Benefit Agreement");

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, ITT and Rayonier agree as follows:

1. RETIREMENT PLAN FOR SALARIED EMPLOYEES (a) Rayonier Retirement Plan for Salaried Employees. Rayonier shall establish, effective as of the Distribution Date, a defined benefit salaried employee retirement plan (the "Rayonier Retirement Plan") with terms similar in all material respects to the Retirement Plan for Salaried Employees of ITT Corporation (the "ITT Retirement Plan"), subject to such modifications as are considered appropriate to assure that the Rayonier Retirement Plan will obtain a favorable determination letter from the Internal Revenue Service (the "IRS"). Rayonier shall adopt such amendments as the IRS shall require as a condition for issuing a favorable determination letter.

(b) Rayonier Retirement Plan Eligibility Service and Benefit Service. The Rayonier Retirement Plan shall

include as service for all purposes of determining eligibility and vesting, including, without limitation, eligibility service for purposes of determining eligibility for plan membership, preretirement survivor benefits, standard early retirement benefits, special early retirement benefits and normal retirement benefits, all service rendered prior to the Distribution Date which is recognized as Eligibility Service under the terms of the ITT Retirement Plan. The Rayonier Retirement Plan (i) shall include as service for benefit accrual purposes all service rendered prior to the Distribution Date which is recognized as Benefit Service under the terms of the ITT Retirement Plan and (ii) shall provide for an offset of any benefit payable from the ITT Retirement Plan as provided in Section 1 of this Agreement.

(c) ITT Retirement Plan--Retention of Liability and Accrued Benefits. ITT agrees that the ITT Retirement Plan shall retain liability for accrued benefits determined under the terms and conditions of said Plan as of the Distribution Date for (i) all Rayonier Salaried Employees (including, without limitation, those who, as of the Distribution Date, participate in, or are in the process of satisfying the eligibility requirements for participation in, the ITT Retirement Plan), (ii) any former Rayonier salaried employee who, as of the Distribution Date, is retired or entitled to receive a deferred vested benefit and (iii) all hourly employees of Rayonier who, as of the Distribution Date, have an accrued benefit under the ITT Retirement Plan. For purposes of this Benefit Agreement, the term "Rayonier Salaried Employees" means all persons employed on a salaried basis by Rayonier on the Distribution Date and in addition shall include persons who are absent from work at Rayonier by reason of layoff, leave of absence, short-term disability or long-term disability. For purposes of this Section 1, the term Rayonier Salaried Employees will also include persons employed on a salaried basis by Rayonier on December 1, 1993. Those employees listed in Annex A who have an accrued benefit under the ITT Retirement Plan will also be accorded the treatment provided for in Section 1(d).

(d) ITT Retirement Plan--Recognition of Post-Distribution Date Service and Compensation Increases for Rayonier Salaried Employees. Subject to Sections 1(e)-(i) hereof and to the extent permitted by applicable law, for all Rayonier Salaried Employees referred to in Section 1(c) (but in no event with respect to any former employee of ITT

or Rayonier whether or not such person is employed at any time after the Distribution Date by Rayonier), (i) ITT shall recognize post-Distribution Date service with Rayonier, but only to the extent such service is counted under Section 1(g) hereof, of all such Rayonier Salaried Employees under the ITT Retirement Plan for all purposes of eligibility and vesting, including, without limitation, eligibility service for purposes of preretirement death benefits, standard early retirement and special early retirement benefits, and normal retirement benefits, and (ii) ITT shall recognize post-Distribution Date compensation increases of such Rayonier Salaried Employees while they are employed by Rayonier, but only for periods of service counted under Section 1(g) hereof, for purposes of the Average Final Compensation calculation under the ITT Retirement Plan, provided that for each calendar year, starting in 1994, total compensation recognized for such pension purposes shall not exceed 105% of the total compensation recognized in the immediately preceding calendar year, with pro-rata adjustment for partial years. In order to apply this limitation consistent with the definition of Average Final Compensation under the ITT Retirement Plan, the limit in any year will first be applied against base salary and then against other forms of pensionable compensation. Pensionable compensation shall generally fall within the definition of compensation as applied by ITT in accordance with the administrative rules and procedures for the ITT Retirement Plan.

(e) Effect of Employment with Rayonier. During any period while (i) the arrangement under Section 1(d) continues in effect as provided herein and (ii) any Rayonier Salaried Employee affected by the arrangement under Section 1(d) is employed with Rayonier or an affiliate thereof, including periods after re-employment following a termination of employment occurring after the Distribution Date, such Rayonier Salaried Employee (I) shall not be deemed either to have terminated employment or to be in retirement status under the ITT Retirement Plan and (II) shall not be eligible to receive payment of his or her vested benefit or retirement allowance under the ITT Retirement Plan.

(f) Provision of Benefits. ITT at its option and in its sole discretion, exercised for any or no reason, may satisfy its obligations under Section 1(d) hereof by providing all or any portion of the benefits to be provided under this Agreement (i) through the ITT Retirement Plan,

(ii) through any successor or other tax-qualified retirement plan, and/or (iii) outside any qualified retirement plan, including, without limitation, any such benefits which, by reason of the limits imposed by Section 415 of the Internal Revenue Code of 1986, as amended (the "Code"), may not be paid from any qualified retirement plan.

(g) Limited Obligation of ITT To Recognize Service and Compensation Increases. With respect to any individual Rayonier Salaried Employee (i) service required to be recognized and subject to the limitations under the arrangement described in Section 1(d) hereof shall be the same years and portions thereof of service recognized for similar purposes under the Rayonier Retirement Plan, but no other; and (ii) compensation increases required to be recognized and subject to the limitations under Section 1(d) hereof shall be taken into account for the same years and portions thereof with respect to which eligibility or benefit service is credited under the Rayonier Retirement Plan, but no other.

(h) ITT Obligation--Effect of Post-Distribution Date Changes in the ITT Retirement Plan. ITT's obligation under Section 1(d) hereof shall be to maintain the arrangement under said Section in accordance with the terms of such arrangement as applied with respect to the ITT Retirement Plan as in effect as of the Distribution Date, without regard to any subsequent amendment or other change to said Plan, except that any such change or amendment which would reduce benefit accruals under said arrangement with respect to periods after the effective date of the change or amendment but which is required solely to comply with applicable legal requirements, and with respect to which ITT has no optional means of compliance which if pursued would not reduce future benefit accruals under said arrangement, shall be taken into account, to the extent determined by ITT in its sole discretion, to reduce ITT's obligation under Section 1(d). Any amendment to the ITT Retirement Plan (or other arrangement provided in accordance with Section 1(f) hereof), that is identical to an amendment to the Rayonier Retirement Plan shall not be treated as an amendment that reduces benefit accruals.

(i) ITT Retirement Plan--Effect of Post-Distribution Date Changes in Rayonier Retirement Plan. (1) This provision shall govern the period of time during which the arrangement provided in Section 1(d) hereof shall

continue with respect to all or any portion of the Rayonier Salaried Employees.

(2)(A) The following definitions shall apply for purposes of this Section 1(i):

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Information Event" means any failure by Rayonier to provide to ITT information or data necessary or appropriate for ITT's administration and implementation of the arrangement under Section 1(d) hereof, unless such failure is cured by Rayonier within sixty (60) days after written notice by ITT of such failure. The effective date of an "Information Event" shall be the date sixty (60) days after such notice is received by Rayonier.

"Modification" means any amendment to or other change in the Rayonier Retirement Plan (including, without limitation, any merger with another plan or spin-off of any portion of the Rayonier Retirement Plan), effective any time after the Distribution Date, which substantially reduces benefit accruals under such plan for periods after the effective date of the amendment or change, with respect to (i) the benefit formula, (ii) the definition of average final compensation, (iii) the number of years taken into account for purposes of benefit accrual, (iv) the percentage of average final compensation taken into account for each year of service, (v) the method of Social Security integration (to the extent discretionary on the part of Rayonier), (vi) the optional forms of benefits, (vii) early retirement and special early retirement provisions and/or (viii) the manner in which service is taken into account including, without limitation, service with ITT. The term "Modification" shall not include any amendment or other change to the Rayonier Retirement Plan (I) required solely to comply with applicable legal requirements and with respect to which Rayonier has no optional means of compliance which if pursued would not result in a Modification (except for this sentence) or (II) that is identical to an amendment to the ITT Retirement Plan (or other arrangement provided in accordance with Section 1(f) hereof.

"Plan Termination" means any termination, under Title IV of ERISA, of the Rayonier Retirement Plan.

"Partial Plan Termination" means any partial termination, under Section 411 of the Code, of the Rayonier Retirement Plan.

"Rayonier Unit" means any subsidiary or business unit of Rayonier.

"Unit Sale" means any termination, whether by sale or otherwise, of Rayonier's majority ownership or control of any Rayonier Unit.

(2)(B) At any time after the Distribution Date, Rayonier shall promptly notify ITT in writing of any and all amendments and changes to the Rayonier Retirement Plan, any Plan Termination or Partial Plan Termination, under Title IV of ERISA or Section 411 of the Code, of the Rayonier Retirement Plan and any Unit Sale (such events to be referred to as "Notice Events"), such notice to be given as of the earlier of (i) the effective date of the Notice Event or (ii) the date the Notice Event is adopted or has otherwise become subject of a legally binding and noncancelable commitment to carry out such Notice Event. Any failure of Rayonier (i) to give such notice or (ii) to promptly provide upon ITT's request any information or data reasonably necessary or appropriate to accomplish the determination referred to in Section 1(i) (5) shall constitute a "Failure to Notify". The effective date of a Failure to Notify shall be the effective date of the Notice Event with respect to which such failure occurs.

(3) Upon the occurrence (as determined under Section 1(i)(5) hereof) of any Modification, Plan Termination, Partial Plan Termination, Unit Sale, Failure to Notify or Information Event (any such event to be referred to as an "Arrangement Termination Event"), and effective as of the effective date thereof (a "Termination Date"), the arrangement provided in Section 1(d) hereof shall automatically and of its own accord terminate. Upon such termination, the obligations of Rayonier under Sections 1(i) and 1(j) hereof shall terminate, but only with respect to service and compensation increases after such termination. Upon such termination, ITT will cause any Rayonier salaried employees then participating in and/or having an accrued benefit under the ITT Retirement Plan and affected by such termination to be 100 percent vested in their accrued benefits under the ITT Retirement Plan as of the applicable Termination Date, for service and total compensation to the applicable Termination Date, determined under the terms and

conditions of the ITT Retirement Plan as amended to provide for the arrangement under Section 1(d), unless ITT shall determine, in its sole discretion, to continue voluntarily, for such period as ITT determines, such arrangement upon the terms provided in Section 1(d), or another arrangement upon such other terms as ITT shall determine, but which continuation, in no event, shall be less favorable to the affected Rayonier salaried employees than the arrangement under Section 1(d) hereof, and provided that, upon termination by ITT of any such voluntary continuation, which termination may occur at any time in ITT's sole discretion, the above 100 percent vesting arrangement shall then become effective.

(4) For any Arrangement Termination Event applicable to a particular location or group or class of employees, this Section 1(i) will cause the termination of the arrangement under Section 1(d) only with respect to such location or group or class of employees, unless such Arrangement Termination Event alone, or in combination with any prior or coincident Arrangement Termination Event, would also constitute an Arrangement Termination Event with respect to the entire Rayonier Retirement Plan.

(5) The occurrence of an Arrangement Termination Event shall be determined by ITT, subject to review and agreement by Rayonier. In the event ITT and Rayonier disagree as to such occurrence, any party may deliver to the other a written demand for arbitration to determine such occurrence. In such event, the American Arbitration Association shall be asked to appoint the arbitrator to rule on the matter, such arbitrator to be a person familiar with United States pension and employee benefit matters and such appointment to be made and such arbitration to be held in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The decision of the arbitrator so appointed as to the occurrence of an Arrangement Termination Event shall be binding and conclusive upon the parties hereto. Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any such arbitration shall be held in New York, New York. Each party to any arbitration shall pay its own expenses and the fees of the arbitrator and the administrative fee of the American Arbitration Association shall be paid one half by ITT and one half by Rayonier.

2. SAVINGS PROGRAM -- INVESTMENT & SAVINGS PROGRAMS (a) Effective as of the Distribution Date, Rayonier will adopt a defined contribution investment and savings plan (the "Rayonier Savings Plan") with terms similar in all material respects to the ITT Investment and Savings Plan for Salaried Employees (the "ITT Savings Plan"). ITT shall cause the transfer, as soon as practicable on or after the Distribution Date, of the accounts of all Rayonier Salaried Employees, plus the portion of any trust earnings attributable to such employees, from the ITT Savings Plan to the Rayonier Savings Plan, on the following terms:

(b) ITT Preferred Stock held in the ESOP portion of the ITT Savings Plan shall be transferred in the form of ITT Common Stock.

(c) With respect to assets held in Funds A, B, C and R of the ITT Savings Plan, assets will be transferred in kind to the maximum extent practicable.

(d) With respect to the assets in Fund D in the ITT Savings Plan, assets will be transferred in cash.

3. EXCESS NON-QUALIFIED SUPPLEMENTAL BENEFIT PLANS (a) Excess Pension Plans: Rayonier shall adopt Excess Pension Plans identical to ITT Excess Pension Plans and shall assume all liabilities with respect to Rayonier Salaried Employees accrued under such Plans after the Distribution Date. ITT shall be responsible for any Excess Pension Plan benefits attributable to benefit service up to the Distribution Date subject to the provisions of Section 1(d) of this Agreement.

(b) Excess Savings Plan: Rayonier shall adopt an Excess Savings Plan identical to ITT's Excess Savings Plan. ITT shall transfer reserves attributable to Rayonier Salaried Employees as of the Distribution Date.

4. RAYONIER SALARIED EMPLOYEE WELFARE BENEFIT PLANS (a) Rayonier shall establish, effective as of the Distribution Date, Salaried Employee Welfare Benefit Plans identical to those covering the Rayonier Salaried Employees immediately preceding the Distribution Date. Such Salaried Employee Welfare Benefit Plans shall include coverage for life insurance, disability, health, accident and post-retirement health and life insurance.

(b) ITT will retain liability for post-retirement health and life insurance benefits with respect to any former Rayonier salaried employee covered by the ITT Salaried Medical and Dental Plan and the ITT Salaried Life Insurance Plan who has retired as of the Distribution Date.

(c) Rayonier agrees to reimburse ITT for the present value of any net liability for post-retirement health benefits which hereafter may be imposed upon ITT by virtue of any legislation or regulation with respect to any Rayonier Salaried Employee.

5. SEVERANCE As of the Distribution Date, Rayonier will provide Severance Plans for all Rayonier Salaried Employees which are substantially equivalent to those ITT Severance Plans covering such employees prior to the Distribution Date. The Rayonier Severance Plans will be maintained without modification for a minimum of one year.

6. LIFE INSURANCE (a)As of the Distribution Date, Rayonier will establish a Life Insurance Plan for Rayonier Salaried Employees identical to the ITT Salaried Life Insurance Plan. ITT will retain the liability for post-retirement life insurance for any employee covered by the ITT Salaried Life Insurance Plan who (i) has retired prior to the Distribution Date or (ii) is eligible to retire as of the Distribution Date. ITT will transfer to Rayonier a proportionate share of the reserves it maintains for providing post-retirement life insurance for any other active Rayonier salaried employee not referred to in (ii) above.

(b) As of the Distribution Date, Rayonier will establish a supplemental, company-paid death benefit plan covering Mr. R. M. Gross, identical to the plan which he has with ITT. ITT will transfer its reserve for this benefit to Rayonier.

7. EXCESS LONG-TERM DISABILITY INSURANCE As of the Distribution Date, Rayonier will establish an Excess Long-Term Disability Insurance Plan, identical to the ITT Excess Long-Term Disability Insurance Plan covering those eligible Rayonier salaried employees. ITT will transfer to Rayonier its proportionate share of the reserves for this benefit.

8. BENEFIT PROGRAM PARTICIPATION (a) Except as specifically provided herein, all Rayonier employees

(including Rayonier Salaried Employees) will cease participation in all ITT Benefit Plans and Programs as of the Distribution Date. ITT will remain responsible for life insurance and medical and dental claims incurred prior to the Distribution Date. As soon as practicable, ITT will provide an accounting of the 1993 claims experience for Rayonier's Welfare Plans and determine any reconciliation payment necessary.

(b) Rayonier shall recognize each Rayonier Salaried Employee's service with ITT for purposes of determining (i) eligibility for vacation benefits, short-term disability, and severance benefits and (ii) eligibility for vesting under all other employee benefit plans and policies of Rayonier applicable to Rayonier Salaried Employees, to the extent such service was recognized by ITT for such purposes.

(c) Nothing in this Agreement shall be construed or interpreted to restrict ITT's or Rayonier's right or authority to amend or terminate any of its employee Benefit plans, policies or programs effective as of a date following the Distribution Date, except as explicitly stated within this Agreement.

9. BENEFIT COMMUNICATIONS AND ADMINISTRATIVE SERVICES ITT shall be responsible for providing communications and administrative services for individuals who are, as of the Distribution Date, former salaried employees of Rayonier (and their eligible dependents and survivors) who, as of the Distribution Date, retain a benefit under ITT's Salaried Benefit Program.

10. HOLD HARMLESS/INDEMNIFICATION (a) Rayonier shall hold harmless, indemnify and defend ITT from and against any and all costs, expenses, claims, damages, lawsuits, reasonable attorneys' and accountants' fees and costs, losses, deficiencies, assessments, administrative orders, fines, penalties, actions, proceedings, judgments, liabilities and obligations of any kind or description (a "Claim" or "Claims") asserted against, incurred or required to be paid by ITT (regardless of when asserted or by whom), associated with or arising under any employee benefit plan, policy, program or arrangement established or adopted by Rayonier effective on or after the Distribution Date or liability assumed by Rayonier, pursuant to the terms and conditions set forth in this Agreement.

(b) ITT shall hold harmless, indemnify and defend Rayonier from and against any and all Claims, asserted against, incurred or required to be paid by Rayonier (regardless of when asserted or by whom), associated with or arising under any employee benefit plan, policy, program or arrangement maintained by ITT and not expressly assumed by Rayonier pursuant to this Agreement, regardless of whether such Claim is asserted before, on or after the Distribution Date.

11. INFORMATION AND DATA EXCHANGE Each party shall furnish, or shall cause to be furnished to the other party, a list of all Benefit Plan participants and employee data or information in its possession which is necessary for such other party to maintain and implement any Benefit Plan or arrangement covered by this Benefit Agreement, or to comply with the provisions of this Benefit Agreement, and which is not otherwise readily available to such other party. Each shall have the right, at its own cost and expense, at any reasonable time, with reasonable intervals, during normal business hours, upon reasonable prior written notice, to examine employee records in connection with legitimate business purposes, and to audit, examine and make copies of or extracts from the books, accounts and other records of the other in order to verify the accuracy of such records insofar as they are relevant to this Benefit Agreement. Such audit, examination, copying and extracting may be conducted by employees of ITT or Rayonier or a firm of independent public accountants or other experts designated by the remaining party; provided that, prior thereto, such firm's executives deliver to the party to be audited an appropriate confidentiality agreement.

12. SCOPE OF AGREEMENT (a) This Benefit Agreement shall be binding upon, and inure to the benefit of, the parties and their respective successors and permitted assigns. Nothing contained herein shall be deemed to create any third-party beneficiary rights in any individual who or entity which is not a party to this Benefit Agreement. Any assignment or delegation of this Benefit Agreement by either party without the prior written consent of the other party shall be void, except that no such consent shall be required with respect to an assignment or delegation made in connection with the sale, transfer or other disposition of all or substantially all of the businesses of either party.

(b) This Benefit Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that state.

(c) This Benefit Agreement and the Annexes attached hereto constitute the entire understanding of the parties with respect to the subject matter hereof and supersede as of the Distribution Date any and all previous agreements and understandings, oral or written, between the parties to the extent such previous agreements and understandings address such subject matter. No modification of this Benefit Agreement or waiver of any provision hereof or right hereunder will be binding upon either party unless signed in writing by an authorized representative of such party.

(d) This Benefit Agreement will continue in force on the terms and conditions described herein until terminated or amended by mutual agreement of the parties.

(e) Notwithstanding anything in this Benefit Agreement to the contrary, all actions contemplated herein with respect to Benefit Plans which are to be consummated pursuant to this Benefit Agreement shall be subject to such notices to, and/or approvals by, the IRS (or other governmental agency or entity) as are required or deemed appropriate by such Benefit Plan's sponsor. ITT and Rayonier each agrees to use its best efforts to cause all such notices and/or approvals to be filed or obtained, as the case may be.

(f) Any provision of this Benefit Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(g) From and after the Distribution Date, each of ITT and Rayonier shall cause to be performed, and hereby guarantees the performance and payment of, all actions, agreements, obligations and liabilities set forth herein to be performed or paid by its subsidiaries.

(h) No failure or delay on the part of ITT or Rayonier in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other right or power. No modification or waiver of any provision of this Benefit Agreement nor consent to any departure by ITT or Rayonier therefrom shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

(i) For the convenience of the parties, any number of copies of this Benefit Agreement may be executed by the parties hereto, and each such executed counterpart shall be deemed to be an original instrument.

13. NOTICE All notices and other communications hereunder must be in writing and hand delivered or mailed by registered or certified mail (return receipt requested) or sent by any means of electronic message transmission with delivery confirmed (by voice or otherwise) to the parties at the following addresses (or at such other address specified by like notice) and will be deemed given on the date such notice is received:

To ITT:

ITT Corporation
1330 Avenue of the Americas
New York, NY 10019

Attn: Senior Vice President, Human Resources

To Rayonier:

Rayonier Inc.
1177 Summer Street
Stamford, CT 06904

Attn: Senior Vice President, Human Resources

IN WITNESS WHEREOF, the parties have duly executed and entered into this Benefit Agreement, as of the date first above written.

ITT Corporation

By: /s/ Walter F. Diehl, Jr.

Name: Walter F. Diehl, Jr.

Title: Vice President

ITT Rayonier Incorporated

By: /s/ John P. O'Grady

Name: John P. O'Grady

Title: Senior Vice President -

Human Resources

ANNEX A

RAYONIER FROZEN SALARIED BENEFIT CASES

COLO	LNAM	FINT	STDT	FBDA
348003	COLLINS	R	8/9/82	8/9/82
348004	BOWERS	K	1/1/90	1/1/90
348004	CALHOUN	R	5/1/89	5/1/89
348004	COLE	T	9/4/89	9/4/89
348008	FORD	D	11/19/90	11/19/90
348008	MACK	D	3/9/81	3/9/81
348017	HAMPTON	J	9/4/85	9/4/85
348019	LANDRY	F	9/13/84	9/13/84
348008	BAILY	J	10/7/85	10/7/85
348003	MURRAY	F	9/12/77	9/12/77

EXHIBIT 10.03

EXHIBIT C
TO DISTRIBUTION AGREEMENT

T A X A L L O C A T I O N A G R E E M E N T

THIS AGREEMENT (the "Agreement"), dated as of February 11, 1994 by and between ITT Corporation ("ITT") and ITT Rayonier Incorporated ("Rayonier"), on behalf of itself and its directly or indirectly owned domestic subsidiaries which would be eligible to join in a consolidated Federal income tax return, or which have joined in any consolidated Federal income tax return, of ITT (collectively the "Rayonier Group" and individually a "Rayonier Subsidiary").

WHEREAS, ITT is the common parent of an affiliated group of domestic corporations including the Rayonier Group (the "ITT Group") which has elected to file a consolidated Federal income tax return ("Consolidated Return");

WHEREAS, the Rayonier Group members will cease to be members of the ITT Group upon the proposed distribution by ITT of all of its stock interest in Rayonier to ITT's common and Series N preferred shareholders (the "Distribution") on or about February 28, 1994 (the "Closing Date");

WHEREAS, ITT and Rayonier have entered into a Distribution Agreement setting forth agreements governing matters following the distribution; and

WHEREAS, ITT and Rayonier desire to provide tax allocation arrangements between each other which afford the same allocation of tax burdens and benefits to ITT and Rayonier for transactions which occurred prior to the Closing Date as would have been afforded to each other absent the Distribution and to provide for certain other tax matters.

NOW, THEREFORE, in consideration of the premises and the agreements herein set forth, ITT and Rayonier (on its own behalf and on behalf of each Rayonier Subsidiary) hereby agree as follows:

1. Rayonier will join, and will cause each Rayonier Subsidiary to join, in the Consolidated Returns for the calendar years 1993 and 1994 to the extent they are eligible to join in such returns under the provisions of the Internal Revenue Code of 1986, as amended, (the "Code") and the regulations thereunder. Rayonier will neither elect to file separate returns for such periods nor will it cause or permit any of the Rayonier Subsidiaries to so elect.

2. Rayonier hereby irrevocably designates, and Rayonier agrees to cause each of the Rayonier Subsidiaries to so designate, ITT as its agent to take any and all actions necessary or incidental to the filing of Treasury Form 1122 (or any amendment thereto) with respect to any taxable period in which Rayonier or any of the Rayonier Subsidiaries is a member of the ITT Group (a "Consolidated Return Year") and Rayonier agrees to deliver, and to cause each of the Rayonier Subsidiaries to deliver, executed copies of said Form 1122 (or any amendment thereto) to ITT, if required, with respect to any such year.

3. Rayonier agrees to cooperate with ITT, and will cause each of the Rayonier Subsidiaries to so cooperate, in a timely manner consistent with existing practice in filing any return or consent contemplated by this Agreement. Rayonier also agrees to take, and will cause the appropriate Rayonier Subsidiary to take, such action as ITT may reasonably request, including but not limited to the filing of requests for the extension of time within which to file tax returns, and to cooperate in connection with any refund claim with respect to any year it is included in the ITT Group. Rayonier further agrees to furnish timely, and to cause each of the Rayonier Subsidiaries to so furnish, ITT with any

and all information reasonably requested by ITT in order to carry out the provisions of this Agreement. ITT agrees to furnish timely to Rayonier any and all information requested by Rayonier in order to carry out the provisions of this Agreement.

4. (a) ITT will file a Consolidated Return for its year ending December 31, 1993. ITT and Rayonier agree to make a settlement on or before March 1, 1994 equal to an interim amount approximating the aggregate amount of the separate consolidated Federal income tax liability which the Rayonier Group would have incurred if that group constituted an affiliated group eligible to file a consolidated return for 1993 and filed a return for such period. An appropriate adjusting payment shall be made by Rayonier or ITT on or before October 15, 1994, based on ITT's 1993 Consolidated Return as filed.

(b) ITT will file a Consolidated Return for the period ending December 31, 1994, which will include the Rayonier Group for the period beginning on January 1 , 1994, and ending on the Closing Date (the "Short Year"). Rayonier agrees to pay to ITT on or before 60 days after the Closing Date an interim amount equal to the aggregate amount of the separate consolidated Federal income tax liability which the Rayonier Group would have incurred if the Rayonier Group constituted an affiliated group of corporations eligible to file a Consolidated Return for the Short Year (based on a closing of the books of the Rayonier Group as of the close of business on the Closing Date) and filed such a return for such period. An appropriate adjusting payment shall be made by Rayonier or ITT on or before October 15, 1995 based on ITT's 1994 Consolidated Return as filed. ITT agrees to elect, to the extent legally permitted, the depreciation method allowed in Section 168(b)(1) of the Code and the shortest recovery periods permitted by Section 168(c) of the Code for the Rayonier Group for any recovery property placed in service during the Short Year. Rayonier shall refrain, and shall cause

each of the Rayonier Subsidiaries to refrain, from making any election under Section 13261(g)(2) of the Revenue Reconciliation Act of 1993 without the prior written consent of ITT.

(c) In making computations of the separate consolidated Federal income tax liability of the Rayonier Group for purposes of the Agreement, the Rayonier Group will be deemed to have filed a separate consolidated Federal income tax return for the Short Year and all prior taxable periods to the extent it would have been permitted to do so as an affiliated group of corporations.

5. (a) The computation of the amount of Federal income tax liability of the Rayonier Group for any period in which any member of the Rayonier Group joins in ITT's Consolidated Return shall be adjusted when payments are made, or refunds are received, as a result of an adjustment by the Internal Revenue Service with respect to the taxable income, loss or deduction or tax credits of the Rayonier Group. Rayonier agrees to pay to ITT any additional amounts (including penalties and additions to tax) on account of increases in the Federal income tax of the Rayonier Group resulting from any such adjustment, and ITT will pay to Rayonier any refunds to which the Rayonier Group (or any member thereof) may be entitled, in each case, together with any interest relating thereto at the Federal statutory rate used by the Internal Revenue Service in computing the interest payable by or to it.

(b) Amounts due to ITT by Rayonier under this paragraph shall be paid within 30 days of the receipt from ITT of written request therefor provided that prior to such request there has been a payment by ITT of Federal income tax pursuant to an adjustment as described in subparagraph (a); and any amounts due by ITT to Rayonier as a result of the receipt of a refund shall be paid within 30 days after such receipt. After

expiration of either 30 day period any amounts unpaid shall bear interest computed from the date of receipt of a request at the Federal statutory rate as described in this paragraph.

6. (a) In the event that Rayonier, any Rayonier Subsidiary or the Rayonier Group, in any consolidated income tax return filed for periods after the Closing Date, incurs a Net Operating Loss ("NOL") for tax purposes, that NOL will not be carried back to any ITT Group tax return without the specific consent of ITT. ITT need consent only if the carryback of such NOL to an ITT Group return will cause no detriment to ITT's tax position.

(b) For purposes of this Agreement, the term "tax credits" shall include, but shall not be limited to, the rehabilitation tax credit, foreign tax credit, research tax credit, WIN tax credit, targeted jobs tax credit, and the alternative minimum tax credit. ITT will reimburse Rayonier for carrybacks of Rayonier Group NOLs or tax credits into any ITT Group return only to the extent that such carrybacks reduce the ITT Group's tax burden after taking into account all other tax credits and carrybacks available to the ITT Group. In the event that ITT pays an amount to Rayonier for an NOL or tax credit carryback and the benefit of such NOL or tax credit carryback is subsequently modified (whether as the result of an Internal Revenue Service or foreign tax authority's adjustment, a carryback from a subsequent year or for any other reason), the amount previously paid shall be appropriately increased or decreased as the case may be with interest, penalties and additions to tax as provided in paragraph 5(a).

(c) Under the ITT Group's intercompany tax settlement rules applicable to years in which ITT incurred Alternative Minimum Tax ("AMT"), a portion of the ITT Group's AMT may have been charged to and paid by Rayonier ("Rayonier AMT"). Some portion of the Rayonier AMT may not yet have been reimbursed by ITT to Rayonier after

the tax settlements contemplated in paragraphs 4(a) and (b). After filing the Consolidated Return which includes the Short Year, the ITT Group may have an AMT credit carryforward, a portion of which may be allocated to Rayonier ("Rayonier AMTC C/F"). If the Rayonier AMTC C/F exceeds the unreimbursed Rayonier AMT, Rayonier will reimburse ITT for such excess when Rayonier realizes a tax benefit in respect of the Rayonier AMTC C/F in any Rayonier Group tax return. If the unreimbursed Rayonier AMT exceeds the Rayonier AMTC C/F, ITT will reimburse Rayonier for such excess when the ITT Group realizes a tax benefit in respect of the Rayonier AMTC C/F in any tax return. In either case, the determination of the extent to which such excess produces a benefit in any year shall be made as if such excess were the last item to be considered in computing the ITT Group or the Rayonier Group tax liability.

(d) Amounts equal to allowable research credits attributable to the Rayonier Group's activities as a part of the ITT Group will be paid to Rayonier by ITT. However, if no credit is allowed to the ITT Group, ITT will make no payment to Rayonier. If a portion of the total credit claimed on an ITT Group return is not allowed by the Internal Revenue Service, only a pro rata amount (based upon that year's expenditures as finally allowed) will be paid to Rayonier by ITT.

7. (a) Rayonier and the Rayonier Subsidiaries file income and franchise tax returns in those states of the United States and in certain local jurisdictions in which they carry on their business. In several states, Rayonier and the Rayonier Subsidiaries file consolidated state tax returns with ITT and certain ITT Subsidiaries. If any state or local income or franchise tax audit adjustment attributable to Rayonier or a Rayonier Subsidiary increases or decreases such consolidated tax liability for a taxable period ending on or before the Closing Date, an amount in respect of that adjustment shall be paid as provided in paragraph 7(c).

(b) Tax liabilities incurred and refunds received by Rayonier or a Rayonier Subsidiary (other than those relating to Federal, state and local income or franchise taxes) for all foreign taxes and all taxes not measured by income, including, but not limited to, ad valorem, capital stock, sales, use, real and property, special assessment, franchise, automobile registration, employment, earnings, duty and import taxes (plus interest) shall be for the account of Rayonier.

(c) ITT will reimburse Rayonier and Rayonier will reimburse ITT, as the case may be, for any payment by Rayonier or ITT, respectively, to a state or local tax authority determined to be for the account of ITT or Rayonier, respectively. The rules of paragraph 5(b) will apply to amounts either party must pay.

8. (a) (i) Any income tax deficiencies or refund claims which arise with respect to the tax liability of the ITT Group are attributable to Rayonier, a Rayonier Subsidiary or the Rayonier Group and are severable from issues not involving Rayonier, a Rayonier Subsidiary or the Rayonier Group may, at the option of Rayonier, be defended or prosecuted by Rayonier at its own cost and expense and with counsel and accountants of its own selection. ITT may participate in any such prosecution or defense at its own cost and expense (in either event such cost or expense not to include the amount of any payment of any tax claim, interest or penalties, or of any compromise settlement or other disposition thereof). Rayonier shall, if it exercises its option, have control of the proceedings, but Rayonier shall not compromise or settle any deficiency of tax or refund claim of the ITT Group without the prior written consent of ITT, which will not be unreasonably withheld. If Rayonier exercises its option, Rayonier shall keep ITT reasonably informed of matters relating to such defense or prosecution. (ii) Any income tax deficiencies or refund claims which arise with respect to the tax liability of Rayonier, a

Rayonier Subsidiary or the Rayonier Group and which are attributable to ITT or the ITT Group (or any member thereof) may, at the option of ITT, be defended or prosecuted by ITT at its own cost and expense and with counsel and accountants of its own selection. Rayonier may participate in any such prosecution or defense at its own cost and expense (in either event such cost or expense not to include the amount of any payment of any tax claim, interest or penalties, or of any compromise settlement or other disposition thereof that is for the account of ITT under this Agreement) to the extent such defense or prosecution is severable from issues not involving Rayonier, a Rayonier Subsidiary or the Rayonier Group. ITT shall, if it exercises its option, have control of the proceedings, but ITT shall not compromise or settle any deficiency of tax or refund claim of Rayonier, a Rayonier Subsidiary or the Rayonier Group without the prior written consent of Rayonier, which will not be unreasonably withheld. If ITT exercises its option, ITT shall keep Rayonier reasonably informed of matters relating to such defense or prosecution. (iii) ITT and Rayonier agree to cooperate in all reasonable respects with respect to tax deficiencies or refund claims described in Section 8(a)(i) or (ii), which cooperation shall include executing and filing such waivers, consents, other Treasury Department forms, state tax authority forms, court petitions, refund claims, complaints, powers of attorney and other documents needed from time to time in order to defend, prosecute or resolve any such asserted income tax deficiencies or refund claims.

(b) All computations or recomputations of Federal or state and local income and franchise tax liability, and all computations or recomputations of any amount or any payment (including, but not limited to, computations of the amount of the tax liability, any loss or credit or deduction, Federal statutory tax rate change for a year, interest, penalties, and adjustments) and all determinations of the amount of payments or repayments, or determinations of any other nature required to be made pursuant to this Agreement are subject to review by Arthur Andersen & Co. If any disagreement remains

after any Arthur Andersen & Co. review, that disagreement will be resolved as provided by the Distribution Agreement entered into between ITT and Rayonier in connection with the distribution of Rayonier stock.

9. (a) In computing any Rayonier payment to ITT under paragraphs 4, 5 and 7, Rayonier, the Rayonier Group and the Rayonier Subsidiaries will determine their tax liability as if their tax benefit transfer leases were not in effect.

(b) Rayonier agrees to maintain, and shall cause each Rayonier subsidiary to maintain, accurate records identifying each asset it owns subject to a tax benefit transfer lease. Rayonier will indemnify ITT if ITT is required to make any termination payments to any lessor with respect to such a lease.

10. The provisions of this Agreement shall survive the Closing Date and remain in full force until all periods of limitations, including any extensions or waiver periods, for all of ITT's taxable periods prior to or including the Closing Date have expired. At that time all payments required under this Agreement shall become immediately due.

11. In the event that the Distribution is ultimately held to be a taxable transaction, ITT will bear the entire tax liability on any gain recognized to it. ITT will not require Rayonier to bear the cost of additional taxes paid by ITT shareholders receiving Rayonier stock in the Distribution, except as provided below. If Rayonier or any Rayonier Subsidiary takes any action which materially contributes to a final determination that the Distribution is a taxable event, Rayonier will indemnify ITT for its tax liability and for any resulting payments ITT makes to its shareholders that received Rayonier stock in the Distribution, whether or not ITT is legally obligated to make such payments (it being

understood that, although ITT may not be obligated to make such payments to shareholders, ITT may choose to do so in settlement of an actual or threatened claim).

12. Any notices, payments or other communications required by this Agreement shall be made as provided in the Distribution Agreement; however, copies of such shall, for both ITT and Rayonier, be sent to the attention of the Director of Taxes.

13. ITT shall indemnify Rayonier for any Federal or state income or franchise taxes for any taxable period (or portion of a taxable period) ending before or including the Closing Date for which the Rayonier Group or any Rayonier Subsidiary may be liable solely as a result of the operation of Treasury Regulation Sections 1.1502-6 and 1.1502-77 or any state counterpart statute or regulation.

14. This Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that state, and shall be binding on the successors and assignees of the parties hereto.

15. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior written tax sharing or tax allocation agreements, memoranda, negotiations and oral understandings, if any, and may not be amended, supplemented or discharged except by performance or by an instrument in writing signed by both of the parties hereto.

16. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

ITT Corporation

BY /s/ Richard T. Irwin

Vice President

ITT Rayonier Incorporated

BY /s/ Gerald J. Pollack

Senior Vice President
and Chief Financial Officer

EXHIBIT 10.04

EXHIBIT D
TO DISTRIBUTION AGREEMENT

CANADIAN ASSETS PURCHASE AGREEMENT

THIS ASSETS PURCHASE AGREEMENT made as of February 11, 1994 by and between ITT Industries of Canada Ltd., a federal corporation incorporated under the laws of Canada (the "Seller"), and Rayonier Canada Limited, a federal corporation incorporated under the laws of Canada (the "Purchaser").

W I T N E S S E T H:

WHEREAS, the Seller owns the Purchased Assets (as hereinafter defined);

WHEREAS, the parties hereto desire that the Seller sell the Purchased Assets to the Purchaser, and that the Purchaser purchase the Purchased Assets from the Seller;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I. Definitions.

Whenever used in this Agreement the following terms shall have the following respective meanings:

"Adjusted Net Worth" has the meaning ascribed thereto in Section 2.1(b);

"Associate" means with respect to any entity any other entity directly or indirectly controlling, controlled by or under common control with such specified entity. For purposes of this definition control means ownership of more than 50% of the shares having power to elect directors or persons performing a similar function;

"Assumed Liabilities" means the liabilities of the Seller set forth in Exhibit A;

"Benefit Plans" means plans, contracts, agreements, practices, policies or arrangements, whether oral or written, providing for any bonuses, deferred compensation, pension, retirement benefits, excess benefits, profit sharing, stock bonuses, stock options, stock purchases, life, accident and health insurance, hospitalization, savings, holiday, vacation, severance pay, sick pay, sick leave, disability, tuition refund, service awards, company car, scholarship, relocation, or any other employee or executive benefits;

"Business" means the business of the Seller relating to the growing, purchase and sale of timber;

"Closing" has the meaning ascribed thereto in Section 2.2;

"Closing Balance Sheet" has the meaning ascribed thereto in Section 2.4(a)(ii);

"Closing Date" has the meaning ascribed thereto in Section 2.2;

"Closing Payment" has the meaning ascribed thereto in Section 2.3(b);

"Contracts" means contracts, agreements, plans, leases, licenses and franchises;

"Controlled Real Property" means Real Property and Improvements owned, leased or controlled on or prior to the Closing Date by the Seller in respect of the Business or any predecessor thereof and the Quebec Real Property;

"Distribution Agreement" means the agreement of that name dated as of February 11, 1994 by and between ITT Corporation ("ITT") and ITT Rayonier Incorporated ("Rayonier") providing for the principal corporate transactions required to effect the distribution of all the outstanding common shares of Rayonier to the holders of shares of common stock and cumulative preferred stock $2.25 convertible series N of ITT;

"Distribution Date" shall have the same meaning as in the Distribution Agreement;

"Environmental Laws" means Laws relating to, and common law causes of action, such as trespass and nuisance, based on, (i) emission, discharge, release or threatened release of Hazardous Substances, into the environment (including, without limitation, the air, surface water, ground water, land or subsurface strata) or (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of Hazardous Substances;

"Excluded Assets" means the assets set forth in Exhibit B;

"Hazardous Substances" means pollutants, contaminants or hazardous or toxic substances, materials or wastes including, but not limited to, those defined in the Waste Management Act, S.B.C. Chapter 41, as amended or replaced, petroleum, including crude oil or any fraction thereof and those substances regulated under any applicable Law due to their known or suspected ability to cause harm to human health or the environment;

"Improvements" means buildings and other improvements;

"Indemnifying Party" means an indemnitor under this Agreement;

"Indemnitee" means a Purchaser Indemnitee or a Seller Indemnitee;

"Laws" means laws, ordinances, codes, standards, administrative rulings or regulations of any federal, provincial, state or local governmental authority;

"Losses" has the meaning ascribed thereto in Section 4.2;

"Purchase Price" has the meaning ascribed thereto in Section 2.1(b);

"Purchased Assets" means: (i) all the assets of the Seller used or held for use primarily or exclusively in the Business, other than Excluded Assets, including but not limited to the following:

(a) Land and land improvements;

(b) Buildings and other improvements;

(c) Machinery and equipment;

(d) Furniture and fixtures;

(e) Inventories of finished goods, raw material and work in process;

(f) Accounts receivable;

(g) Prepaid expenses;

(h) Contracts, including leases;

(i) Customer lists and business records;

(j) goodwill; and,

(ii) the Quebec Real Property;

"Purchaser" has the meaning ascribed thereto on page 1 of this Agreement;

"Purchaser Indemnitee" has the meaning ascribed thereto in Section 4.1;

"Quebec Real Property" means the Real Property identified on Exhibit C;

"Real Property" means real property and interests in real property;

"Reference Balance Sheet" means the three column balance sheet attached hereto as Exhibit D showing for illustrative purposes in the second column thereof the adjustments which should have been made to determine Adjusted Net Worth if the Closing had taken place on the date of such balance sheet;

"Seller" has the meaning ascribed thereto on page 1 of this Agreement;

"Seller Indemnitee" has the meaning ascribed thereto in Section 4.1.

ARTICLE II. Purchase and Sale

2.1. Terms of Purchase and Sale.

Subject to the terms and conditions of this Agreement at the Closing:

(a) The Seller shall sell, assign and transfer the Purchased Assets to the Purchaser and the Purchaser shall purchase the Purchased Assets from the Seller.

(b) In consideration for the Purchased Assets, the Purchaser shall pay to the Seller a purchase price (the "Purchase

Price") equal to the Adjusted Net Worth as of the Closing Date, as determined pursuant to Section 2.4. The term "Adjusted Net Worth" shall mean the book value as of the close of business on the Closing Date of the Purchased Assets less the Assumed Liabilities determined in accordance with Canadian generally accepted accounting principles.

(c) The Purchaser shall assume and agree to pay, perform and discharge when due the assumed Liabilities.

2.2. The Closing. Consummation of the sale and purchase of the Business (the "Closing") shall take place on the Distribution Date at the offices of ITT Corporation, 1330 Avenue of the Americas, New York, NY 10019. The date of Closing is herein called the "Closing Date."

2.3. Closing Deliveries. At the Closing:

(a) The Seller shall deliver to the Purchaser the documents referred to in Section 2.8 and shall deliver to the Purchaser possession of the Purchased Assets;

(b) The Purchaser shall deliver to the Seller CDN $3,668,529 (the "Closing Payment") by wire transfer in immediately available funds; and

(c) The Seller and the Purchaser each shall deliver such other documents as may be reasonably requested by the other.

2.4. Determination of Adjusted Net Worth.

Adjusted Net Worth shall be determined following the Closing Date as follows:

(a) As soon as practicable after the Closing Date the Seller shall deliver to the Purchaser an adjusted balance sheet

(the "Closing Balance Sheet") which shall be presented in the same three-column format as the Reference Balance Sheet and shall present:

(i) in column 1 a balance sheet of the assets and liabilities of the Business as of the Closing Date,

(ii) in column 2 the assets in column 1 which are not Purchased Assets and the liabilities in column 1 which are not Assumed Liabilities, and

(iii) in column 3 the Adjusted Net Worth.

Columns 1 and 3 of the Closing Balance Sheet shall present fairly in all material respects the assets and liabilities of the Business and the Adjusted Net Worth, respectively, as of the Closing Date in conformity with Canadian generally accepted accounting principles. The Purchaser shall cooperate fully with the Seller in the preparation of the Closing Balance Sheet. Further, during such period employees of the Purchaser shall be entitled to access to the Seller's work papers prepared in connection with the Closing Balance Sheet and shall be entitled to review and discuss such work papers with the Seller.

(b) The Purchaser may dispute the Adjusted Net Worth as shown on the Closing Balance Sheet by notifying the Seller in writing within 30 days after receipt of the Closing Balance Sheet. If the Purchaser does not so notify the Seller within such period, the Adjusted Net Worth as shown on the Closing Balance Sheet shall be final, binding and conclusive on the parties. If the Purchaser does so notify the Seller, the

Purchaser and the Seller shall attempt to reconcile their differences, and any resolution by them as to any disputed amounts shall be final, binding and conclusive on the parties.

(c) If the Purchaser and the Seller are unable to reach a resolution with respect to all of the items specified in the notice referred to in Section 2.4(b) within 20 days after the date of receipt by the Seller of such notice, then either party may submit the items remaining in dispute for resolution to Arthur Andersen or to such other accounting firm of national recognition mutually acceptable to the Purchaser and the Seller (the "Independent Accounting Firm"), which shall, within 20 days after such submission or such longer period as the Independent Accounting Firm may require, determine and report to the Seller and the Purchaser upon such remaining disputed items, and such determination shall be final, binding and conclusive on the parties hereto. The fees and disbursements of the Independent Accounting Firm shall be borne half by the Purchaser and half by the Seller.

2.5. Settlement of Purchase Price.

If the Adjusted Net Worth as finally determined pursuant to Sections 2.4 (b) or (c) results in a Purchase Price which exceeds the Closing Payment, the Purchaser shall, within five business days after such final determination, pay such excess to the Seller. If the Adjusted Net Worth as finally determined pursuant to Sections 2.4 (b) or (c) results in a Purchase price which is less than the Closing Payment, the Seller shall, within five business days after such final determination, pay such

difference to the Purchaser. The party making such payment shall pay interest thereon to the other party for the period from the Closing Date to the date of payment at the annual rate announced from time to time by Royal Bank of Canada, Toronto, Ontario, as the base rate charged by it for loans to prime commercial customers. Payment of such excess (or difference) and interest thereon shall be made by wire transfer in immediately available funds.

2.6. Assignment and Assumption.

Except as otherwise provided in Article III hereof (relating to employees and employee benefits), the Contracts which are Purchased Assets shall be assigned to the Purchaser at the Closing. Nothing in this Agreement shall be construed as an attempt to assign any Contract which by its terms or by law is not assignable without the consent of the other party or parties thereto, unless such consent shall have been given. If any required consent is not obtained, the Seller will cooperate with the Purchaser in any reasonable arrangement designed to provide for the Purchaser the benefits under any such Contract.

2.7. No Representations or Warranties. Each of the parties hereto understands and agrees that no party hereto is in this Agreement or in any other document contemplated by this Agreement or otherwise making any representation or warranty whatsoever including, without limitation, as to title, value or legal sufficiency.

2.8. Instruments of Conveyance. In order to effectuate the sale, conveyance, transfers and assignments contemplated by Sections 2.1 and 2.6 hereof, the Seller will execute and deliver

at the Closing all such deeds, bills of sale and other documents or instruments of conveyance, transfer or assignment as shall be necessary or appropriate to vest in or to confirm in the Purchaser such title to all of the Purchased Assets as the Seller has.

ARTICLE III. Employees and Employee Benefits

3.1. Employees and Employee Benefit Definitions.

"Effective Date" means the day next following the Closing Date;

"Effective Time" shall mean 12:01 a.m. Vancouver, B.C. time of the Effective Date;

"Employment Payments" has the meaning ascribed thereto in Section 3.3(b);

"Employees" means all persons employed or engaged by Seller in connection with the Business on the Closing Date including without limitation those persons who are absent from work on account of disability, illness or injury, but specifically excluding from the meaning thereof Former Employees as defined below;

"Former Employees" means all persons (a) who were not employed by Seller on the Closing Date but who were formerly employed by Seller in connection with the Business and (b) whose service with Seller ceased prior to the Closing Date as a result of retirement or other termination of employment.

"Transferred Employees" means all the Employees who become employees of Purchaser effective as of the Effective Time;

"Vacation Pay" has the meaning ascribed thereto in Section 3.3(c).

3.2. Employment and Employee Benefits.

(a) Purchaser shall on or prior to the Closing Date and effective as of the Effective Time offer to employ each and all of the Employees on substantially equivalent terms and conditions of employment, including, without limitation, compensation, working conditions and employee benefits, as applied to such Employees on the Closing Date.

(b) Except to the extent provided otherwise in Section 3.3., Purchaser shall not adopt any of the employee plans, benefits, policies, agreements or arrangements of Seller covering the Employees or assume any liabilities arising thereunder.

(c) Purchaser shall not assume any obligations for any benefits payable or any other liabilities with respect to Former Employees and their dependents.

(d) Nothing in this Agreement shall require Purchaser to retain any Transferred Employee for any period of time after the Closing Date and, subject to Sections 3.3. and 3.5., and requirements of applicable law, Purchaser reserves the right, at any time after the Closing Date, to terminate such employment and amend, modify or terminate any term and condition of employment including, without limitation, any employee benefit plan, program, policy, practice or arrangement or the compensation of any of the Employees.

3.3 Purchaser Liability - Transferred Employees.

(a) In the event any Transferred Employee's employment with the Purchaser is terminated after the Closing Date, the Purchaser shall pay and provide notice and severance pay benefits calculated and determined as required by applicable employment laws;

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(b) Purchaser shall bear and discharge any and all liability for:

(i) wages, salaries, commission, bonuses; and

(ii) premiums for unemployment insurance, workers Compensation, benefit plan payments and other employee benefits or claims, (collectively, the "Employment Payments"),

accrued or earned after the Effective Time by Transferred Employees.

All other Employment Payments in respect of Transferred Employees accrued or earned prior to the Effective Time shall remain the responsibility of Seller.

(c) Purchaser shall bear and discharge any and all liability for holiday pay and accumulated vacation with pay credits or entitlements (collectively, "Vacation Pay") accrued or earned prior to the Effective Time for Transferred Employees.

(d) Appropriate adjustments in respect of the Employment Payments and Vacation Pay as of the Effective Time shall be made on the Closing Date.

3.4. Group Insurance Benefits.

(a) Seller shall be responsible for any liability for all claims, expenses, and treatments, including administrative expenses related thereto, which are in fact covered and payable under the terms of the Seller's group insurance contracts incurred prior to the Effective Time irrespective of whether any such claim is filed or submitted after the Effective Time.

(b) The Purchaser shall be responsible for any liability for all claims, expenses and treatments, including administrative expenses related thereto, which are in fact covered and payable under the terms of the Purchaser's group insurance contracts incurred from and subsequent to the Effective Time.

3.5. Recognition of Prior Service. Purchaser shall recognize each Transferred Employee's service with the Seller for purposes of determining:

(i) eligibility for vacation benefits, short term disability or weekly accident and sickness benefits, and severance benefits; and

(ii) eligibility and vesting under all other employee benefit plans and policies of Purchaser applicable to Transferred Employees.

3.6. Retirees. Notwithstanding anything otherwise set forth above, the parties agree that the Purchaser shall assume no liability for assets, liabilities or administrative services, costs or expenses for employees of the Business who have effectively retired prior to the Closing Date.

ARTICLE IV. Indemnification

4.1. Indemnification.

(a) From and after the Closing the Purchaser agrees to indemnify the Seller, and its officers, directors, employees and agents (individually a "Seller Indemnitee" and collectively the

"Seller Indemnitees") and to hold each Seller Indemnitee harmless from and against all damages, losses and expenses (including reasonable expenses of investigation and attorneys' fees) ("Losses") caused by or arising out of any:

(i) breach of the covenants of the Purchaser set forth in Article III;

(ii) liability under, violation of or non-compliance with any Environmental Law (whether now existing or hereinafter enacted or adopted) resulting from acts or omissions on or prior to the Closing Date of the Seller in respect of the Business, any predecessor thereof or any predecessor in interest to the Controlled Real Property;

(iii) liability under any Environmental Law (whether now existing or hereinafter enacted or adopted) resulting from the presence on or prior to the Closing Date of any Hazardous Substance on any Controlled Real Property;

(iv) liability for removal, remediation, cleanup or costs of response required under any Environmental Law (whether now existing or hereinafter enacted or adopted) resulting from the manufacture, processing, use, generation, storage, transport, disposal, emission or discharge on or prior to the Closing Date of any Hazardous Substance by the Seller in respect of the Business, any predecessor thereof or any predecessor in interest to any Controlled Real Property; and,

(v) failure of the Purchaser to discharge any Assumed Liabilities.

(b) From and after the Closing the Seller agrees to indemnify the Purchaser and its officers, directors, employees and agents (individually a "Purchaser Indemnitee" and collectively the "Purchaser Indemnitees") and to hold each Purchaser Indemnitee harmless from and against all Losses caused by or arising out of any breach of the covenants of the Seller set forth in Article III.

4.2. Indemnification Procedure as to Third Party Claims. The provisions of Section 3.04 of the Distribution Agreement shall apply with respect to any third party claim indemnified pursuant to this Agreement.

ARTICLE V Miscellaneous

5.1. Books and Records. At reasonable times after the Closing (a) the Purchaser shall make available to the Seller for inspection and copying the books and records which are Purchased Assets to the extent reasonably required by the Seller for tax, financial reporting and other purposes and (b) the Seller shall make available to the Purchaser for inspection and copying any of Seller's books and records relating to the Business which are not Purchased Assets to the extent reasonably required by the Purchaser for such purposes. Neither the Seller on the one hand nor the Purchaser on the other hand will dispose of any of such books and records without first offering them to the other.

5.2. Further Assurances and Assistance. The Seller and the Purchaser agree that after the Closing each will execute and deliver to the other any and all documents, and take such further

acts, in addition to those expressly provided for herein, that may be necessary or appropriate to effectuate the provisions of this Agreement.

5.3. Notices. All notices and other communications hereunder shall be in writing and hand delivered or mailed by registered or certified mail (return receipt requested) or sent by any means of electronic message transmission with delivery confirmed (by voice or otherwise) to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice) and will be deemed given on the date on which such notice is received:

if to Purchaser, to:

Rayonier Canada Ltd.
c/o Rayonier Inc.
18000 International Blvd., Suite 900
SeaTac, WA 98118-4283

Attn: Northeast Counsel

with a copy to:

Rayonier Incorporated
1177 Summer Street
Stamford, CT 06904

Attn: Vice President
and General Counsel

if to Seller to:

ITT Industries of Canada, Ltd.
Suite 1800 Royal Trust Tower
P.O. Box 138
Toronto-Dominion Centre
Toronto, Ontario M5K 1H1

Attn: General Counsel

with a copy to

ITT Corporation
1330 Avenue of the Americas
New York, New York 10019

Attn: Senior Vice President
and General Counsel

5.4. Transaction Expenses. Costs and expenses (including, without limitation, legal and accounting fees and expenses) incurred by the parties with respect to the negotiation of this Agreement and the consummation of the transactions contemplated hereby shall be paid as provided in Section 6.03 of the Distribution Agreement.

5.5. Miscellaneous Taxes and Expenses. Any sales, use or other tax or recording cost imposed upon the transfer of the assets and business to be acquired by the Purchaser pursuant to this Agreement shall be paid by the Purchaser. All ad valorem property taxes and all rentals, water, electricity, gas, telephone and other similar and usual expenses in respect of the Business shall be apportioned as of the Closing Date to the extent not provided for on the Closing Balance Sheet.

5.6. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that neither party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party hereto, except that the Purchaser may assign, delegate or otherwise transfer its rights

under this Agreement to an Associate of the Purchaser, provided that such assignment, delegation or transfer shall not relieve the Purchaser of its obligations hereunder.

5.7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed and to be performed in that state.

5.8. Disputes. Any controversy or claim arising out of this Agreement, or the breach thereof, shall be resolved in accordance with the provisions of Article V of the Distribution Agreement provided, however, the provisions of Article V of such Agreement shall not apply with respect to controversies or claims arising out of the provisions of Section 2.4 of this Agreement or breach thereof.

5.9. Entire Agreement; Third Party Rights. This Agreement and the Schedules hereto constitute the entire understanding of the parties, supersede any prior agreements or understandings, written or oral, between the parties with respect to the subject matter thereof, and are not intended to confer upon any other person any rights or remedies.

5.10. Amendment; Waiver. This Agreement shall not be amended or modified except by written agreement executed by each of the parties hereto. No provision hereof shall be deemed waived except in writing executed by the waiving party.

5.11. Effect of Captions. The captions in this Agreement are included for convenience only and shall not in any way affect the interpretation or construction of any of the provisions hereof.

5.12. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

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

ITT INDUSTRIES OF CANADA LTD.

BY: /s/ Robert G. Eisner

RAYONIER CANADA LIMITED

By: /s/ Wallace L. Nutter

Exhibit A

Assumed Liabilities

All liabilities of the Seller in respect of the Business other than liabilities in respect of:

- income taxes relating to the period prior to Closing
- intercompany borrowings.

Exhibit B

Excluded Assets

Cash, except the following:

Petty cash

Royal Bank of Canada Account #122-172-0 Mill Fund

Royal Bank of Canada Account #122-163-9 Forestry Fund

Royal Bank of Canada Account #122-165-4 Silvicultural Fund

Insurance policies and coverages

Any rights to the name or mark "ITT".

Refunds for income taxes paid or relating to the period prior to Closing.

Exhibit C

Quebec Real Property

The follwoing lands registered in the Cadastre Renove du Canton de Babel, division d'enrigstrement de Saguenay, Ville Port Cartier:

LOT NUMBER	AREA (SQ. METRES)
1079-1	25,757
1079-3	53,140
1089-1	25,953
1089-2	627
1174-1	3,717
1174-2	86,499
1174-3	16,180
2706	778
2707	19,980
2803	28,180
2894	2,250
1153	19,520
1154	18,640

Exhibit D - Reference Balance Sheet

COMPUTATION OF RAYONIER CANADA NET BOOK VALUE
CLOSING BALANCE SHEET
AS OF DECEMBER 31, 1993 - PERIOD 13 LEDGER

ACCOUNT DESCRIPTION	BALANCE AS OF 12/31/93 CD$	ASSETS NOT PURCHASED/ LIABILITIES NOT ASSUMED	ADJUSTED BALANCE AS OF 12/31/93 CD$
REVOLVING FUND - OUTSTANDING CHECKS	(3,571,480.45)	(3,571,480.45)	0.00
PETTY CASH	200.00	0.00	200.00
NOTES RECEIVABLE	264,677.49	0.00	264,677.49
ACCOUNTS RECEIVABLE - TRADE	1,600,395.52	0.00	1,600,395.52
ACCRUED RECEIVABLE - TRADE	0.00	0.00	0.00
ACCOUNTS RECEIVABLE - TORONTO	650,668.56	650,668.56	0.00
ACCOUNTS RECEIVABLE - RAYONIER	29,845.76	0.00	29,845.76
ACCRUED INTEREST RECEIVABLE	6,490.04	0.00	6,490.04
SUNDRY RECEIVABLES	101,521.58	0.00	101,521.58
RAW MATERIALS - LOGS	585,816.20	0.00	585,816.20
FINISHED GOODS - LUMBER	2,783.58	0.00	2,783.58
OTHER INVENTORIES	386,022.68	0.00	386,022.68
CONTRACTOR ADVANCES	5,181.87	0.00	5,181.87
STUMPAGE	1,353,550.19	0.00	1,353,550.19
OTHER SPECIAL DEPOSITS			
FUND ACCOUNTS (HELD IN TRUST)	441,538.92	0.00	441,538.92
CORRESPONDING LIABILITY	(441,538.92)	0.00	(441,538.92)
OTHER DEPOSITS	113,036.11	0.00	113,036.11
ADVANCES TO EMPLOYEES	1,081.42	0.00	1,081.42
PREPAID ACCOUNTS	97,588.26	0.00	97,588.26
OTHER CURRENT ASSETS	72,351.73	0.00	72,351.73
TOTAL CURRENT ASSETS	1,699,730.54	(2,920,811.89)	4,620,542.43
QUEBEC LAND	0.00	(120,600.00)	120,600.00
GROSS PLANT, PROP. & EQUIP.	197,644.48	0.00	197,644.48
ACCUMULATED DEPRECIATION	(43,950.11)	0.00	(43,950.11)
NET PLANT, PROP. & EQUIP.	153,694.37	(120,600.00)	274,294.37
LONG-TERM ASSETS	156,721.50	0.00	156,721.50
TOTAL ADJUSTED ASSETS	2,010,146.41	(3,041,411.89)	5,051,558.30
REVOLVING FUND - OUTSTDING CHECKS	0.00	0.00	0.00
ACCOUNTS PAYABLE - RAYONIER	0.00	0.00	0.00
ACCOUNTS PAYABLE - TORONTO	0.00	0.00	0.00
ACCOUNTS PAYABLE - TRADE	268,238.22	0.00	268,238.22
ACCOUNTS PAYABLE - STUMPAGE	14,804.57	0.00	14,804.57
OTHER CURRENT LIABILITIES	1,099,986.84	0.00	1,099,986.84
TOTAL CURRENT LIABILITIES	1,383,029.63	0.00	1,383,029.63
LONG-TERM LIABILITIES	0.00	0.00	0.00
TOTAL ADJUSTED LIABILITIES	1,383,029.63	0.00	1,383,029.63
NET BOOK VALUE	627,116.78	(3,041,411.89)	3,668,528.67

EXHIBIT E
TO DISTRIBUTION AGREEMENT
PART 1 - Issued Patents

Country	Patent Number	Issue Date	Application Number	Filing Date
AUSTR				
	120471	06/12/91	84103167.7	03/22/84
	372412	02/15/83	3832	07/24/80
BELGM				
	120471	06/12/91	84103167.7	03/22/84
	820891	04/10/75		10/10/74
CANAD				
	1007648	03/29/77	188328	12/17/73
	1025850	02/07/78	179175	08/20/73
	1037468	08/29/78	233677	08/18/75
	1037469	08/29/78	233680	08/18/75
	1048055	02/06/79	256054	06/30/76
	1050225	03/13/79	211228	10/11/74
	1050255	03/13/79	211110	10/09/74
	1053878	05/08/79	233988	08/22/75
	1061336	08/28/79	256564	07/08/76
	1067263	10/04/79	211262	10/11/74
	1069746	01/15/80	231546	06/15/75
	1074027	03/18/80	262893	10/07/76
	1082403	07/29/80	248028	03/16/76
	1082691	07/29/80	272650	02/25/77
	1082692	07/29/80	272651	02/25/77
	1082693	07/29/80	272675	02/25/77
	1082694	07/29/80	272714	02/25/77
	1087771	10/14/80	311232	09/13/78
	1087772	10/14/80	311233	09/13/78
	1095673	02/17/81	252808	05/18/76
	1097253	03/10/81	184857	08/17/77
	1097254	03/10/81	284912	08/17/77
	1101589	05/19/81	303967	05/24/78
	1105365	07/21/81	310586	09/05/78
	1106364	08/04/81	323363	03/13/79
	1117669	02/02/82	320880	02/06/79
	1119388	03/09/82	347068	03/05/80
	1141758	02/22/83	367506	12/23/80
	1142305	03/08/83	356554	07/18/80
	1149219	07/05/83	389138	10/30/81
	1153852	09/20/83	355377	07/03/80
	1162819	02/28/84	389140	10/30/81
	1184904	04/02/85	418999	01/06/83
	1208631	07/29/86	449964	03/20/84
	1283406	04/23/91	556888	01/20/88
FINLN				
	68529	10/10/85	812964	09/23/81
	69311	01/10/86	830038	01/06/83
	69549	03/10/86	812965	09/23/81
	74309	01/11/88	811968	06/23/81
	79725	02/12/90	841220	03/27/84
FRANC				
	51230	07/04/84	81108847.5	10/24/81
	120471	06/12/91	84103167.7	03/22/84
	7902456	10/15/84	7902456	01/31/79

EXHIBIT E
PART 1 - Issued Patents

Country	Patent Number	Issue Date	Application Number	Filing Date
	8016008	03/09/87	8016008	07/21/80
	8026894	04/07/86	8026894	12/18/80
GERWE				
	3027033	10/11/90	3027033	07/16/80
	3047351	01/03/91	3017351	12/16/80
	3164599	07/04/84	3164599	10/24/81
	3484688.3	06/12/91	P 34 84 688.3	03/22/84
HOLLN				
			8102857	06/15/81
	51230	07/04/84	81108847.5	10/24/81
	120471	06/12/91	84103167.7	03/22/84
	188810	09/08/92	8004199	07/22/80
ITALY				
	51230	07/04/84	81108847.5	10/24/81
	120471	06/12/91	84103167.7	03/22/84
	1193545	07/08/88	23633A/80	07/23/80
	1194822	09/28/88	26850	12/22/80
JAPAN				
	1306435	03/13/86	102302	07/25/80
	1339238	09/29/86	189393	12/26/80
	1339252	09/29/86	173161	10/30/81
	1495456	05/16/89	56022	03/13/86
	1506557	07/13/89	173162	10/30/81
	1587435	11/19/90	40287	02/28/85
LIECH				
	51230	07/04/84	81108847.5	10/24/81
	120471	06/12/91	84103167.7	03/22/84
LUXMB				
	120471	06/12/91	84103167.7	03/22/84
MEXIC				
	7152	11/13/87	9723	10/26/81
	7287	04/14/88	9724	10/26/81
	161160	08/09/90	200247	02/06/84
	162684	06/17/91	187926	06/22/81
NORWA				
	153343	02/26/86	811900	06/04/81
	158810	11/02/88	813664	10/29/81
	165932	05/02/91	840717	02/24/84
SPAIN				
	503323	02/15/82	503323	06/23/81
	506718	04/21/92	506718	10/30/81
SWEDN				
	51230	07/04/84	81108847.5	10/24/81
	120471	06/12/91	84103167.7	03/22/84
SWITZ				
	51230	07/04/84	81108847.5	10/24/81
	120471	06/12/91	84103167.7	03/22/84
	648071	02/28/85	3923	06/15/81
TAIWN				
	21588	03/27/85	73100320	01/27/84
UNIKN				
	51230	07/04/84	81108847.5	10/24/81
	120471	06/12/91	84103167.7	03/22/84

EXHIBIT E
PART 1 - Issued Patents

Country	Patent Number	Issue Date	Application Number	Filing Date
	2013646	07/12/82	7903226	01/30/79
	2055107	04/13/83	8023958	07/22/80
	2066145	05/25/83	8040179	12/16/80
USA				
	4018681	04/19/77	631370	11/12/75
	4022631	05/10/77	578934	05/19/75
	4044090	08/23/88	594325	07/09/75
	4056675	11/01/77	662132	02/27/76
	4064166	12/20/77	673614	04/05/76
	4073660	02/14/78	715223	08/18/76
	4076932	02/28/78	662137	02/27/76
	4076933	02/28/78	662138	02/27/76
	4082617	04/04/78	715422	08/18/76
	4086418	04/25/78	662134	02/27/76
	4118350	10/03/78	833077	09/14/77
	4120836	10/17/78	833076	09/14/77
	4123398	10/31/78	800186	05/25/77
	4131705	12/26/78	830471	09/06/77
	4155804	05/22/79	559174	03/17/75
	4162359	07/24/79	886285	03/13/78
	4248842	02/03/81	17388	03/05/79
	4295929	10/20/81	131813	03/19/80
	4302252	11/24/81	145333	04/30/80
	4341807	07/17/82	202741	10/31/80
	4374027	02/15/83	14853	02/26/79
	4374702	02/22/83	313726	10/22/81
	4378381	03/29/83	202740	10/31/80
	4399275	08/16/83	337447	01/06/82
	4402899	09/06/83	283069	07/13/81
	4452721	06/05/84	441689	11/15/82
	4452722	06/05/84	441628	11/15/82
	4464287	08/07/84	441550	11/15/82
	4481076	11/06/84	479555	03/28/83
	4481077	11/06/84	479556	03/28/83
	4483743	11/20/84	434724	10/18/82
	4487634	12/11/84	441684	11/15/82
	4500546	02/19/85	441686	11/15/82
	4551305	11/05/85	544384	10/21/83
	4728727	03/01/88	007772	01/28/87
	5169931	12/08/92	704448	05/23/91

EXHIBIT E
PART 2 - Pending Applications

Country	Application Number	Filing Date
JAPAN		
	4-150001	05/19/92
NORWA		
	P921878	05/12/92
USA	07/942507	09/09/92
	07/963853	10/20/92
	07/960483	10/09/92
	08/007741	01/22/93
	08/164624	12/08/93

Exhibit 4.1

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INDENTURE

ITT RAYNONIER INCORPORATED

to

BANKERS TRUST COMPANY
as Trustee

Dated as of September 1, 1992

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	(d)(2)	6.01(c)(2)
	(d)(3)	6.01(c)(3)
	(e)	5.14
#316	(a)	1.01
	(a)(1)(A)	5.12
	(a)(1)(B)	5.13
	(a)(2)	Not Applicable
	(b)	5.08
	(c)	1.04(f)
#317	(a)(1)	5.03
	(a)(2)	5.04
	(b)	10.03
#318	(a)	1.07

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

INDENTURE, dated as of September 1, 1992, between ITT RAYONIER INCORPORATED, a Delaware corporation (hereinafter called the "Company") having its principal office at 1177 Summer Street, Stamford, Connecticut 06904, and Bankers Trust Company, a New York banking corporation, as Trustee (hereinafter called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debt securities in series (hereinafter called the "Securities") of substantially the tenor hereinafter provided, and to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered.

All things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE I

Definitions and Other Provisions
of General Application

SECTION 1.01. Definitions. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles which are generally accepted at the date or time of such computation; provided, that when two or more principles are so generally accepted, it shall mean that set of principles consistent with those in use by the Company; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act" when used with respect to any Holder has the meaning specified in Section 1.04.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Board of Directors" means either the board of directors of the Company or any committee of that board duly authorized to act hereunder.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, or such committee of the Board of Directors or officers of the Company to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means every day except a day on which banking institutions in The City of New York are authorized or required by law or executive order to close.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request" and "Company Order" mean, respectively, the written request or order signed in the name of the Company by the President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Consolidated Net Tangible Assets" means the total amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all current liabilities (excluding any thereof which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed), and (ii) all segregated goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and prepared in accordance with generally accepted accounting principles.

"Corporate Trust Office" means the principal office of the Trustee in The City of New York, Borough of Manhattan, at which at any particular time its corporate trust business shall be administered, which as of the date of execution of this Indenture is located at Four Albany Street, New York, New York 10006, Attention: Corporate Trust and Agency Group.

"Corporation" includes corporations, associations, companies and business trusts.

"Defaulted Interest" has the meaning specified in Section 3.07.

"Depositary" means, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depositary by the Company pursuant to Section 3.01 with respect to such series (or any successor thereto)

"Dollars" or the use of "$" shall mean United States dollars.

"Event of Default" unless otherwise specified in the supplemental indenture creating a series of Securities, has the meaning specified in Article V.

"Funded Debt" means all indebtedness for borrowed money having a maturity of more than 12 months from the date as of which the amount thereof is to be determined or having a maturity of less than 12 months but by its terms being renewable or extendible beyond 12 months from such date at the option of the borrower.

"Global Security" means a Security in the form prescribed in Section 2.04 evidencing all or part of a series of Securities, issued to the Depositary or its nominee for such Series, and registered in the name of such Depositary or nominee.

"Government Obligations" means, with respect to the Securities of any series, securities which are (i) direct obligations of the United States of America or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed by the United States of America and which in either case, are full faith and credit obligations of the United States of America and are not callable or redeemable at the option of the issuer thereof and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of such depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the

specific payment of interest on or principal of the Government Obligation evidenced by such depository receipt.

"Holder" means a Person in whose name a Security is registered in the Securities Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of each particular series of Securities established as contemplated by Section 3.01.

"Interest Payment Date" means as to each series of Securities the Stated Maturity of an installment of interest on such Securities.

"Interest Rate" means the rate of interest specified or determined as specified in each Security as being the rate of interest payable on such Security.

"Lien" means any mortgage, pledge, lien, security interest or other encumbrance.

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

"Mortgage" means any mortgage, pledge, lien, encumbrance, charge or security interest of any kind.

"Officers' Certificate" means a certificate signed by the President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company.

"Original Issue Date" means the date of issuance specified as such in each Security.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration

of acceleration of the Maturity thereof pursuant to Section 5.02.

"Outstanding" means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancelation;

(ii) Securities for whose payment money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; and

(iii) Securities in substitution for or in lieu of which other Securities have been authenticated and delivered or which have been paid pursuant to Section 3.06, unless proof satisfactory to the Trustee is presented that any such Securities are held by Holders in whose hands such Securities are valid, binding and legal obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of the Company, or any other obligor on the Securities or any Affiliate of the Company or such obligor, and, subject to the provisions of Section 6.01, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not

listed therein are Outstanding for the purpose of any such determination.

"Paying Agent" means the Trustee or any Person authorized by the Company to pay the principal of or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment" means, with respect to the Securities of any series, the place or places where the principal of (and premium, if any) and interest on the Securities of such series are payable pursuant to Section 3.01.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.06 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

"Principal Property" means all timberlands, land, buildings, machinery and equipment, and leasehold interests and improvements in respect of the foregoing, which would be reflected on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles, excluding all such tangible property located outside the United States, Canada or New Zealand (including their respective territories and possessions) and excluding any such property which, in the opinion of the Board of Directors set forth in a Board Resolution, is not material to the Company and its consolidated Subsidiaries taken as a whole.

"Regular Record Date" for the interest payable on any Interest Payment Date with respect to the Securities of a series means, unless otherwise provided pursuant to Section 3.01 with respect to Securities of a series, the date which is 15 days next preceding such Interest Payment Date (whether or not a Business Day).

"Responsible Officer" when used with respect to the Trustee means any officer within the Corporate Trust and

Agency Group (or any successor group) of the Trustee including without limitation any vice president, any assistant vice president, any assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge and familiarity with the particular subject.

"Restricted Subsidiary" means a Subsidiary (a) substantially all of the property of which is located in the United States, Canada or New Zealand (including their respective territories and possessions) and which owns a Principal Property, provided that no such Subsidiary shall be a Restricted Subsidiary if pursuant to this clause (a) (i) the total assets of such Subsidiary are less than 10% of the total assets of the Company and its consolidated Subsidiaries (including such Subsidiary) in each case as set forth on the most recent fiscal year-end balance sheets of such Subsidiary and the Company and its consolidated Subsidiaries, respectively, and computed in accordance with generally accepted accounting principles, or (ii) in the judgment of the Board of Directors, as evidenced by a Board Resolution, such Subsidiary is not material to the financial condition of the Company and its consolidated Subsidiaries taken as a whole or (b) that is designated as a Restricted Subsidiary by the Board of Directors, as evidenced by a Board Resolution.

"Sale and Lease-Back Transactions" means any arrangement with any bank, insurance company or other lender or investor, or to which any such lender or investor is a party, providing for the leasing by the Company or a Restricted Subsidiary for a period, including renewals, in excess of three years of any Principal Property of the Company or a Restricted Subsidiary which has been or is to be sold or transferred by the Company or a Restricted Subsidiary to such lender or investor or to any Person to which funds have been or are to be advanced by such lender or investor on the security of such Principal Property.

"Securities" or "Security" means any debt securities or debt security, as the case may be, authenticated and delivered under this Indenture.

"Securities Register" and "Securities Registrar" have the respective meanings specified in Section 3.05.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.07.

"Stated Maturity" when used with respect to any Security or any installment of principal thereof or interest thereon means the date specified in such Security as the fixed date on which the principal of such Security or such installment of interest is due and payable.

"Subsidiary" means (i) any corporation of which at the time of determination the Company and/or one or more Subsidiaries owns or controls directly or indirectly more than 50% of the outstanding shares of voting stock or (ii) any other Person (other than a corporation) in which the Company or one or more Subsidiaries directly or indirectly owns or controls more than 50% of the voting interests therein or otherwise has the power to direct the policies, management and affairs thereof.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, and as in force at the date as of which this instrument was executed, except as provided in Section 9.05.

"Value" means with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale or transfer of the Principal Property leased pursuant to such Sale and Lease-Back Transaction or (ii) the fair market value, in the good faith opinion of the Board of Directors, of such Principal Property at the time of entering into such Sale and Lease-Back Transaction, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

"Vice President" when used with respect to the Company, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

SECTION 1.02. Compliance Certificate and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent (including covenants compliance with which constitute a condition precedent), if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent (including covenants compliance with which constitute a condition precedent), if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates provided pursuant to Section 10.06) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.03. Forms of Documents Delivered to Trustee. In any case where several matters are required to

be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.04. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given to or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee and the Company and any

agent of the Trustee or the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a Person acting in other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The fact and date of the execution by any Person of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient and in accordance with such reasonable rules as the Trustee may determine.

(d) The ownership of Securities shall be proved by the Securities Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to take any action under this Indenture by vote or consent. Except as otherwise provided herein, such record date shall be the later of 30 days prior to the first solicitation of such consent or vote or the date of the most recent list of Securityholders furnished to the Trustee pursuant to Section 7.01 prior to such solicitation. If a record date is fixed, those persons who were Securityholders at such record date (or their duly designated proxies) and only those persons, shall be entitled to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such persons continue to be Holders after such record date; provided, however, that unless such vote or consent is obtained from the Holders (or their duly designated proxies) of the requisite principal amount of

outstanding Securities prior to the date which is the 120th day after such record date, any such vote or consent previously given shall automatically and without further action by any Holder be canceled and of no further effect.

SECTION 1.05. Notices, Etc. to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Product Manager Regular Unsecured or, which may be given to the Trustee by the Company by facsimile communications at the Trustee's facsimile number which on the date of execution of this Indenture is (212) 250-6392 or (212) 250-6961, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose (except as otherwise provided in Section 5.01 hereof) hereunder if in writing and mailed, first class, postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument and to the attention of the Corporate Secretary or at any other address previously furnished in writing to the Trustee by the Company or, which may be given to the Company by the Trustee by facsimile communications at the Company's facsimile number which on the date of execution of this Indenture is (203) 964-4335.

SECTION 1.06. Notice to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Holder affected by such event, at his address as it appears in the Securities Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the

Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.07. Conflict With Trust Indenture Act. If, and to the extent that, any provision of this Indenture limits, qualifies or conflicts with the duties imposed by any of, or with another provision (an "incorporated provision") included in this Indenture by operation of, Sections 310 to 318, inclusive, of the Trust Indenture Act such imposed duties or incorporated provision shall control.

SECTION 1.08. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.09. Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.10. Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11. Benefits of Indenture. Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto, any Paying Agent and their successors and assigns and the Holders of the Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.12. Governing Law. This Indenture, and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 1.13. Nonbusiness Days. In any case where any Interest Payment Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or the Securities) payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest

Payment Date or at the Stated Maturity, and no interest shall accrue for the period from and after such Interest Payment Date or Stated Maturity, as the case may be.

ARTICLE II

Security Forms

SECTION 2.01. Forms Generally. The Securities of each series and the Trustee's certificate of authentication shall be in substantially the forms set forth in this Article, or in such other form or forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. Any such legends or endorsements shall be furnished to the Trustee in writing. If the form of Securities of any series is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.03 with respect to the authentication and delivery of such Securities.

The Trustee's certificates of authentication shall be substantially in the form set forth in this Article.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods, if required by any securities exchange on which the Securities may be listed, on a steel engraved border or steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 2.02. Form of Face of Security. [If the Security is an Original Issue Discount Security, insert: For purposes of Section 1271 of the United States Internal Revenue Code of 1986, as amended, the issue price of this

Security is % of its principal amount and the Issue Date is , 19].

ITT RAYONIER INCORPORATED
[Title of Security]

No. _____ $_____

ITT RAYONIER INCORPORATED, a corporation organized and existing under the laws of Delaware (hereinafter called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on _____ [If the Security is to bear interest prior to Maturity insert: and to pay interest thereon from _____ or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on _____ and _____ in each year, commencing _____ at the rate of ___ per annum, on the basis of a 360-day year consisting of twelve 30-day months, until the principal hereof is paid or duly provided for or made available for payment [If applicable insert: and (to the extent that the payment of such interest shall be legally enforceable) at the rate of ___% per annum on any overdue principal and premium and on any overdue instalment of interest]. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the _____ or _____ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for on any Interest Payment Date (or within any grace period related to such interest payment set forth in such Indenture) will forthwith cease to be payable to the Holder and may either be paid to the person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee (notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date) or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be

required by such exchange, all as more fully provided in said Indenture].

[If the Security is not to bear interest prior to Maturity insert: The principal of this Security shall not bear interest except in the case of a default in payment of principal upon acceleration, upon redemption or at Stated Maturity and in such case the overdue principal of this Security shall bear interest at the rate of ___% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such default in payment to the date payment of such principal has been made or duly provided for. Interest on any overdue principal shall be payable on demand. Any such interest on any overdue principal that is not so paid on demand shall bear interest at the rate of ____% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such demand for payment to the date payment of such interest has been made or duly provided for, and such interest shall also be payable on demand.]

Payment of the principal of (and premium, if any) and [if applicable, insert: any such] interest on this Security will be made at the office or agency of the Company maintained for that purpose in _____, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts [if applicable, insert: ; provided, however, that at the option of the Company payment of interest may be made by (i) check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register] or (ii) wire transfer upon terms established from time to time by the Company reasonably satisfactory to the Paying Agent.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

ITT RAYONIER INCORPORATED,

by

President

Attest:

- ---
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

Bankers Trust Company,
as Trustee

by

Authorized Signatory

Dated:

SECTION 2.03. Form of Reverse of Security. This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of September 1, 1992 (herein called the "Indenture"), between the Company and Bankers Trust Company, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof [, limited in aggregate principal amount to $_____]. The Securities are general unsecured obligations of the Company and will rank pari passu with all other Securities issued under the Indenture.

[If applicable, insert: The Securities of this series are not redeemable prior to the stated maturity of the principal hereof and will not be subject to any sinking fund.]

[If applicable, insert: The Securities of this series are subject to redemption upon not less than 30 days' and not more than 60 days' notice by mail, [if applicable, insert: (1) on _____ in any year commencing with the year _____ and ending with the year _____ through operation of the sinking fund for this series at a Redemption Price equal to 100% of the principal amount, and (2)] at any time [on or after _____ 19__], as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before _____, ___ % and if redeemed] during the 12-month period beginning _____ of the years indicated,

Year	Redemption Price	Year	Redemption Price

and thereafter at a Redemption Price equal to ___% of the principal amount, together in the case of any such redemption [if applicable, insert: (whether through operation of the sinking fund or otherwise)] with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Date referred to on the face hereof, all as provided in the Indenture.]

[If applicable, insert: The Securities of this series are subject to redemption upon not less than 30 days' and not more than 60 days' notice by mail, (1) on _____ in any year commencing with the year ___ and ends with the year _____ through operation of the sinking fund for this series at the Redemption Prices for redemption through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below, and (2) at any time [on or after _____], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of

the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning _____ of the years indicated,

Year	Redemption Price For Redemption Through Operation of the Sinking Fund	Redemption Price For Redemption Otherwise Than Through Operation of the Sinking Fund

and thereafter at a Redemption Price equal to ___% of the principal amount, together in the case of any such redemption (whether through operation of the sinking fund or otherwise) with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.]

[The sinking fund for this series provides for the redemption on _____ in each year beginning with the year _____ and ending with the year ____ of [not less than] $ [("mandatory sinking fund") and not more than $] aggregate principal amount of Securities of this series. [Securities of this series acquired or redeemed by the Company otherwise than through [mandatory] sinking fund payments may be credited against subsequent [mandatory] sinking fund payments otherwise required to be made] [in the inverse order in which they become due.]

In the event of redemption of this Security in part only, a new Security or Securities of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancelation hereof.

The Indenture contains provisions for satisfaction, discharge and defeasance of the entire indebtedness on this Security, upon compliance by the Company with certain conditions set forth therein.

[If the Security is not an Original Issue Discount Security, - If an Event of Default with respect to

Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.]

[If the Security is an Original Issue Discount Security, - If an Event of Default with respect to Securities of this series shall occur and be continuing, an amount of principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Such amounts shall be equal to [INSERT FORMULA FOR DETERMINING THE AMOUNT]. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest, if any, on the Securities of this series shall terminate.]

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Securities Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $_____ and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

A director, officer, employee or stockholder, as such, of the Company or the Trustee shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their

creation. By accepting a Security, each Holder waives and releases all such liability. This waiver and release are part of the consideration for the issue of the Securities.

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identification numbers placed thereon.

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture. Requests may be made to:

ITT Rayonier Incorporated
1177 Summer Street
Stamford, Connecticut 06904
Attention of Corporate Secretary

SECTION 2.04. Additional Provisions Required in Global Security. Any Global Security issued hereunder shall, in addition to the provisions contained in Sections 2.02 and 2.03 bear a legend in substantially the following form:

"Unless this certificate is presented by an authorized representative of the Depositary to the Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of the nominee of the Depositary or in such other name as is requested by an authorized representative of the Depositary (and any payment is made to the nominee of the Depositary or to such other entity as is requested by an authorized representative of the Depositary), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, the nominee of the Depositary, has an interest herein."

SECTION 2.05. Form of Trustee's Certificate of Authentication. This is one of the Securities referred to in the within mentioned Indenture.

Bankers Trust Company,
as Trustee

by

Authorized Signatory

Dated:

ARTICLE III

The Securities

SECTION 3.01. Title and Terms. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series up to an aggregate principal amount of Securities as from time to time may be authorized by the Board of Directors. All Securities of each series under this Indenture shall in all respects be equally and ratably entitled to the benefits hereof with respect to such series without preference, priority or distinction on account of the actual time of the authentication and delivery or Stated Maturity of the Securities of such series. There shall be established in or pursuant to a Board Resolution, and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of a series:

(a) the title of the Securities of such series, which shall distinguish the Securities of the series from all other Securities;

(b) the limit, if any, upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.04, 3.05, 3.06, 9.06 or 11.06); provided,

however, that the authorized aggregate principal amount of such series may be increased above such amount by a Board Resolution to such effect;

(c) the Stated Maturity or Maturities on which the principal of the Securities of such series is payable;

(d) the rate or rates, if any, at which the Securities of such series shall bear interest, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date for the interest payable on any Interest Payment Date;

(e) the place or places where the principal of and interest on the Securities of such series shall be payable, the place or places where the Securities of such series may be presented for registration of transfer or exchange, and the place or places where notices and demands to or upon the Company in respect of the Securities of such series may be made;

(f) the period or periods within or the date or dates on which, if any, the price or prices at which and the terms and conditions upon which the Securities of such series may be redeemed, in whole or in part, at the option of the Company;

(g) the obligation, if any, of the Company to redeem, repay or purchase the Securities of such series pursuant to any sinking fund, amortization or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(h) the denominations in which any Securities of such series shall be issuable, if other than denominations of $1,000 and any integral multiple thereof;

(i) the modifications, if any, in the Events of Default or covenants of the Company set forth herein with respect to the Securities of such series;

(j) if other than the principal amount thereof, the portion of the principal amount of Securities of such series which shall be payable upon declaration of acceleration of the Maturity thereof;

(k) the additions or changes, if any, to this Indenture with respect to the Securities of such series as shall be necessary to permit or facilitate the issuance of the Securities of such series in bearer form, registerable or not registerable as to principal, and with or without interest coupons;

(l) any index used to determine the amount of payments of principal of and premium, if any, on the Securities of such series and the manner in which such amounts will be determined;

(m) the issuance of a temporary Global Security representing all of the Securities of such series and exchange of such temporary Global Security for definitive Securities of such series;

(n) whether the Securities of the series shall be issued in whole or in part in the form of one or more Global Securities and, in such case, the Depositary for such Global Securities, which Depositary shall be a clearing agency registered under the Securities Exchange Act of 1934, as amended;

(o) the appointment of any Paying Agent or Agents for the Securities of such series; and

(p) any other terms of the Securities of such series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided herein or in or pursuant to such board Resolution and set forth in such Officers' Certificate or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

SECTION 3.02. Denominations. The Securities of each series shall be in registered form without coupons and shall be issuable in denominations of $1,000 and any integral multiple thereof, unless otherwise specified as contemplated by Section 3.01.

SECTION 3.03. Execution, Authentication, Delivery and Dating. The Securities shall be executed on behalf of the Company by its President or one of its Vice Presidents under its corporate seal reproduced or impressed thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of the execution thereof the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication. Securities may be authenticated on original issuance from time to time and delivered pursuant to such procedures acceptable to the Trustee ("Procedures") as may be specified from time to time by Company Order.

Prior to the delivery of a Security in any such form to the Trustee for authentication, the Company shall deliver to the Trustee the following:

(a) a Company Order requesting the Trustee's authentication and delivery of all or a portion of the Securities of such series, and if less than all, setting forth procedures for such authentication;

(b) the Board Resolution by or pursuant to which such form of Security has been approved, and the Board Resolution, if any, by or pursuant to which the terms of the Securities of such series have been approved, and, if pursuant to a Board Resolution, an Officers' Certificate describing the action taken;

(c) An Officers' Certificate dated the date such certificate is delivered to the Trustee, stating that all conditions precedent provided for in this Indenture relating to the authentication and delivery of Securities in such form and with such terms have been complied with; and

(d) An Opinion of Counsel stating that (i) the form of such Securities has been duly authorized and

approved in conformity with the provisions of this Indenture; (ii) the terms of such Securities have been duly authorized and determined in conformity with the provisions of this Indenture, or, if such terms are to be determined pursuant to Procedures, when so determined such terms shall have been duly authorized and determined in conformity with the provisions of this Indenture; and (iii) Securities in such form when completed by appropriate insertions and executed and delivered by the Company to the Trustee for authentication in accordance with this Indenture, authenticated and delivered by the Trustee in accordance with this Indenture within the authorization as to aggregate principal amount established from time to time by the Board of Directors, and sold in the manner specified in such Opinion of Counsel, will be the legal, valid and binding obligations of the Company entitled to the benefits of this Indenture, subject to applicable bankruptcy, reorganization, insolvency and other similar laws generally affecting creditors' rights, to general equitable principles and to such other qualifications as such counsel shall conclude do not materially affect the rights of Holders of such Securities;

provided, however, that the Trustee shall be entitled to receive the documents referred to in Clauses (b), (c) and (d) above only at or prior to the first request of the Company to the Trustee to authenticate Securities of such series.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

SECTION 3.04. Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of

the tenor of the definitive Securities of such series in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company in The City of New York, without charge to the Holder. Upon surrender for cancelation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of the same series of authorized denominations having the same Original Issue Date and Stated Maturity and having the same terms as such temporary Securities. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 3.05. Registration, Transfer and Exchange. The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. Such register is herein sometimes referred to as the "Securities Register". The Trustee is hereby appointed "Securities Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at the Place of Payment, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series of any authorized denominations, of a like aggregate principal amount, of the same Original Issue Date and Stated Maturity and having the same terms.

At the option of the Holder, Securities may be exchanged for other Securities of the same issue and series of any authorized denominations, of a like aggregate principal amount, of the same Original Issue Date and Stated Maturity and having the same terms, upon surrender of the

Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for transfer or exchange shall (if so required by the Company or the Securities Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities.

Notwithstanding any of the foregoing, any Global Security of a series shall be exchangeable pursuant to this Section 3.05 for Securities registered in the names of Persons other than the Depositary for such Security or its nominee only if (i) such Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time such Depositary ceases to be eligible to be a clearing agency under the Securities Exchange Act of 1934, as amended, in any such case the Company may appoint a successor Depositary, and the Company does not appoint a successor Depositary within 90 days after the Company receives notice or becomes aware of such unwillingness, inability, or ineligibility, (ii) the Company executes and delivers to the Trustee a Company Order that such Global Security shall be so exchangeable or (iii) there shall have occurred and be continuing an Event of Default with respect to the Securities of such series. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Securities registered in such names as such Depositary shall direct.

Notwithstanding any other provision in this Indenture, a Global Security may not be transferred except

as a whole by the Depositary with respect to such Global Security to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary.

Neither the Company nor the Trustee shall be required, pursuant to the provisions of this Section, (a) to issue, transfer or exchange any Security of any series during a period beginning at the opening of business 15 days before the day of selection for redemption of Securities pursuant to Article XI and ending at the close of business on the day of mailing of notice of redemption or (b) to transfer or exchange any Security so selected for redemption in whole or in part, except, in the case of any Security to be redeemed in part, any portion thereof not to be redeemed.

None of the Company, the Trustee, any agent of the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

SECTION 3.06. Mutilated, Destroyed, Lost and Stolen Securities. If any mutilated Security is surrendered to the Trustee together with such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Stated Maturity and bearing the same Interest Rate as such mutilated, destroyed, lost or stolen Security, and bearing a number not contemporaneously outstanding.

If there be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security, and (ii) such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the issuing Company shall execute and upon its written request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Stated Maturity and bearing the same Interest

Rate as such mutilated, destroyed, lost or stolen Security, and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee and its agents and counsel) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 3.07. Payment of Interest: Interest Rights Preserved. Interest on any Security of any series which is payable, and is punctually paid or duly provided for, on any Interest Payment Date, shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest in respect of Securities of such series, except that, unless otherwise provided in the Securities of such series, interest payable on the Stated Maturity of a Security shall be paid to the Person to whom principal is paid. The initial payment of interest on any Security of any series which is issued between a Regular Record Date and the related Interest Payment Date shall be payable as provided in such Security or in the Board Resolution pursuant to Section 3.01 with respect to the related series of Securities.

Any interest on any Security which is payable, but is not timely paid or duly provided for, on any Interest Payment Date (or within any grace period related to such

interest payment set forth in Section 5.01(1) hereof) for Securities of such series (herein called "Defaulted Interest"), shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series in respect of which interest is in default (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class, postage prepaid, to each Holder of a Security of such series at his address as it appears in the Securities Register not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, cause a similar notice to be published at least once in a newspaper, customarily published in the English language on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are

registered on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of the series in respect of which interest is in default may be listed, and upon such notice as may be required by such exchange (or by the Trustee if the Securities are not listed), if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 3.08. Persons Deemed Owners. The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payment of principal (and premium, if any) of and (subject to Section 3.07) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 3.09. Cancelation. All Securities surrendered for payment, redemption, transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and Securities surrendered directly to the Trustee for any such purpose shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancelation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities shall be destroyed by the Trustee and the Trustee shall deliver to the Company a certificate of such destruction.

SECTION 3.10. Computation of Interest. Except as otherwise specified as contemplated by Section 3.01 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a year of 360 days, consisting of twelve 30-day months.

ARTICLE FOUR

Satisfaction and Discharge

SECTION 4.01. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to any series of Securities (except as to (i) any surviving rights of transfer, substitution and exchange of Securities, (ii) rights hereunder of Holders to receive payments of principal of (and premium, if any) and interest on the Securities and other rights, duties and obligations of the Holders as beneficiaries hereof with respect to the amounts, if any, so deposited with the Trustee and (iii) the rights and obligations of the Trustee hereunder) and the Trustee, on written demand of and at the expense of the Company, shall execute proper instruments in form and substance reasonably satisfactory to the Company and the Trustee acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities of that Series theretofore authenticated and delivered (other than (i) Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06 and (ii) Securities of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.03) have been delivered to the Trustee canceled or for cancelation; or

(B) all such Securities of that series not theretofore canceled or delivered to the Trustee for cancelation

(i) have become due and payable,

(ii) will become due and payable at their Stated Maturity within one year of the date of deposit, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee canceled or for cancelation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or redemption date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Securities of such series; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture with respect to the Securities of such series, the obligations of the Company to the Trustee under Section 6.07 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.02 and the last paragraph of Section 10.03 shall survive.

SECTION 4.02. Application of Trust Money. Subject to the provisions of the last paragraph of Section 10.03, all money deposited with the Trustee pursuant to Section 4.01 or money or Government Obligations deposited with the Trustee pursuant to Section 4.03, or received by the Trustee in respect of Government Obligations deposited with the Trustee pursuant to Section 4.03, shall be held in trust and applied by it, in accordance with the provisions

of the Securities of such series in respect of which it was deposited and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent), to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or obligations have been deposited with or received by the Trustee; provided, however, such moneys need not be segregated from other funds except to the extent required by law.

SECTION 4.03. Defeasance Upon Deposit of Funds or Government Obligations. (a) Unless pursuant to Section 3.01 provision is made that this Section shall not be applicable to the Securities of any series then, subject to Sections 4.03(b) and (c) and 4.06, the Company at any time may terminate (i) all its obligations under this Indenture with respect to the Securities of any series ("legal defeasance option") or (ii) its obligations under the covenants set forth in Sections 8.01(a)(2), 10.04, 10.05, 10.06, 10.07, 10.08 and 10.09, the operation of any Event of Default based on the failure of the Company to comply with such covenants, and the operation of clause (7) of Section 5.01 ("covenant defeasance option"), in each case with respect to the Securities of any series. The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Company exercises its legal defeasance option with respect to the Securities of any series, payment of such Securities may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option with respect to the Securities of any series, payment of such Securities may not be accelerated because of an Event of Default specified in clause (7) of Section 5.01 or because of the failure of the Company to comply with any of the covenants set forth in Sections 8.01(a)(2), 10.04, 10.05, 10.06, 10.07, 10.08 and 10.09.

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(b) Notwithstanding clause (a) above, (i) the Company's obligations in Sections 3.05, 3.06, 3.07, 3.08, 3.10, 4.02, 4.04, 4.05, 4.06, 6.07, 6.10, 10.02 and 10.03 (in respect of the Securities of any series for which it has exercised its legal defeasance option) and (ii) all

provisions other than those terminated pursuant to Section 4.03(a)(ii) (in respect of the Securities of any series for which it has exercised its covenant defeasance option) shall survive until such Securities have been paid in full. Thereafter, the Company's obligations in Sections 4.05 and 6.07 with respect to such Securities shall survive.

(c) The Company may exercise its legal defeasance option or its covenant defeasance option with respect to the Securities of any series only if:

(1) the Company irrevocably deposits in trust with the Trustee money or Government Obligations for the payment of principal and interest on such Securities to Stated Maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment of the deposited Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts (but, in the case of the legal defeasance option only, not more than such amounts) as will be sufficient to pay principal and interest when due on all such Securities to Stated Maturity or redemption, as the case may be;

(3) 123 days pass after the deposit is made and during the 123-day period no Default specified in Section 5.01(5) or (6) occurs which is continuing at the end of the period;

(4) no Default with respect to such Securities has occurred and is continuing on the date of such deposit and after giving effect thereto;

(5) the deposit does not constitute a default under any other agreement binding on the Company;

(6) the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(7) in the case of the legal defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company has

received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the holders of such Securities will not recognize income, gain or loss for Federal income tax purposes solely as a result of such legal defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(8) in the case of the covenant defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders of such Securities will not recognize income, gain or loss for Federal income tax purposes solely as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(9) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of such Securities as contemplated by this Article IV have been complied with.

Before or after a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of such Securities at a future date in accordance with Article XI.

SECTION 4.04. Repayment to Company. The Trustee and the Paying Agent shall promptly turn over to the Company upon written request any excess money or securities held by them at any time. Such written request shall be accompanied by an opinion of the type specified in Subsection (2) of Section 4.03(c) to the effect that such excess exists and the basis for such conclusion.

SECTION 4.05. Indemnity for Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited Government Obligations or the principal and interest received on such Government Obligations.

SECTION 4.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or Government Obligations to the payment of the Securities of any series in accordance with this Article IV by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and such Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article IV until such time as the Trustee or Paying Agent is permitted to apply all such money or Government Obligations in accordance with this Article IV; provided, however, that, if the Company has made any payment of interest on or principal of any such Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or Government Obligations held by the Trustee or Paying Agent.

ARTICLE V

Remedies

SECTION 5.01. Events of Default. "Event of Default" wherever used herein with respect to the Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days;

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity;

(3) default in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of such series;

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture

(other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with) and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(5) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;

(6) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due and its willingness to be adjudicated a bankrupt, or the taking of corporate action by the Company in furtherance of any such action;

(7) an event of default, as defined in any indenture or instrument evidencing or under which the Company or any Restricted Subsidiary has at the date of this Indenture or shall hereafter have outstanding at

least $10,000,000 aggregate principal amount of indebtedness for borrowed money, shall happen and be continuing and such indebtedness shall have been accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 30 days after notice thereof shall have been given to the Company by the Trustee (if such event be known to it), or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities of that series at the time Outstanding; provided, however, that for the purposes of this subsection (7), the Company or any Restricted Subsidiary shall not be deemed in default if it shall be contesting in good faith its liability for the payment of the principal in question, and shall have been advised by its counsel that it has a meritorious defense thereto; and provided further that if such event of default under such indenture or instrument shall be remedied or cured by the Company or such Restricted Subsidiary (as the case may be) or waived by the holders of such indebtedness, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of the Holders; or

(8) any other Event of Default with respect to Securities of that series.

SECTION 5.02. Acceleration of Maturity: Rescission and Annulment. If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due

has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue installments of interest on all Securities of that series,

(B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities,

(C) to the extent that payment of such interest is legally enforceable, interest upon overdue installments of interest at the rate borne by the Securities,

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to Securities of that series, other than the nonpayment of the principal of Securities of that series which has become due solely by such acceleration, have been cured or waived as provided in Section 5.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.03. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if:

(1) default is made in the payment of any installment of interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days;

(2) default is made in the payment of the principal of (and premium, if any, on) any Security at the Maturity thereof; or

(3) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of any series;

and any such default continues for any period of grace provided with respect to the Securities of such series, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holder of any such Security (or the Holders of any such series in the case of Clause (3) above), the whole amount then due and payable on any such Security (or on the Securities of any such series in the case of Clause (3) above) for principal (and premium, if any) and interest, with interest, to the extent that payment of such interest shall be legally enforceable, upon the overdue principal (and premium, if any) and upon overdue installments of interest, at such rate or rates as may be prescribed therefor by the terms of any such Security (or of Securities of any such series in the case of Clause (3) above); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 6.07.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or

agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.04. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal (and premium, if any) or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and any predecessor Trustee under Section 6.07 and of the Holders allowed in such judicial proceeding;

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and

(iii) unless prohibited by law or applicable regulation, to vote on behalf of the Holders in any election of a trustee in bankruptcy or other person performing similar functions;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it and any predecessor Trustee under Section 6.07.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 5.05. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of all the amounts owing the Trustee and any predecessor Trustee under Section 6.07, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 5.06. Application of Money Collected. Any money collected or to be applied by the Trustee with respect to a series of Securities pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and any predecessor Trustee under Section 6.07;

SECOND: To the payment of the amounts then due and unpaid upon such series of Securities for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such series of Securities for principal (and premium, if any) and interest, respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

SECTION 5.07. Limitation on Suits. No Holder of any Securities of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver, assignee, trustee, liquidator, sequestrator (or other similar official) or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no written direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

SECTION 5.08. Unconditional Right of Holders To Receive Principal, Premium and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and (subject to Section 3.07) interest on such Security on the respective Stated Maturities expressed in such Security and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

SECTION 5.09. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination

in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 5.10. Rights and Remedies Cumulative. Except as otherwise provided in the last paragraph of Section 3.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.11. Delay or Omission Not Waiver. Except as otherwise provided in the last paragraph of Section 3.06, no delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 5.12. Control by Holders. The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series; provided that:

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) subject to the provisions of Section 6.01, the Trustee shall have the right to decline to follow such direction if the Trustee in good faith shall, by a Responsible Officer or Officers of the Trustee,

determine that the proceeding so directed would be unjustly prejudicial to the Holders not joining in any such direction or would involve the Trustee in personal liability.

SECTION 5.13. Waiver of Past Defaults. The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default:

(1) in the payment of the principal of (or premium, if any) or interest on any Security of such series, or in the payment of any sinking or purchase fund or analogous obligation with respect to the Securities of such series, or

(2) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 5.14. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest on any

Security on or after the respective Stated Maturities expressed in such Security.

SECTION 5.15. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VI

The Trustee

SECTION 6.01. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man

would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of Holders pursuant to Section 5.12 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 6.02. Notice of Defaults. Within 90 days after the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series, as their names and addresses appear in the Securities Register, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived;

provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Security of such series the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Securities of such series. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 6.03. Certain Rights of Trustee. Subject to the provisions of Section 6.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, Security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable

security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, indenture, Security or other paper or document, but the Trustee in its discretion may make such inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 6.05. May Hold Securities. The Trustee, any Paying Agent, Securities Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 6.08 and 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Securities Registrar or such other agent.

SECTION 6.06. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 6.07. Compensation and Reimbursement. The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee and each of its officers, directors, attorneys in fact and agents for, and to hold each such person harmless against, any loss, claim, liability or expense incurred without negligence or bad faith on such person's part, arising out of or in connection with the acceptance or administration of this Indenture or the Procedures or the performance of its duties hereunder or under the Procedures, including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon the Trustee or any of its officers in connection with the exercise or performance of any of its powers or duties hereunder. The Company will indemnify and hold the Trustee harmless against any loss, liability or expense (including attorneys' fees) resulting from any act or omission to act on the part of the Company or any such Holder in connection with any agreement related to a Holder receiving payment by wire transfer or which the Paying Agent may incur as a result of making any payment in accordance with any agreement. This indemnification shall survive the termination of this Agreement.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a claim prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of amounts due on the Securities.

The obligations of the Company under this Section to compensate and indemnify the Trustee for expenses, disbursements and advances shall constitute additional indebtedness under this Indenture and shall survive the resignation or removal of the Trustee, the satisfaction and discharge of this Indenture and any rejection or termination of this Indenture under any applicable bankruptcy law.

If the Trustee incurs expenses or renders services after an Event of Default specified in Section 501(5) or (6) has occurred, those expenses (including the reasonable charges and expenses of its agents and attorneys) and its compensation for services shall be preferred over the status of the Holders in any reorganization or similar proceeding and the parties hereto, and the Holders, by their acceptance of the Securities, hereby agree that such expenses, compensation and indemnity are intended to constitute expenses of administration under any applicable bankruptcy law.

SECTION 6.08. Disqualification: Conflicting Interests. The Trustee for the Securities of any series issued hereunder shall be subject to the provisions of Section 3.10(b) of the Trust Indenture Act. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 3.10(b) of the Trust Indenture Act.

SECTION 6.09. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States of America or of any State, Territory or the District of Columbia, authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal, state, territorial or District of Columbia authority, or

(b) a corporation or other Person organized and doing business under the laws of a foreign government that is permitted to act as Trustee pursuant to a rule, regulation or order of the Commission, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

in either case having a combined capital and surplus of at least $50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purpose of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Neither the Company nor any Person directly or indirectly controlling, controlled by or under common control with the Company shall serve as Trustee for the Securities of any series issued hereunder. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 6.10. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 6.08 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.09 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by Board Resolution may remove the Trustee, or (ii) subject to Section 5.14, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Securities of such series and supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, subject to Section 5.14, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities of such series as their names and addresses appear in the Securities

Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 6.11. Acceptance of Appointment by Successor. (a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums due to the retiring trustee under Section 6.07 hereof, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trust and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees cotrustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust

or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trust referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 6.12. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder; provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated, and in case any Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor Trustee or in the name of such successor Trustee, and in all cases the certificate of authentication shall have the full force which it is anywhere in the

Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 6.13. Preferential Collection of Claims Against Company. The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship listed in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent indicated.

ARTICLE VII

Holders' Lists and Reports by Trustee and Company

SECTION 7.01. Company To Furnish Trustee Names and Addresses of Holders. The Company will furnish or cause to be furnished to the Trustee

(a) semiannually, not more than 15 days after June 1 and December 1, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such June 1 and December 1, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

excluding from any such list names and addresses received by the Trustee in its capacity as Securities Registrar.

SECTION 7.02. Preservation of Information; Communications to Holders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the, most recent list furnished to the Trustee as provided in Section 7.01 and the names and addresses of Holders received by the Trustee in its capacity as Securities Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.01 upon receipt of a new list so furnished.

(b) If three or more Holders (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security for a period of at least six

months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders with respect to their rights under this Indenture or under the Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five business days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 7.02(a), or

(ii) inform such applicants as to the approximate number of Holders whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 7.02(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder whose name and address appear in the information preserved at the time by the Trustee, in accordance with Section 7.02(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the

Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 7.02(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request under Section 7.02(b).

SECTION 7.03. Reports by Trustee. (a) On or before July 15 of each year commencing with the year 1993, the Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Securities Register, a brief report dated as of the preceding May 15 with respect to any of the following events which may have occurred during the twelve months preceding the date of such report (but if no such event has occurred within such period, no report need be transmitted):

(1) any change to its eligibility under Section 6.09 and its qualifications under Section 6.08;

(2) the creation of or any material change to a relationship specified in Section 310(b)(1) through Section 310(b)(10) of the Trust Indenture Act;

(3) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than 1/2 of 1% of the principal amount of the Securities Outstanding on the date of such report;

(4) any change to the amount, interest rate and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an

indebtedness based upon a creditor relationship arising in any manner described in Section 6.13(b)(2), (3), (4) or (6);

(5) any change to the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

(6) any additional issue of Securities which the Trustee has not previously reported; and

(7) any action taken by the Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by the Trustee in accordance with Section 6.02.

(b) The Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Securities Register, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to Subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this instrument) for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this Subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of the Securities Outstanding at such time, such report to be transmitted within 90 days after such time.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed and also with the Commission. The Company will notify the Trustee whenever the Securities are listed on any stock exchange.

SECTION 7.04. Reports by Company. The Company will

(1) file with the Trustee, within 15 days after the Company is required to file the same with the

Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail, as may be required by the rules and regulations prescribed from time to time by the Commission, to all Holders, as their names and addresses appear in the Securities Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section.

ARTICLE VIII

Consolidation, Merger, Conveyance, Transfer or Lease

SECTION 8.01. Company May Consolidate, etc., Only on Certain Terms. (a) The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and no Person shall consolidate with or merge into the Company or convey, transfer or lease its

properties and assets substantially as an entirety to the Company, unless:

(1) in case the Company shall consolidate with or merge into another corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any state or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and the Trustee, subject to Section 6.01, may rely upon such Officers' Certificate and Opinion of Counsel as conclusive evidence that such transaction complies with this Section 8.01.

(b) If, upon any consolidation or merger of the Company with or into any other corporation, or upon any conveyance, transfer or lease of all or substantially all the assets of the Company to any other corporation, any of the property or assets of the Company or of any Restricted Subsidiary would thereupon become subject to any mortgage, lien or pledge, the Company, prior to or simultaneously with such consolidation, merger, conveyance, transfer or lease will secure the Securities of each series outstanding hereunder, equally and ratably with any other obligations of the Company or any Restricted Subsidiary then entitled

thereto, by a direct lien on all such property and assets prior to all liens other than any theretofore existing thereon.

SECTION 8.02. Successor Corporation Substituted. Upon any consolidation or merger by the Company with or into any other corporation, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with Section 8.01, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein; and in the event of any such conveyance, transfer or lease the Company shall be discharged from all obligations and covenants under the Indenture and the Securities and may be dissolved and liquidated.

Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication pursuant to such provisions and any Securities which such successor corporation thereafter shall cause to be signed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, conveyance or lease such changes in phraseology and form may be made in the Securities thereafter to be issued as may be appropriate.

ARTICLE IX

Supplemental Indentures

SECTION 9.01. Supplemental Indentures Without Consent of Holders. Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained; or

(2) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee; or

(3) to provide for the issuance under this Indenture of Securities in bearer form (including Securities registerable as to principal only) and to provide for exchangeability of such Securities for Securities issued hereunder in fully registered form, and to make all appropriate changes for such purpose; or

(4) to establish the form or terms of Securities of any series as permitted by Sections 2.01 or 3.01; or

(5) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(6) to add any additional Events of Default; or

(7) to change or eliminate any of the provisions of this Indenture; provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(8) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent

with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided such action shall not materially adversely affect the interest of the Holders of Securities of any series; or

(9) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.11(b).

SECTION 9.02. Supplemental Indentures with Consent of Holders. With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Outstanding Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.02, or change the Place of Payment, or the coin or currency in which any Outstanding Security or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof, or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions

of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 5.13 or Section 10.10, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.03. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.01) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.04. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.05. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 9.06. Reference in Securities to Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

ARTICLE X

Covenants

SECTION 10.01. Payment of Principal, Premium and Interest. The Company covenants and agrees for the benefit of each series of Securities that by no later than 12:00 noon (New York City time) on the date any payment of principal (and premium, if any) or interest is due, it will duly and punctually pay the principal of (and premium, if any) and interest on the Securities of that series in accordance with the terms of such Securities and this Indenture.

SECTION 10.02. Maintenance of Office or Agency. The Company will maintain in each Place of Payment for any series, an office or agency where Securities of that series may be presented or surrendered for payment and an office or agency where Securities may be surrendered for transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company initially appoints the Trustee, acting through its Corporate Trust Office, as its agent for said purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all of such

purposes, and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation and any change in the location of any such office or agency.

SECTION 10.03. Money for Security Payments To Be Held in Trust. If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal and premium (if any) or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Securities in trust for the benefit of the persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal (and premium, if any) or interest; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be paid on Company Request to the Company, or (if then held by the Company) shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.04. Payment of Taxes and Other Claims. The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Restricted Subsidiary or upon the income, profits or property of the Company or any Restricted Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any

Restricted Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 10.05. Maintenance of Properties. The Company will cause all properties used or useful in the conduct of its business or the business of any Restricted Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation and maintenance of any of such properties if such discontinuance is, in the judgment of the Board of Directors of the Company, desirable in the conduct of its business or the business of any Restricted Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 10.06. Statement as to Compliance. The Company shall deliver to the Trustee, within 120 days after the end of each calendar year of the Company ending after the date hereof, a certificate of the principal executive officer, the principal financial officer or the principal accounting officer of the Company covering the preceding calendar year, stating whether or not to the best knowledge of the signer thereof the Company is in default in the performance, observance or fulfillment of or compliance with any of the terms, provisions, covenants and conditions of this Indenture, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge. For the purpose of this Section 10.06, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture.

SECTION 10.07. Organizational Existence. Subject to Article VIII, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect the organizational existence and rights (charter and statutory) of itself and of each Restricted Subsidiary;

provided, however, that the Company shall not be required to preserve any such right if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company or such Restricted Subsidiary and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 10.08. Limitations upon Liens. (a) The Company will not, nor will it permit any Restricted Subsidiary to, issue, assume or guarantee any indebtedness for money borrowed secured by a Lien upon any Principal Property of the Company or any Restricted Subsidiary or on any shares of capital stock of any Restricted Subsidiary (whether such Principal Property or shares of stock are now owned or hereafter acquired) without in any such case making or causing to be made effective provision (and the Company covenants that in any such case it shall make or cause to be made effective provision) whereby the Securities of each series then Outstanding, other than series which by their terms are not entitled to the benefits of this Section, will be secured equally and ratably with, or prior to, such indebtedness or guarantee; it being understood that in such event the Company may also so secure any other such indebtedness of the Company or such Restricted Subsidiary entitled thereto, subject to any applicable priority of payment.

(b) The provisions of paragraph (a) of this Section shall not, however, apply to any indebtedness secured by any one or more of the following:

(1) Liens on property, or shares of stock of or guaranteed by any corporation existing at the time such corporation becomes a Restricted Subsidiary;

(2) Liens on property existing at the time of acquisition of such property by the Company or a Restricted Subsidiary, or Liens on property which secure the payment of all or any part of the purchase price of such property upon the acquisition of such property by the Company or a Restricted Subsidiary, or Liens on property which secure any such indebtedness incurred or guaranteed by the Company or a Restricted Subsidiary incurred or guaranteed for the purpose of financing all or any part of the purchase price of such property or the construction of such property (including improvements to existing property) within 180 days after the latest of the acquisition, completion of construction (including any improvements on an existing property) or commencement of operation of such

property; provided that such Lien shall not extend to or cover any property of the Company or any Restricted Subsidiary other than such property hereafter acquired or previously unimproved property theretofore owned and the principal amount of Funded Debt secured by such Lien shall not exceed (a) in the case of any timberlands or pollution control facility, 100% of the lesser of (i) the cost of such acquisition, construction or improvement of such property to the Company or such Restricted Subsidiary or (ii) the fair value of such acquisition, construction or improvement of such property at the time of such acquisition, construction or improvement, and (b) in the case of any other type of property, 75% of the lesser of (i) the cost of such acquisition, construction or improvement of such property to the Company or such Restricted Subsidiary or (ii) the fair value of such acquisition, construction or improvement of such property at the time of such acquisition, construction or improvement;

(3) Liens securing such indebtedness of a Restricted Subsidiary owing to the Company or to a wholly owned Restricted Subsidiary;

(4) Liens on property of a corporation existing at the time such corporation is merged into or consolidated with the Company or a Restricted Subsidiary or at the time of a purchase, lease or other acquisition of the properties of a corporation or other Person as an entirety by the Company or a Restricted Subsidiary;

(5) Liens on property of the Company or a Restricted Subsidiary in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure any indebtedness incurred or guaranteed for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such Liens within 180 days after the latest of the acquisition, completion of construction (including improvements on existing property) or commencement of operation of such property; or

(6) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Liens referred to in the

foregoing clauses (1) to (5), inclusive; provided, however, that the principal amount of such indebtedness secured thereby shall not exceed the principal amount of such indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced (plus improvements and construction on such property).

(c) Notwithstanding the foregoing provisions of this Section 10.08, the Company and any one or more Restricted Subsidiaries may without securing any of the Securities issue, assume or guarantee indebtedness secured by any Lien which would otherwise be subject to the foregoing restrictions in an aggregate amount which, together with all other indebtedness of the Company and its Restricted Subsidiaries issued, assumed or guaranteed under the provisions of this subsection (c) (not including indebtedness permitted to be secured under clauses (1) through (6) of Section 10.08(b)) plus the Value of Sale and Lease-Back Transactions (not including any such Sale and Lease-Back Transaction the proceeds of which have been applied in the manner set forth in clause (b) of Section 10.09) does not at the time exceed 10% of Consolidated Net Tangible Assets.

SECTION 10.09. Limitation on Sale and Lease-Backs. The Company will not itself, and will not permit any Restricted Subsidiary to, enter into any Sale and Lease-Back Transaction (other than with the Company or a Restricted Subsidiary) unless either:

(a) the Company or such Restricted Subsidiary could, under Section 10.08, create Funded Debt secured by a Lien on the Principal Property to be leased in an amount equal to or exceeding the Value of such Sale and Lease-Back Transaction without equally and ratably securing the Securities of each series; or

(b) the Company (and in any such case the Company covenants and agrees that it will do so), within four months after the effective date of such Sale and Lease-Back Transaction, applies an amount equal to the greater of (i) the net proceeds of the sale of the Principal Property leased pursuant to such transaction or (ii) the fair market value of the Principal Property so leased at the time of entering into such transaction (as determined by the Board of Directors in good faith) to the voluntary retirement of Funded Debt of the

Company ranking at least pari passu with the Securities of each series.

SECTION 10.10. Waiver of Certain Covenants. The Company may omit in any particular instance to comply with any covenant or condition set forth in Sections 10.04, 10.05, 10.07, 10.08 and 10.09, inclusive, with respect to the Securities of any series if before or after the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company in respect of any such covenant or condition shall remain in full force and effect.

ARTICLE XI

Redemption of Securities

SECTION 11.01. Applicability of This Article. Redemption of Securities (whether by operation of a sinking fund or otherwise) as permitted or required by any form of Security issued pursuant to this Indenture shall be made in accordance with such form of Security and this Article; provided, however, that if any provision of any such form of Security shall conflict with any provision of this Article, the provision of such form of Security shall govern. Except as otherwise set forth in the form of Security for such series, each Security shall be subject to partial redemption only in the amount of $1,000 or integral multiples of $1,000.

SECTION 11.02. Election To Redeem; Notice to Trustee. The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company of less than all of the Securities of any particular series and having the same terms, the Company shall, at least 60 days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Trustee) notify the Trustee of such date and of the principal amount of Securities of that series to be redeemed.

SECTION 11.03. Selection of Securities To Be Redeemed. If less than all the Securities of a particular series and having the same terms are to be redeemed, the Trustee shall select, not more than 60 days prior to the date fixed for redemption, in such manner as in its sole discretion it shall deem appropriate and fair, the Securities or portions thereof of such series to be redeemed. The Trustee shall promptly notify the Company in writing of the Securities selected for partial redemption and the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 11.04. Notice of Redemption. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not later than 30 days, and not earlier than 60 days, prior to the date fixed for redemption, to each Holder of Securities to be redeemed, at his address as it appears on the Security Register.

With respect to Securities of each series to be redeemed, each notice of redemption shall state:

(a) the date fixed for redemption for Securities of such series;

(b) the redemption price at which Securities of such series are to be redeemed;

(c) if less than all Outstanding Securities of such particular series and having the same terms are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the particular Securities to be redeemed;

(d) that on the date fixed for redemption, the redemption price at which such Securities are to be redeemed will become due and payable upon each such Security or portion thereof, and that interest thereon, if any, shall cease to accrue on and after said date;

(e) the place or places where such Securities are to be surrendered for payment of the redemption price at which such Securities are to be redeemed; and

(f) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, a failure to give such notice by mail or any defect in the notice to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

SECTION 11.05. Deposit of Redemption Price. Prior to 12:00 noon (New York City time) on the redemption date specified in the notice of redemption given as provided in Section 11.04, the Company will deposit with the Trustee or with one or more paying agents an amount of money sufficient to redeem on the redemption date all the Securities so called for redemption at the applicable redemption price.

SECTION 11.06. Payment of Securities Called for Redemption. If any notice of redemption has been given as provided in Section 11.04, the Securities or portion of Securities with respect to which such notice has been given shall become due and payable on the date and at the place or places stated in such notice at the applicable redemption price. On presentation and surrender of such Securities at a place of payment in said notice specified, the said Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price.

Upon presentation of any Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of the same series, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Security so presented and having the same Original Issue Date, Stated Maturity and terms. If a Global Security is so surrendered, such new Security will also be a new Global Security.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

ITT RAYONIER INCORPORATED,

by /s/ Gerald J. Pollack

Name: Gerald J. Pollack
Title: Sr VP & CFO

Attest:

/s/ John B. Canning
- ---
Secretary

BANKERS TRUST COMPANY,
as Trustee,

by /s/ Linda A. Rakolta

Name: LINDA A. RAKOLTA
Title: VICE PRESIDENT

Attest:

/s/ Valerie Junbar
- ---

EXHIBIT 4.2

This FIRST SUPPLEMENTAL INDENTURE (hereinafter called this "Supplemental Indenture"), dated as of December 13, 1993, made by and between ITT RAYONIER INCORPORATED, a North Carolina corporation (hereinafter called the "Surviving Company") having its principal office at 1177 Summer Street, Stamford, Connecticut 06904, and BANKERS TRUST COMPANY, a New York banking corporation, as Trustee (hereinafter called the "Trustee").

RECITALS OF THE SURVIVING COMPANY

ITT Rayonier Incorporated, a Delaware corporation (hereinafter called the "Predecessor Company"), and the Trustee have entered into an indenture, dated as of September 1, 1992 (the "Indenture") to provide for the issuance from time to time of unsecured debt securities of the Predecessor Company in series (hereinafter called the "Securities"). The Surviving Company was incorporated under the name "Rayco, Inc." in accordance with the laws of North Carolina on December 3, 1993 and issued all of its outstanding stock to the Predecessor Company. On the date hereof, the Predecessor Company has merged with and into the Surviving Company and, as a result thereof, the Surviving Company has changed its name to "ITT Rayonier Incorporated" and acquired all assets and assumed all liabilities of the Predecessor Company. Such transaction is hereinafter referred to as the "Merger."

Section 8.01 of the Indenture specifies certain requirements in the event of a merger of the Predecessor Company into another corporation, among which is that the corporation into which the Predecessor Company is merged expressly assume, by supplemental indenture, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of every covenant of the Indenture on the part of the Predecessor Company to be performed or observed.

Section 9.01(a) of the Indenture provides that the Surviving Company and the Trustee may, without the consent of any Holders of Securities, enter into a supplemental indenture in form satisfactory to the Trustee to evidence the succession of the Surviving Company to the Predecessor Company and the assumption by the Surviving Company of the covenants of the Predecessor Company in the Indenture and in the Securities contained.

The Surviving Company has determined that this Supplemental Indenture is permitted pursuant to Section 9.01(a) of the Indenture without the consent of any Holders of Securities heretofore issued and outstanding.

NOW THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE I

Definitions

Section 1.01. Definitions. For all purposes of this Supplemental Indenture, the terms defined in the recitals of this Supplemental Indenture shall have the meanings therein specified; any terms defined in the Indenture and not defined herein shall have the same meanings herein as in the Indenture.

ARTICLE II

Concerning the Surviving Company

Section 2.01. Representation as to Corporate Organization. The Surviving Company hereby represents that it is a corporation duly organized and validly existing in good standing under the laws of North Carolina, a state of the United States of America.

Section 2.01 Assumption of Obligations by Surviving Company. The Surviving Company, as the corporation surviving the Merger, hereby expressly assumes, and acknowledges that effective upon the consummation of the Merger it had assumed by operation of law, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of every covenant of the Indenture on the part of the Predecessor Company to be performed or observed.

ARTICLE III

Miscellaneous

Section 3.01. Effect of Supplemental Indenture. This Supplemental Indenture supplements the Indenture and shall be a part and subject to the terms thereof. Except as supplemented hereby, the Indenture shall continue in full force and effect; and every Holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound thereby.

Section 3.02 Governing Law. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 3.03 No Representations. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture. The recitals contained herein shall be taken as statements of the Surviving Company and the Trustee assumes no responsibility for their correctness.

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

ITT RAYONIER INCORPORATED

by /s/ Gerald J. Pollack

Gerald J. Pollack
Senior Vice President and Chief Financial Officer

Attest:

/s/ John B. Canning
- ---
John B. Canning
Secretary

BANKERS TRUST COMPANY,
as Trustee

by /s/ Susan Johnson

Name: Susan Johnson
Title: Assistant Vice President

Attest:

/s/ Wanda Camacho
- ---
(Assistant) Secretary

EXHIBIT 10.09

- ----------
Director or Officer

INDEMNIFICATION AGREEMENT

AGREEMENT, effective as of _____, 1994 between Rayonier Inc., a North Carolina corporation (the "Company"), and _____ (the "Indemnitee").

WHEREAS, it is essential that the Company attract and maintain responsible, qualified directors and corporate officers; and

WHEREAS, the Indemnitee is a director or corporate officer of the Company; and

WHEREAS, both the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and corporate officers of public companies in today's environment, as well as the possibility that in certain control situations a threat of litigation may be employed to deter them from exercising their best judgment in the interest of the Company, and the consequent need to allocate the risk of personal liability through indemnification and insurance; and

WHEREAS, the Amended and Restated Articles of Incorporation of the Company (the "Charter") requires the Company to indemnify and advance expenses to its directors and officers to the fullest extent permitted from time to time by law and the Indemnitee is willing to serve or continue to serve as a director or corporate officer of the Company provided that he be indemnified as provided herein; and

WHEREAS, in recognition of the Indemnitee's need for substantial protection against personal liability and of the Indemnitee's reliance on the Charter, and in part to provide Indemnitee with specific contractual assurance that the protection promised by the Charter will be available to the Indemnitee (regardless of, among other things, any amendment to or revocation of the Charter or any change in the composition of the Company's Board of Directors or any acquisition transaction involving the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancement of expenses to the Indemnitee to the fullest extent permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors and officers liability insurance policies.

NOW, THEREFORE, in consideration of the premises and of the Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and

intending to be legally bound hereby, the parties hereto do hereby covenant and agree as follows:

01. CERTAIN DEFINITIONS

(a) CHANGE IN CONTROL: Shall be deemed to have occurred if after the date hereof (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person, other than the Company or any employee benefit plan sponsored by the Company, is the beneficial owner (as the term is defined in Rule 13d-3 under the Act) directly or indirectly, of twenty percent or more of the total voting power represented by the Company's then outstanding Voting Securities (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Voting Securities); or (ii) any person, other than the Company or any employee benefit plan sponsored by the Company, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Voting Securities of the Company (or securities convertible into such Voting Securities) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner directly or indirectly, of twenty percent or more of the total voting power represented by the Company's then outstanding Voting Securities (all as calculated under clause (i)); or (iii) the stockholders of the Company shall approve (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation (other than a merger of the Company in which holders of Common Shares of the Company immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as immediately before), or pursuant to which Common Shares of the Company would be converted into cash, securities or other property, or (B) any sale, lease, exchange of other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company; or (iv) there shall have been a change in the composition of the Board of Directors of the Company at any time during any consecutive twenty-four month period such that "continuing directors" cease for any reason to constitute at least a 70% majority of the Board. For purposes of this clause, "continuing directors" means those members of the Board who either were directors at the beginning of such consecutive twenty-four month period or were elected by or on the nomination or recommendation of at least a 70% majority of the then-existing Board. So long as there has not been a Change in Control within the meaning of clause (iv), the Board of Directors may adopt by a 70% majority vote of the "continuing directors" a resolution to the effect that a prior Change of Control within the meaning of clauses (i) or (ii) is no longer applicable for the purposes of future Expenses in connection with future Proceedings to which this Agreement relates.

(b) EXPENSES: Expenses of every kind incurred in connection with a Proceeding, including counsel fees. Expenses shall include, without limitation, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone and fax charges, postage, delivery service charges, costs associated with procurement of surety bonds or loans or other costs associated with the

stay of a judgment, penalty or fine, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

(c) INDEPENDENT COUNSEL: A lawyer or law firm that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or the Indemnitee in any matter, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine Indemnitee's rights under this Agreement. Independent Counsel may be, but need not be, a member(s) of the bar of North Carolina.

(d) PROCEEDING: Any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal. A "Proceeding" may be instituted by another party, or by or in the right of the Company, or by the Indemnitee. The term "Proceeding" shall also include any preliminary inquiry or investigation that the Indemnitee in good faith believes might lead to the institution of a "Proceeding".

(e) REVIEWING PARTY: Any appropriate person or body consisting of (i) a member or members of the Company's Board of Directors or (ii) any other person or body duly appointed by the Board who is not a party to the particular Proceeding for which the Indemnitee is seeking indemnification, or (iii) Independent Counsel.

(f) VOTING SECURITIES: Any securities of the Company which vote generally in the election of directors.

2. TERM OF AGREEMENT: This Agreement shall continue until and terminate upon the later of (i) the tenth anniversary after the date that the Indemnitee shall have ceased to serve as a director or officer of the Company (or in any other capacity in respect of which he has rights of indemnification hereunder); or (ii) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder, including any Proceeding commenced by the Indemnitee to enforce the Indemnitee's rights under this Agreement.

3. RIGHT TO INDEMNIFICATION AND ADVANCE; HOW DETERMINED.

(a) In the event the Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Proceeding by reason of (or arising in whole or in part out of) Indemnitee's present or former status as a director, officer or fiduciary of the Company, or Indemnitee having served at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, joint venture, employee benefit plan, trust or other enterprise, the Company shall indemnify the Indemnitee to the fullest extent permitted by

law in effect on the date hereof (and to such greater extent as applicable law may hereafter permit) against the obligation to pay any and all Expenses, judgments, settlements, penalties, or fines (including any interest assessed, and including any excise tax assessed with respect to an employee benefit plan) incurred on account of or with respect to such Proceeding. Such indemnification shall be made as soon as practicable, but in any event no later than sixty days after written demand is presented to the Secretary of the Company. This Agreement shall be effective as well with respect to any such Proceedings which relate to acts or omissions occurring or allegedly occurring prior to the execution of this Agreement, and regardless of whether the Company may have been incorporated in a different jurisdiction at the time of such acts or omissions.

(b) In connection with any such Proceeding, if so requested by the Indemnitee, the Company shall advance, within two business days of such request, any and all reasonable Expenses to the Indemnitee (an "Expense Advance"). An Expense Advance shall be made without awaiting the results of the Proceeding giving rise to the Expenses or the outcome of any further Proceeding to determine the Indemnitee's right to indemnification hereunder, and without making any preliminary determination as to the Indemnitee's state of mind at the time of the activities in question.

(c) Notwithstanding the foregoing, the Company shall not be obligated to indemnify under this Section 3 a person made a party to a Proceeding if (i) the Indemnitee is not successful within the meaning of Section 6 and (ii) the appropriate Reviewing Party specified in subsection (e) below shall have affirmatively determined (in a written opinion in any case in which Independent Counsel referred to in Section 4 hereof is involved, a copy of which shall be delivered to the Indemnitee) that the Indemnitee's activities in question were at the time taken known or believed by him to be clearly in conflict with the best interests of the Company. The obligation of the Company promptly to make an Expense Advance(s) pursuant to subsection (b) above is unqualified, is not subject to any means or other credit test, and shall be enforceable by the Indemnitee in summary judicial proceedings; but shall be subject, however, to the condition subsequent that if, when and to the extent the Reviewing Party may subsequently determine that the Indemnitee's activities were at the time taken known or believed by him to be clearly in conflict with the best interests of the Company, then the Company shall be entitled to be reimbursed by the Indemnitee for all such amounts theretofore advanced. The obligation of the Indemnitee to make such reimbursement shall be unsecured and without interest. The Indemnitee hereby undertakes so to reimburse the Company, the receipt of which unsecured and interest free undertaking is hereby accepted by the Company as the sole condition of advancing the Indemnitee's Expenses pursuant to subsection (b) above. If the Indemnitee has commenced legal or arbitration proceedings to secure a determination that the Indemnitee should be indemnified hereunder, the Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final determination is made by the court or the arbitrators as the case may be that the Indemnitee's activities were at the time taken known or believed by him to be clearly in conflict with the best interests of the Company.

(d) Notwithstanding anything in this Agreement to the contrary, prior to a Change in Control, the Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Proceeding initiated by the Indemnitee unless the Board of Directors has authorized or consented to the initiation of such Proceeding. For purposes of the foregoing sentence, a Proceeding shall not be deemed to have been "initiated" by the Indemnitee where its primary purpose is to enforce the Indemnitee's rights under this Agreement.

(e) If there has not been a Change in Control, the Reviewing Party shall be as determined by the Board of Directors, either in the specific case or under procedures adopted by the Board. If there has been a Change in Control (other than one approved in advance by a majority of the company's Board of Directors who were elected by the public shareholders prior to such Change in Control), the Reviewing Party shall be the Independent Counsel referred to in Section 4.

(f) If there has been a Change in Control and any dispute arises under this Agreement, the parties agree that at the Indemnitee's option such dispute shall be resolved by binding arbitration proceedings in accordance with the rules of the American Arbitration Association and the results of such proceedings shall be conclusive on both parties and shall not be subject to judicial interference or review on any ground whatsoever, including without limitation any claim that the Company was wrongfully induced to enter into this agreement to arbitrate such a dispute. The Company shall pay the cost of any arbitration proceedings under this Agreement. The Indemnitee shall be entitled to advancement of his Expenses in connection with such proceedings and, notwithstanding anything to the contrary in subsection (c) above, the Indemnitee shall be obligated to reimburse the Company for his Expenses in connection with such arbitration proceedings only if it is finally and specifically determined by the arbitrators that the Indemnitee's position in initiating the arbitration was frivolous and completely without merit.

4. INDEPENDENT COUNSEL.

(a) The Company agrees that if there is a Change in Control of the Company (other than a Change of Control which has been approved in advance by a majority of the Company's Board of Directors who were elected by the public shareholders prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of the Indemnitee to indemnity payments and Expense Advances under the Charter, this Agreement or any other agreement or Company by-law now or hereafter in effect relating to indemnification, the Company shall (unless otherwise agreed by the Indemnitee) seek legal advice exclusively from Independent Counsel selected by the Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and to the Indemnitee as to whether the Indemnitee is entitled to be indemnified under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel and fully to indemnify such counsel against any

and all expenses (including attorney's fees), claims, liabilities and damages arising out of or relating to this Agreement or such counsel's engagement pursuant hereto.

(b) Following the initial selection of Independent Counsel by the Indemnitee the Company may within seven (7) days deliver to the Indemnitee a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel selected does not satisfy the definition of Independent Counsel in subsection 1(c) and the objection shall set forth with particularity the factual basis for such assertion. Absent a proper and timely objection, the person, persons or firm selected shall act as Independent Counsel. If such written objection is made, the Indemnitee may select alternate Independent Counsel. If the Company objects to the alternate selection the Indemnitee may either seek a judicial determination that such objections were inappropriate or else the Indemnitee may direct that the Company select Independent Counsel by lot from among the North Carolina firms having more than 25 attorneys and having a rating of "av" or better in the then current Martindale-Hubbell Law Directory. Such selection by lot shall be made by the principal financial officer of the Company in the presence of the Indemnitee (and the Indemnitee's legal counsel, or either or neither of them as the Indemnitee may elect). Such law firms shall be contacted in the order of their selection, requesting each firm to accept engagement to make the determination required, until one of such firms accepts such engagement. Notwithstanding the foregoing, in lieu of selection of alternate Independent Counsel after the Company has objected to the Indemnitee's first or second selection, the Indemnitee may request and direct that the Independent Counsel method be dispensed with and that any dispute be decided by arbitration as provided in subsection 3(f).

(c) Considering that a fundamental purpose of this Agreement is to provide for and ensure the timely advance of an Indemnitee's Expenses in any event, if there is a Change of Control and the Indemnitee must commence arbitration proceedings to secure an advance of his Expenses, the arbitrators shall have discretion to award punitive damages to the Indemnitee if it is found that the Company's failure to advance the Indemnitee's expenses makes such an award appropriate in the circumstances.

5. INDEMNIFICATION FOR ENFORCEMENT EXPENSES. The Company shall indemnify the Indemnitee against any and all Expenses (including attorneys' fees) and, if requested by the Indemnitee, shall (within two business days of such request) advance such expenses to the Indemnitee, which are incurred by the Indemnitee in connection with any Proceeding initiated by the Indemnitee for: (i) indemnification or advancement of Expenses by the Company under the North Carolina Business Corporation Act (the "NCBCA"), the Charter, this Agreement, or any other agreement or Company by-law, vote of shareholders or resolution of the Board now or hereafter in effect relating to indemnification; or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company. The Indemnitee shall cooperate with the person, persons or entity making the determination with respect to the Indemnitee's entitlement to indemnification under this Agreement. Any expenses incurred by the Indemnitee in so cooperating shall be borne by the Company (irrespective of the determination as to the

Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold the Indemnitee harmless therefrom.

6. SUCCESS; PARTIAL INDEMNITY, ETC. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee has been successful on the merits or otherwise in defense of any or all claims made against him in a Proceeding or in defense of any issue or matter therein, including dismissal without prejudice, the Indemnitee shall be indemnified against all Expenses incurred in connection therewith. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, settlements, penalties or fines paid as a result of a Proceeding but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled.

7. BURDEN OF PROOF. In connection with any determination by the Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the person or persons or entity or body making such determination shall presume that the Indemnitee is entitled to indemnification under this Agreement and the burden of overcoming such presumption by clear and convincing evidence shall be on the Company. The termination of any claim, action, suit or proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee's activities were at the time taken known or believed by him to be clearly in conflict with the best interests of the Company, or that a court has determined that indemnification is not permitted. In addition, neither the failure of the Reviewing Party to have made a determination as to the Indemnitee's state of mind, nor an actual determination by the Reviewing Party that the Indemnitee had a state of mind prior to the commencement of arbitration (if applicable) or legal proceedings to secure a determination that the Indemnitee should be indemnified under this agreement and applicable law, shall be a defense to the Indemnitee's claim or create a presumption of any kind. The knowledge and/or actions, or failure to act, of any director, officer, agent, fiduciary or employee of the Company shall not be imputed to the Indemnitee for purposes of determining the right to indemnification under this Agreement.

8. NONEXCLUSIVITY, ETC. The rights of the Indemnitee hereunder shall be in addition to any other rights the Indemnitee may have under the Charter, the North Carolina Business Corporation Act (the "NCBCA"), any by-law of the Company, any other agreement, a vote of shareholders or a resolution of the Board of Directors or otherwise. To the extent that a change in the NCBCA (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Charter and this Agreement, it is the intent of the parties that the Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. CONTRIBUTION. In the event the indemnification provided for in Section 3 of this Agreement is unavailable to the Indemnitee in connection with any Proceeding under any Federal law, the Company, in lieu of indemnifying the Indemnitee, shall contribute

to the Expenses incurred by the Indemnitee in such proportion as deemed fair and reasonable by the Reviewing Party, in light of all the circumstances of the Proceeding giving rise to such Expenses, in order to reflect (i) the relative benefits received by the Company and the Indemnitee as a result of the event(s) and/or transaction(s) giving rise to such Proceeding, and (ii) the relative fault of each.

10. LIABILITY INSURANCE. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, the Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

11. PERIOD OF LIMITATIONS. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against the Indemnitee, the Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

12. PROCEDURES VALID. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Agreement that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. If a determination is made that the Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration

13. AMENDMENTS, ETC. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

14. SUBROGATION. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute an appropriate document in favor of the Company to secure such rights.

15. NO DUPLICATION OF PAYMENTS. The Company shall not be liable under this Agreement to make any payment in connection with any Proceeding to the extent the Indemnitee has otherwise actually received payment (under any insurance policy, the Charter, Company by-laws or otherwise) of the amounts otherwise indemnifiable hereunder.

16. BINDING EFFECT, ETC. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns (including any direct or indirect successor by purchase, merger or consolidation or otherwise to all or substantially all of the business and/or assets of the Company), spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director or corporate officer of the Company or of any other entity at the Company's request. In the event of his demise, this agreement shall be enforceable by the Indemnitee's legal representatives as fully as if the Indemnitee had survived.

17. SEVERABILITY; HEADINGS; PRONOUNS. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law. The headings of the Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof. The masculine pronoun wherever used in this Agreement includes the corresponding feminine pronoun.

18. NOTICE OF PROCEEDINGS; NOTICES. The Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) upon delivery if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) on the third business day after mailing if mailed by certified or registered mail with postage prepaid, and addressed as follows: If to the Indemnitee, as shown after the Indemnitee's signature below; and if to the Company, to Corporate Secretary, Rayonier Inc., 1177 Summer Street, Stamford, CT 06905-5529 or such other address as may have been furnished in writing to the Indemnitee by the Company or to the Company by the Indemnitee, as the case may be.

19. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of North Carolina applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

RAYONIER INC.

By

[Title]

[Address]

EXHIBIT 10.10

RAYONIER, INC.

EXCESS BENEFIT PLAN

EFFECTIVE AS OF MARCH 1, 1994

INTRODUCTION

This Excess Benefit Plan has been authorized by the Board of Directors of Rayonier, Inc. to be applicable effective on and after March 1, 1994 to pay supplemental benefits to employees who have qualified or may qualify for benefits under the Retirement Plan for Salaried Employees of Rayonier Inc.

All benefits payable under this Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and a nonqualified, unfunded deferred compensation plan for a select group of management employees under Title I of ERISA, shall be paid out of the general assets of the Company. The Company may establish and fund a trust in order to aid it in providing benefits due under the Plan.

RAYONIER, INC.
EXCESS BENEFIT PLAN

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RAYONIER, INC.
EXCESS BENEFIT PLAN

ARTICLE I

DEFINITIONS

1.01 Definitions. The following terms when capitalized herein shall have the meanings assigned below.

1.02 Affiliated Company. Means any company not participating in the Plan which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which also includes as a member the Company; any trade or business under common control (as defined in Section 414(c) of the Code) with the Company, any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in section 414(m) of the Code) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code. For purposes of this Plan, the definitions in Sections 414(b) and (c) of the Code shall be modified as provided in Section 415(h) of the Code.

1.03 Board of Directors. The Board of Directors of Rayonier, Inc.

1.04 Change in Control. Means the occurrence of any of the following events:
(i) a report on Schedule 13D shall have been filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person other than the Company or any employee benefit plan sponsored by the Company, is the beneficial owner (as the term is defined in Rule 13d-3 under the Act) directly or indirectly, of twenty percent or more of the

total voting power represented by the Company's then outstanding Voting Securities (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire voting Securities); or

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

(iii) the stockholders of the Company shall approve (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation (other than a merger of the Company in which holders of Common Shares of the Company immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as immediately before) or pursuant to which Common Shares of the Company would be converted into cash, securities or other property, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company; or

(iv) there shall have been a change in the composition of the Board of Directors of the Company at any time during any consecutive twenty-four month period such that "continuing directors" cease for any reason to constitute at least a 70% majority of the Board.

For purposes of this clause, (iv) "continuing directors" means those members of the Board who either where directors at the beginning of such consecutive twenty-four month period or were elected by or on the nomination or recommendation of at least a 70% majority of the then existing Board.

So long as there has not been a Change in Control within the meaning of clause (iv), the Board of Directors may adopt by a 70% majority vote of the "continuing directors" a resolution to the effect that a prior change of control within the meaning of clauses (i) or (ii) is no longer applicable for the purposes of Section 4.03.

For purposes of this Section 1.04 "Voting Securities" means any Securities of the Company which vote generally in the election of directors.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred with respect to a particular Participant if the Change in Control results from actions or events in which such Participant is a participant in a capacity other than solely as an officer, employee or director of the Company.

1.05 Code. The Internal Revenue Code of 1986, as amended from time to time.

1.06 Committee. The Committee responsible for the administration of the Retirement Plan.

1.07 Company. Rayonier Inc. or any successor by merger, purchase or otherwise, with respect to its employees and those of its divisions, subsidiaries and affiliated companies which are designated as participating companies, with respect to their employees, under the Retirement Plan.

1.08 Compensation. An employee's compensation as defined under the Retirement Plan for purposes of Article II.

1.09 ERISA. The Employee Retirement Income Security Act of 1974, as amended from time to time.

1.10 Excess Benefit Plan. The portion of the Plan which is intended to constitute an unfunded excess benefit plan under Section 3(36) of Title I of ERISA.

1.11 Participant. Each participant in the Retirement Plan whose annual benefit exceeds the limitations imposed by Code Sections 415(b) or 415(e) shall participate in the Excess Benefit Portion of the Plan. Each Participant in the Retirement Plan whose benefit is limited by reason of the Code Section 401(a)(17) limitation on Compensation shall participate in the Select Management Portion. A Participant's participation in the Plan shall terminate upon the Participant's death or termination of employment with the Company unless a benefit is payable with respect to the Participant or his beneficiary under the provisions of Article II.

1.12 Plan. The Rayonier Inc. Excess Benefit Plan, as set forth herein or as amended from time to time.

1.13 Plan Year. The calendar year.

1.14 Retirement Allowance. Annual payments under the Retirement Plan.

1.15 Retirement Plan. The Retirement Plan for Salaried Employees of Rayonier Inc.

1.16 Select Management Portion. The portion of the Plan which is intended to constitute a nonqualified, unfunded deferred compensation plan for a select group of management employees under Title I of ERISA.

ARTICLE II

AMOUNT AND PAYMENT OF
EXCESS RETIREMENT BENEFITS

2.01 Amount of Benefits. The benefits under this Article II with respect to a Participant shall be a monthly payment for the life of the Participant equal to the excess, if any, of (i) the monthly retirement income which would have been payable to the Participant over his lifetime under Section 4.01, 4.02, 4.03, 4.04, or 4.05 of the Retirement Plan, whichever is applicable, beginning at the Participant's Annuity Starting Date as defined under the Retirement Plan, determined without regard to the provisions contained in Section 4.08 of the Retirement Plan relating to the maximum limitation on pensions, and without regard to the limitation on Compensation and Final Average Compensation contained in Section 1.11 and Section 1.17, respectively, of the Retirement Plan, over (ii) the sum of the following amounts:

A) the amount actually payable to the Participant under the Retirement Plan;

B) the amount of the benefit payable to the Participant under the Retirement Plan for Salaried Employees of ITT Corporation; and

C) the amount of the benefit payable to the Participant under any ITT Excess Pension Plan.

For purposes of this Section 2.01, if any benefit to be subtracted is payable in a form other than a single life annuity commencing on the Participant's Annuity Starting Date, as defined under the Retirement Plan, such benefit shall be converted to a single life annuity, commencing on such date, of equivalent actuarial value. In determining the amount of the

benefit to be subtracted, equivalent actuarial value shall be computed on the basis set forth in Section 1.16 of the Retirement Plan.

2.02 Vesting.

(a) A Participant's vested Percentage in the benefits payable under this Article II shall be the same as the Participant's vested percentage in his Retirement Allowance.

(b) Notwithstanding any provision of this Plan to the contrary, in the event of a Change in Control, all Participants shall become fully vested in the benefits provided under this Plan.

2.03 Payment of Benefits.

(a) Following a Participant's retirement or other termination of employment with the Company, other than by reason of death, the Participant shall receive the benefit payable under Section 2.01 above in the same form and at the same time as the Participant receives a Retirement Allowance under the Retirement Plan. If the form of payment is other than an annuity over the life of Participant, such benefit shall be adjusted as provided in Section 4.06 of the Retirement Plan to reflect such different payment form.

(b) In the event a Participant dies while in active service with the Company, the Participant's beneficiary as designated pursuant to Section 4.07 of the Retirement Plan, if any, shall receive a monthly payment for the life of the beneficiary equal to the excess, if any, of (i) the monthly income which would have been payable to such beneficiary under Section 4.07 of the Retirement Plan, without regard to the

provisions of Section 4.08 of the Retirement Plan relating to the maximum limitation on pensions, and without regard to the limitation on Compensation and Average Final Compensation contained in Section 1.11 and Section 1.17, respectively, of the Retirement Plan, over (ii) the amount actually payable to such beneficiary under the Retirement Plan plus the amount payable to a beneficiary under the Retirement Plan for Salaried Employees of ITT Corporation and any ITT Excess Pension Plan.

(c) Notwithstanding the foregoing paragraphs (a) and (b) of this Section 2.03, if the lump sum value of the benefits payable to or on behalf of a Participant under this Article II, determined in accordance with Section 4.10(b) of the Retirement Plan, is less than $15,000, then such lump sum amount shall be paid to such Participant, or such Participant's spouse, as the case may be, as soon as practicable following the date such benefits would otherwise have commenced, in lieu of an annuity.

2.04 Change of Beneficiary. In the event the benefit is payable under this Article II to the Participant in a form other than an annuity for the life of the Participant following the Participant's retirement or other termination of employment with the Company, other than by reason of death, the Participant may, at any time, upon written notice to the Committee, change the beneficiary under this Plan to anyone, including his estate. In the event of a change of beneficiary hereunder, no consent of the beneficiary previously designated will be required. However, payments under this Plan to any beneficiary named by the Participant shall be payable in the same amount and for the same duration as the benefits that would have been payable to the person named as beneficiary by the Participant when his benefits under the Plan commence.

2.05 Restoration to Service. If a Participant who retired or otherwise terminated employment with the Company is restored to service, any payment of a benefit hereunder shall cease. Upon his subsequent retirement or termination, his benefits hereunder shall be recomputed in accordance with the provisions of this Article II and shall be reduced by the equivalent actuarial value, as defined in Section 1.16 of the Retirement Plan, of the benefit payments from the Plan he received prior to his age 65, if any.

ARTICLE III

GENERAL PROVISIONS

3.01 Funding.

(a) All amounts payable in accordance with this Plan shall constitute a contractual general unsecured obligation of the Company. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Company, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.

(b) The Company may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Company funds, and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:

(i) the creation of said trust shall not cause the Plan to be other than "unfunded" for purposes of Title I of ERISA;

(ii) the Company shall be treated as "grantor" of said trust for purposes of Section 677 of the Code; and

(iii) the agreement of said trust shall provide that its assets may be used upon the insolvency of the Company to satisfy claims of the Company's general creditors, and that the rights of such general creditors are enforceable by them under federal and state law.

3.02 Duration of Benefits. Benefits shall accrue under the Plan on behalf of a Participant only for so long as the provisions of Sections 415 or 401(a)(17) of the Code limit the Retirement Allowance that is payable under the Retirement Plan.

ARTICLE IV

ADMINISTRATION

4.01 Modification, Amendment, Etc. The Board of Directors reserves the right to modify, amend, in whole or in part, discontinue benefit accrual under, or terminate the Plan at any time. However, no modification or amendment shall be made to Section 4.02 and no modification, discontinuance, amendment or termination shall adversely affect the right of any Participant to receive the benefits accrued as of the date of such modification, discontinuance, amendment, or termination.

4.02 Termination and Discontinuance. If the Company terminates the Plan, or discontinues benefit accruals thereunder, Participants shall be fully vested in their accrued benefits. Benefits under the Plan shall be paid in the manner and at the times indicated in Article II, unless the Board of Directors shall determine otherwise. The Plan will be deemed to be terminated when all the liabilities of the Plan have been discharged.

4.03 Special Provisions Upon Change of Control. Notwithstanding any provision of this Plan to the contrary, upon the occurrence of a Change in Control the benefit that would become payable to or on behalf of a Participant under Article II as if the Participant terminated employment with the Company on the date of the Change in Control shall become payable. All benefits previously payable and the benefits that become payable under this Section 4.03 shall be paid in a lump sum determined in accordance with Section 4.10(b) of the Retirement Plan.

4.04 Administration and Interpretation. Full power and authority to construe, interpret and administer the Plan shall be vested in the Committee. Any interpretation of the Plan by the Committee or any administrative act by the Committee shall be final and binding on all Participants. All rules relating to the quorum of the Committee and to the conduct of its business shall also apply to the Committee in administering this Plan.

4.05 Appointment of Subcommittees. The members of the Committee may appoint from their number such committees with such powers as they shall determine, may authorize one or more of their number or any agent to execute or deliver any instrument or instruments in their behalf, and may employ such counsel, agents and other services as they may require in carrying out their duties. Subject to the limitations of the Plan, the Committee shall, from time to time, establish rules and regulations for the administration of the Plan and the transaction of its business and shall maintain or cause to be maintained all records which it shall deem necessary for purposes of the Plan.

4.06 No Contract of Employment. The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any employee and to treat him without regard to the effect which such treatment might have upon him as a Participant in the Plan.

4.07 Facility of Payment. In the event that the Committee shall find that a Participant is unable to care for his affairs because of illness or accident, the Committee may direct that any benefit payment due him, unless claim shall have been made therefor by a duly appointed legal representative, be paid to his spouse, a child, a parent or other blood relative, or to

a person with whom he resides, and any such payment so made shall be a complete discharge of the liabilities of the Company and the Plan therefor.

4.08 Withholding Taxes. The Company shall have the right to deduct from each payment to be made under the Plan and any trust any required withholding taxes.

4.09 Nonalienation. Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of a Participant.

4.10 Forfeiture for Cause. In the event that a Participant shall at any time be convicted for a crime involving dishonesty or fraud on the part of such Participant in his relationship with the Company, all benefits that would otherwise be payable to him under the Plan shall be forfeited.

4.11 Construction.

(a) The Plan shall be construed, regulated and administered under the laws of the State of North Carolina, to the extent not preempted by the ERISA or other federal law.

(b) When used herein, the masculine pronoun shall include the feminine pronoun, and the singular shall include the plural, where appropriate.

First Draft: March 21, 1994
EXHIBIT 10.11

RAYONIER INC.
EXCESS SAVINGS PLAN
(Effective as of March 1, 1994)

RAYONIER INC.
EXCESS SAVINGS PLAN
(Effective as of March 1, 1994)

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RAYONIER INC.
EXCESS SAVINGS PLAN
(Effective as of March 1, 1994)

Article I. The Plan

1.1 Establishment of the Plan. Rayonier Inc. hereby establishes an unfunded supplemental retirement plan for eligible salaried Employees, effective as of March 1, 1994 known as the "Rayonier Inc. Excess Savings Plan" (hereinafter referred to as the "Plan").

1.2 Purpose. The purpose of the Plan is to provide Employees with excess contributions lost due to restrictions on defined contribution plans under sections 401(a)(17), 401(k), 401(m), 402(g), and 415 of the Internal Revenue Code of 1986, as amended, which primarily impact higher-paid Employees. The intent is to provide these Employees with excess contributions under this Plan that, when added to such Employees' Accounts under the Rayonier Inc. Savings and Investment Plan, will be similar to contributions other Employees can receive under such plans. The Plan is intended to be an unfunded plan under the Employee Retirement Income Security of 1974, as amended, that is maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

Article II. Definitions

2.1 Definitions. Capitalized terms used in the Plan shall have the respective meanings set forth below:

(a) "Account" shall have the meaning set forth in the Qualified Plan.

(b) "Basic Savings" shall have the meaning set forth in the Qualified Plan.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Company" means Rayonier Inc. or any subsidiary, and any successor thereto.

(e) "Employee" means a person employed by the Company.

(f) "Excess Account" means an account established for the Participant on the books of the Company under Article IV.

(g) "Matching Company Contribution" shall have the meaning set forth in the Qualified Plan.

(h) "Participant" means an Employee who participates in the Plan pursuant to Article III.

(i) "Plan Administrator" means the entity described in Article VI.

(j) "Plan Year" means the plan year of the Qualified Plan.

(k) "Qualified Plan" means the Rayonier Investment and Savings Plan for Salaried Employees, which is intended to be qualified under section 401(a) of the Code.

(l) "Retirement Contribution" shall have the meaning set forth in the Qualified Plan.

(m) "Salary" shall have the meaning set forth in the Qualified Plan, but without regard to the limits set forth in section 401(a)(17) of the Code.

(n) "Salary Reduction Agreement" means a written agreement between the Company and the Participant to defer a portion of the Participant's Salary, as described in Article IV.

(o) "Termination of Employment" means the retirement, resignation, death, or voluntary or involuntary cessation of a Participant's employment relationship with the Company.

(p) "Valuation Date" means the valuation date under the Qualified Plan.

2.2 Gender and Number. Unless the context clearly requires otherwise, the masculine pronoun whenever used shall include the feminine and neuter pronoun, and the singular shall include the plural.

Article III. Participation

3.1 Eligibility. Each management Employee or highly compensated Employee who is designated by the Plan Administrator, who participates in the Qualified Plan, and who satisfies either of the following conditions shall be eligible to participant in this Plan:

(a) such Employee's Basic Savings for the Plan Year are restricted or reduced on account of the limitations of sections 401(a)(17), 401(k)(3), 401(m)(3) or 402(g) of the Code; or

(b) Retirement Contributions for such Employee are reduced or restricted on account of the limitations of section 401(a)(17) or section 415 of the Code.

Notwithstanding the foregoing, an Employee shall be eligible to participate in the Plan only if the Employee has made the maximum Basic Savings permitted under the terms of the Qualified Plan.

3.2 Commencement. Each Employee who is eligible to become a Participant under section 3.1 shall become a Participant on the later of (a) March 1, 1994, or (b) the first day of the month coincident with or next following the date he satisfies the eligibility requirements.

Article IV. Contributions

4.1 Accounts. The Company shall establish and maintain an Excess Account for each Participant. During each Plan Year, the Company shall credit to such Excess Account the amounts described in this Article IV.

4.2 Excess Basic Savings. Prior to the beginning of each Plan Year, the Participant may enter into a Salary Reduction Agreement with the Company, under which the Participant elects to defer up to 6 percent of the Salary that would otherwise be payable to him each payroll period during the Plan Year: provided, however, that such Salary shall first be reduced by the maximum amount of Basic Savings that may be contributed by the Participant to the Qualified Plan for the Plan Year. Such election shall be irrevocable and shall remain in effect for the Plan Year. The Company shall credit the above amounts to the Participant's Excess Account as of the payroll period to which the deferral relates.

4.3 Excess Matching Company Contributions. During each Plan Year, the Company shall credit to a Participant's Excess Account an amount that is equal to 50 percent of the amount credited under section 4.2. Such amount shall be credited to the Participant's Excess Account as of the same dates that the Matching Company Contributions are allocated to the Participant's Account under the Qualified Plan.

4.4 Excess Retirement Contributions. During each Plan Year, the Company shall credit to a Participant's Excess Account an amount that is equal to the difference between the amount in (a) and the amount in (b) where--

(a) is an amount equal to one-half of one percent of the Member's Salary for the Plan Year, and

(b) is an amount equal to the amount of the Retirement Contribution allocated to the Participant's Account for such Plan Year pursuant to the Qualified Plan.

The above amounts shall be credited to the Participant's Excess Account as of the same dates that the Retirement Contribution under the Qualified Plan is actually allocated to the Participant's Account under the Qualified Plan.

4.5 Adjustment to Accounts. As of each Valuation Date, the Excess Account of each Participant shall be credited or debited with a gain or loss equal to the adjustment that would be made if assets equal to the Excess Account had been invested in the Fixed Income Fund.

4.6 Vesting. A Participant shall have a nonforfeitable right to amounts credited to the Excess Account on his behalf when and to the extent he would have had a nonforfeitable right if such amounts had been contributed to the Qualified Plan.

4.7 Benefit Payments. Upon the Participant's Termination of Employment for reasons other than death, the Participant shall receive a single sum cash payment equal to the amount credited to his Excess Account. No payments shall be made under this Article IV prior to a Participant's Termination of Employment.

4.8 Death Benefits. In the event of the death of the Participant prior to full payment of amounts credited to the Participant's Excess Account, the unpaid amounts shall be paid as soon as practicable in a single sum cash payment to the beneficiary designated under the Qualified Plan.

Article V. Rights of Participants

5.1 Contractual Obligation. It is intended that the Company is under a contractual obligation to make payments under this Plan when due. The benefits under this Plan shall be paid out of the general assets of the Company.

5.2 Unsecured Interest. No special or separate fund shall be established and no segregation of assets shall be made to assure the payment of benefits hereunder. No Participant hereunder shall have any right, title, or interest whatsoever in any specific asset of the Company. Nothing contained in this Plan and no action taken pursuant to its provisions shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

Article VI. Administration

6.1 Administration. The Plan shall be administered by the Company as Plan Administrator. The Plan Administrator shall, in its sole discretion, be authorized to construe and interpret all provisions of the Plan, to adopt rules and practices concerning the administration of the same, and to make any determinations and calculations necessary or appropriate hereunder. The determination of the Plan Administrator as to any disputed question arising under this Plan, including questions of construction and interpretation, shall be final, binding, and conclusive on all persons. The Plan Administrator may appoint one or more individuals and delegate such of its powers and duties as it deems desirable to any such individual, in which case every reference herein made to the Plan Administrator shall be deemed to mean or include the individuals as to matters within their jurisdiction. Such individuals shall be such officers or other Employees of the Company and such other persons as the Plan Administrator may appoint.

6.2 Indemnification. To the extent permitted by law, all agents and representatives of the Plan Administrator shall be indemnified by the Company and saved harmless against any claims, and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect, or willful misconduct.

6.3 Expenses. The cost of benefit payments from this Plan and the expenses of administering the Plan shall be borne by the Company.

6.4 Tax Withholding. The Company may withhold from a payment any federal, state, or local taxes required by law to be withheld with respect to such payment and such sums as the Company may reasonably estimate are necessary to cover any taxes for which the Company may be liable and which may be assessed with regard to such payment.

6.5 Claims Procedure.

(a) Submission of Claims. Claims for benefits under the Plan shall be submitted in writing to the Plan Administrator or to an individual designated by the Plan Administrator for this purpose.

(b) Denial of Claim. If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth--

(1) the specific reason or reasons for the denial;

(2) specific reference to pertinent Plan provisions on which the denial is based;

(3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(4) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted, and if written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) Claim Review Procedure. The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Plan Administrator, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Plan Administrator shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Plan Administrator shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) Exhaustion of Remedy. No claimant shall institute any action or proceeding in any state or federal court of law or equity, or before any administrative tribunal or arbitrator, for a claim for benefits under the Plan, until he has first exhausted the procedures set forth in this section.

Article VII. Miscellaneous

7.1 Nontransferability. In no event shall the Company make any payment under this Plan to any assignee or creditor of a Participant or of a beneficiary, except as otherwise required by law. Prior to the time of a payment hereunder, a Participant or a beneficiary shall have no rights by way of anticipation or otherwise to assign or otherwise dispose of any interest under this Plan, nor shall rights be assigned or transferred by operation of law.

7.2 Rights Against the Company. Neither the establishment of the Plan, nor any modification thereof, nor any payments hereunder, shall be construed to give any Participant the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge the Participant at any time.

7.3 Amendment or Termination. The Plan may be amended, modified, or terminated at any time by the Company except that, without the consent of any Participant or his beneficiary, if applicable, no such amendment, modification, or termination shall reduce or diminish such person's right to receive any benefit accrued hereunder prior to the date of such amendment, modification, or termination. Notice of such amendment, modification, or termination shall be given in writing to each Participant and beneficiary of a deceased Participant having an interest in the Plan.

7.4 Applicable Law. This instrument shall be binding on all successors and assignees of the Company and shall be construed in accordance with and governed by the laws of the State of North Carolina to the extent not superseded by the laws of the United States.

7.5 Illegality of Particular Provision. The illegality of any particular provision of this document shall not affect the other provisions, and the document shall be construed in all respects as if such invalid provision were omitted.

* * * * * * * * * *

IN WITNESS WHEREOF, Rayonier Inc. has caused this instrument to be executed, effective March 1, 1994, on this _____ day of _____, 19__.

RAYONIER INC.

By:

ATTEST:

By:

EXHIBIT 12

RAYONIER INC. AND SUBSIDIARIES
RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited, thousands of dollars)

	Year Ended December 31,				
	1993	1992	1991	1990	1989
Earnings:					
Income (Loss) from Continuing Operations before Cumulative Effect of Accounting Changes	$52,466	$(81,520)	$44,337	$109,274	$127,956
Add (Deduct):					
Undistributed Equity (Income) Loss	-	3,257	1,587	1,536	(32)
Income Tax	30,432	(50,366)	19,557	48,121	63,595
Minority Interest	22,508	22,702	19,884	21,451	18,956
Amortization of Capitalized Interest	1,411	1,486	1,134	1,061	1,180
	106,817	(104,441)	86,499	181,443	211,655
Adjustments to Earnings for Fixed Charges:					
Interest and Other Financial Charges	23,368	21,327	13,942	12,394	17,827
Interest Factor Attributable to Rentals	1,760	1,870	1,902	2,184	1,887
	25,128	23,197	15,844	14,578	19,714
Earnings as Adjusted	$131,945	$(81,244)	$102,343	$196,021	$231,369
Fixed Charges:					
Fixed Charges above	$ 25,128	$ 23,197	$ 15,844	$ 14,578	$ 19,714
Capitalized Interest	-	893	3,214	460	362
Total Fixed Charges	25,128	24,090	19,058	15,038	20,076
Dividends on Preferred Stock (Pre-tax income basis)	-	714	-	-	-
Total Fixed Charges and Preferred Dividend Requirement	$ 25,128	$ 24,804	$ 19,058	$ 15,038	$ 20,076
Ratio of Earnings as Adjusted to Total Fixed Charges and Preferred Dividend Requirement	5.25	*	5.37	13.04	11.52
Effective Tax Rate	37%	(38%)	31%	31%	33%

* Earnings are inadequate to cover total fixed charges and preferred dividend requirement by $106,048.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints GERALD J. POLLACK and JOHN B. CANNING his or her true and lawful attorneys-in-fact, with full power in each to act without the other and with full power of substitution and resubstitution to sign in the name of such person and in each of his or her offices and capacities in Rayonier Inc. (the "Company") the Annual Report on Form 10-K for the fiscal year ended December 31, 1993 of the Company, and to file the same, and any amendments thereto, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: March 21, 1994

/s/ William J. Alley

Name: William J. Alley
Title:

/s/ Rand V. Araskog

Name: Rand V. Araskog
Title:

/s/ Donald W. Griffin

Name: Donald W. Griffin
Title: Director

/s/ Paul G. Kirk

Name: Paul G. Kirk
Title:

/s/ Katherine D. Ortega

Name: Katherine D. Ortega
Title:

/s/ Burnell R. Roberts

Name: Burnell R. Roberts
Title:

/s/ Gordon I. Ulmer

Name: Gordon I. Ulmer
Title:

EXHIBIT 21

SUBSIDIARIES

	JURISDICTION IN WHICH ORGANIZED
Rayonier Timberlands, L.P.	Delaware
Rayonier Timberlands Operating Company, L.P.	Delaware
Rayonier New Zealand Limited	New Zealand

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Rayonier Inc.:

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Form S-3 Registration Statement File No. (33-51972).

Arthur Andersen & Co.

Stamford, Connecticut,
March 24, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints GERALD J. POLLACK and JOHN B. CANNING his or her true and lawful attorneys-in-fact, with full power in each to act without the other and with full power of substitution and resubstitution to sign in the name of such person and in each of his or her offices and capacities in Rayonier Inc. (the "Company") the Annual Report on Form 10-K for the fiscal year ended December 31, 1993 of the Company, and to file the same, and any amendments thereto, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: March 21, 1994

/s/ William J. Alley

Name: William J. Alley
Title:

/s/ Rand V. Araskog

Name: Rand V. Araskog
Title:

/s/ Donald W. Griffin

Name: Donald W. Griffin
Title: Director

/s/ Paul G. Kirk

Name: Paul G. Kirk
Title:

/s/ Katherine D. Ortega

Name: Katherine D. Ortega
Title:

/s/ Burnell R. Roberts

Name: Burnell R. Roberts
Title:

/s/ Gordon I. Ulmer

Name: Gordon I. Ulmer
Title: