

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

AMENDMENT NO. 1 ON

FORM 8-A/A

FOR REGISTRATION OF CERTAIN CLASSES OF SECURITIES
PURSUANT TO SECTION 12(B) OR (G) OF THE
SECURITIES EXCHANGE ACT OF 1934

ITT RAYONIER INCORPORATED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NORTH CAROLINA (State of incorporation or organization)	13-2607329 (I.R.S. employer identification number)
1177 SUMMER STREET STAMFORD, CONNECTICUT (Address of principal executive offices)	06904 (Zip Code)

SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS TO BE SO REGISTERED	NAME OF EACH EXCHANGE ON WHICH EACH CLASS IS TO BE REGISTERED
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COMMON SHARES	NEW YORK STOCK EXCHANGE
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SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

None
(Title of Class)

ITEM 1. DESCRIPTION OF THE REGISTRANT'S SECURITIES TO BE REGISTERED

The title of the class of securities to be registered hereunder is: Common Shares (the "Rayonier Common Stock").

A description of the Rayonier Common Stock is set forth under the caption "Description of Rayonier Capital Stock" in the Information Statement filed as an exhibit to this Registration Statement, which description is incorporated herein by reference.

ITEM 2. EXHIBITS

The following documents are filed as exhibits hereto:

- 2.1 Form of Distribution Agreement between ITT Corporation and ITT Rayonier Incorporated.

- 3.1 Form of Amended and Restated Articles of Incorporation.

- 3.2 Form of By-laws.

- 4.1 Specimen common share certificate.

- 10.1 Form of Administrative Services Agreement between ITT Corporation and ITT Rayonier Incorporated (which is attached as Exhibit A to the Distribution Agreement filed as Exhibit 2.1 hereto).

- 10.2 Form of Employee Benefits Agreement between ITT Corporation and ITT Rayonier Incorporated (which is attached as Exhibit B to the Distribution Agreement filed as Exhibit 2.1 hereto).

- 10.3 Form of Tax Allocation Agreement between ITT Corporation and ITT Rayonier Incorporated (which is attached as Exhibit C to the Distribution Agreement filed as Exhibit 2.1 hereto).

- 10.4 Form of Canadian Assets Purchase Agreement (which is attached as Exhibit D to the Distribution Agreement filed as Exhibit 2.1 hereto).

- 10.5 Form of Rayonier Incentive Stock Plan.

- 10.6 Form of Rayonier Senior Executive Severance Pay Plan.

- 10.7 Form of Rayonier Investment and Savings Plan.

- 10.8 Form of Rayonier Salaried Employees Retirement Plan.

- 21.1 Subsidiaries.*

- 99.1 Information Statement.

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* Previously filed.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized.

ITT RAYONIER INCORPORATED

Date: February 4, 1994

By: /s/ Gerald J. Pollack

Name: Gerald J. Pollack
Title: Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

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* Previously filed.

DISTRIBUTION AGREEMENT, dated as of February , 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 separation and 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 Benefits 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 as required to effect the Distribution and 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 __, 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 __, 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.

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. 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 shall not relieve the applicable Indemnifying Party of its obligations under this Article III or the Tax Allocation Agreement, 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.

(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

SECTION 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.

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: _____
ITT RAYONIER INCORPORATED

By: _____

RAYONIER SECTIONS OF INFORMATION STATEMENT

SUMMARY	"Business of Rayonier", "Rayonier Timberlands, L.P.", "Rayonier Common Stock Listing" and "Rayonier Dividend Policy"
SUMMARY FINANCIAL INFORMATION	All
RAYONIER	All
THE DISTRIBUTION	"Reasons for the Distribution" (third and fourth paragraphs) and "Listing and Trading of Rayonier Common Stock"
SPECIAL FACTORS	"Cyclical Operating Results", "Strategic Prospects for Specialty Pulp Facilities", "Environmental Regulation", "Rayonier Dividend Policy" and "Absence of Trading Market for Rayonier Common Stock"
CAPITALIZATION	All
SELECTED FINANCIAL AND OPERATING DATA	All
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	All
BUSINESS OF RAYONIER	All
MANAGEMENT AND EXECUTIVE COMPENSATION	All
DESCRIPTION OF RAYONIER CAPITAL STOCK	All
CONSOLIDATED FINANCIAL STATEMENTS	All

ADMINISTRATIVE SERVICES AGREEMENT

This Agreement is made as of February __, 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)(i) 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: _____

ITT RAYONIER INCORPORATED

By: _____

Employee Benefit Services and Liability Agreement

AGREEMENT, dated as of _____, 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 _____, 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 Liabilities Agreement, signed as of _____ (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 any 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: _____

Name: _____

Title: _____

ITT Rayonier Incorporated

By: _____

Name: _____

Title: _____

ANNEX A

[LIST OF EMPLOYEES TO COME]

DRAFT 1/31/94

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 [], 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 [], 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

(Corporate Seal)

ATTEST:

BY_____

ITT Rayonier Incorporated

(Corporate Seal)

ATTEST:

BY_____

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CANADIAN ASSETS PURCHASE AGREEMENT

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

"Distribution Agreement" means the agreement of that name dated as of February ____, 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 Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act, as amended and 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;

"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;

"Pension Plan" means ("employee pension benefit plan" as defined in Section 3(2) of ERISA);

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

"Purchased Assets" means 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;

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

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

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

"Reference Balance Sheet" means the three column balance sheet attached hereto as Exhibit C 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 \$_____ (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:

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(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 _____ 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 Citibank, N.A., New York, New York 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

(to be drafted after key benefits issues have been surfaced)

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:

with a copy to:

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

Attn: Senior Vice President
and General Counsel

if to Seller to:

with a copy to

Rayonier Incorporated
1177 Summer Street
Stamford, CT 06904

Attn: 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: _____

RAYONIER CANADA LIMITED

By: _____

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).

Exhibit B

Excluded Assets

Cash (other than petty cash)

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
Reference Balance Sheet

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	3047351	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	08/23/77	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	07/27/82	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

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Country      Application      Filing
              Number         Date
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>
JAPAN
              4-150001        05/19/92

NORWA
              P921878         05/12/92

USA
              07/942507        09/09/92
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AMENDED AND RESTATED ARTICLES OF INCORPORATION C-0335068

OF

ITT RAYONIER INCORPORATED

Pursuant to sec. 55-10-07 of the General Statutes of North Carolina, the undersigned corporation hereby submits the following for the purpose of amending and restating its articles of incorporation:

1. The name of the corporation is ITT Rayonier Incorporated (the "Corporation").
2. Attached hereto as an exhibit are Amended and Restated Articles of Incorporation of the Corporation.
3. These Amended and Restated Articles of Incorporation, which contain an amendment requiring shareholder approval, were adopted by written action without meeting of the sole shareholder of the Corporation on the 13th day of December, 1993, in the manner prescribed by the North Carolina Business Corporation Act.
4. These Amended and Restated Articles of Incorporation do not contain an amendment providing for an exchange, reclassification, or cancellation of issued shares.
5. These Amended and Restated Articles of Incorporation will be effective upon filing.

This the 13th day of December, 1993.

ITT RAYONIER INCORPORATED

By: /s/ R. M. Gross

Ronald M. Gross
Title: President

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
ITT RAYONIER INCORPORATED

The Corporation hereinafter named has duly adopted these Amended and Restated Articles of Incorporation (hereinafter, the "Articles of Incorporation") for the purpose of continuing a business corporation formed under and by virtue of the laws of the state of North Carolina, including the provisions of the North Carolina Business Corporation Act, as amended from time to time or any successor statute (the "NCBCA").

I.

The name of the corporation is ITT RAYONIER INCORPORATED (hereinafter, the "Corporation").

II.

The Corporation shall have authority to issue 75,000,000 shares, of which 60,000,000 shall be Common Shares, and of which 15,000,000 shares shall be Preferred Shares, with the following powers, preferences and rights, and qualifications, limitations and restrictions:

(a) Except as otherwise provided by law, each Common Share shall have one vote, and, except as otherwise provided in respect of any series of Preferred Shares hereafter classified or reclassified, the exclusive voting power for all purposes shall be vested in the holders of the Common Shares. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and the amount to which the holders of any series of Preferred Shares hereafter classified or reclassified having a preference on distributions in the liquidation, dissolution or winding up of the Corporation shall be entitled, to share ratably in the remaining net assets of the Corporation.

(b) The Board of Directors is authorized, subject to limitations prescribed by the NCBCA and these Articles of Incorporation, to adopt and file from time to time articles of amendment that authorize the issuance of Preferred Shares which may be divided into two or more series with such preferences, limitations, and relative rights as the Board of Directors may determine, provided, however, that no holder of any Preferred Share shall be authorized or entitled to receive upon the involuntary liquidation of the Corporation an amount in excess of \$100.00 per Preferred Share.

(c) No holder of any share of the Corporation, whether now or hereafter authorized, shall have any preemptive right to subscribe for or to purchase any shares or other securities of the Corporation, nor have any right to cumulate his votes for the election of Directors.

III.

The address of the registered office of the Corporation in the State of North Carolina is 225 Hillsborough Street, Raleigh, Wake County, North Carolina 27603; and the name of its initial registered agent at such address is CT Corporation System.

IV.

(a) The Board of Directors shall have the exclusive power and authority to direct the management of the business and affairs of the Corporation and shall exercise all corporate powers, and possess all authority, necessary or appropriate to carry out the intent of this provision, and which are customarily exercised by the board of directors of a public company. In furtherance of the foregoing, but without limitation, the Board of Directors shall have the exclusive power and authority to: (i) elect all officers of the Corporation as the Board may deem necessary or desirable from time to time, to serve at the pleasure of the Board; (ii) fix the compensation of such officers; (iii) fix the compensation of Directors; and (iv) determine the time and place of all meetings of the Board of Directors and Shareholders.

(b) The Board of Directors may create and make appointments to one or more committees of the Board comprised exclusively of Directors who will serve at the pleasure of the Board and who may have and exercise such powers of the Board in directing the management of the business and affairs of the Corporation as the Board may delegate, in its sole discretion, consistent with the provisions of the NCBCA and these Articles of Incorporation. The Board of Directors may not delegate its authority over the expenditure of funds of the Corporation except to a committee of the Board and except to one or more officers of the Corporation elected by the Board. No committee comprised of persons other than members of the Board of Directors shall possess or exercise any authority in the management of the business and affairs of the Corporation.

(c) The Board of Directors may adopt, amend or repeal the Corporation's bylaws, in whole or in part, including amendment or repeal of any bylaw adopted by the Shareholders.

(d) A majority of the Directors in office shall constitute a quorum for the transaction of business at a meeting of the Board of Directors.

V.

(a) The number of Directors constituting the Board of Directors shall be not less than three nor more than twelve, as may be fixed from time to time by resolution duly adopted by the Board of Directors (except that until the annual meeting of Shareholder in 1994 such number shall be three). Provided that at the record date for the annual meeting of Shareholders in 1995 the number of members of the Board of Directors equals or exceeds the number then required under the NCBCA to stagger the terms of directors, the Board of Directors shall be divided into three classes, as nearly equal in number as may be possible, to serve respectively until the annual meetings in 1995, 1996 and 1997 in the classes designated by the Shareholder at the 1994 annual meeting, and until their successors shall be elected and shall qualify, and thereafter the successors shall be elected to serve for terms of three years and until their successors shall be elected and shall qualify. However, if at the record date for the annual meeting of Shareholders in 1995 there is not a sufficient number of members of the Board of Directors to permit the terms of the Directors to be staggered under the NCBCA, the terms of all Directors shall expire at the next annual meeting of Shareholders. In the event of any increase or decrease in the number of Directors during the time as there shall be classes of Directors, the additional or eliminated directorships shall be so classified or chosen such that all classes of Directors shall remain or become equal in number, as nearly as may be possible.

(b) A vacancy occurring on the Board of Directors, including without limitation, a vacancy resulting from an increase in the number of Directors or from the failure by the Shareholders to elect the full authorized number of Directors, may only be filled by a majority of the remaining Directors or by the sole remaining Director in office. In the event of the death, resignation, retirement, removal or disqualification of a Director during his elected term of office, his successor shall serve until the next Shareholders' meeting at which Directors are elected. Directors may be removed from office only for cause.

(c) The only qualifications for Directors of the Corporation shall be those set forth in these Articles of Incorporation. Directors need not be residents of the State of North Carolina or Shareholders of the Corporation.

VI.

(a) The Corporation shall, to the fullest extent permitted from time to time by law, indemnify its Directors and officers against all liabilities and expenses in any suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Corporation, including all appeals therefrom, arising out of their status as such or their activities in any of the foregoing capacities, unless the activities of the person to be indemnified were at the time taken known or believed by him to be clearly in conflict with the best interests of the Corporation. The Corporation shall likewise and to the same extent indemnify any person who, at the request of the Corporation, is or was serving as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or as a trustee or administrator under any employee benefit plan.

(b) The right to be indemnified hereunder shall include, without limitation, the right of a Director or officer to be paid expenses in advance of the final disposition of any proceeding upon receipt of an undertaking to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified hereunder.

(c) A person entitled to indemnification hereunder shall also be paid reasonable costs, expenses and attorneys' fees (including expenses) in connection with the enforcement of rights to the indemnification granted hereunder.

(d) The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled and shall not be limited by the provisions of Section 55-8-51 of the General Statutes of North Carolina or any successor statute.

(e) The Board of Directors may take such action as it deems necessary or desirable to carry out these indemnification provisions, including adopting procedures for determining and enforcing the rights guaranteed hereunder, and the Board of Directors is expressly empowered to adopt, approve and amend from time to time such bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangement as may be permitted by law.

(f) Neither the amendment or repeal of this Article, nor the adoption of any provision of these Articles of Incorporation inconsistent with this Article, shall eliminate or reduce any right to indemnification afforded by this Article to any person with respect to their status or any activities in their official capacities prior to such amendment, repeal or adoption.

VII.

To the full extent from time to time permitted by law, no person who is serving or who has served as a Director of the Corporation shall be personally liable in any action for monetary damages for breach of any duty as a Director, whether such action is brought by or in the right of the Corporation or otherwise. Neither the amendment or repeal of this Article, nor the adoption of any provision of these Articles of Incorporation inconsistent with this Article, shall eliminate or reduce the protection afforded by this Article to a Director of the Corporation with respect to any matter which occurred, or any cause of action, suit or claim which but for this Article would have accrued or risen, prior to such amendment, repeal or adoption.

VIII.

The provisions of Article 9A of the NCBCA shall not be applicable to the Corporation.

IX.

Except as may be otherwise determined by the Board of Directors, the Shareholders of the Corporation shall have access as a matter of right only to the books and records of the Corporation as may be required to be made available to qualified Shareholders by the NCBCA.

X.

To the extent that there ever may be any inconsistency between these Articles of Incorporation and the bylaws of the Corporation as may be adopted or amended from time to time, the Articles of Incorporation shall always control.

BYLAWS
OF
ITT RAYONIER INCORPORATED

Effective December 13, 1993

BYLAWS
OF
ITT RAYONIER INCORPORATED

ARTICLE 1 -- OFFICES

Section 1. Offices. The principal office of the Corporation shall be located at Stamford, Connecticut. The Corporation may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may from time to time determine.

ARTICLE 2 -- MEETINGS OF SHAREHOLDERS

Section 1. Place of Meeting. Meetings of Shareholders shall be held at such places, either within or without the State of North Carolina, as shall be designated in the notice of the meeting.

Section 2. Annual Meeting. The annual meeting of Shareholders shall be held on such date and at such time as the Board of Directors shall determine each year in advance thereof, for the purpose of electing Directors of the Corporation and the transaction of such other business as may be a proper subject for action at the meeting.

Section 3. Special Meetings. Special meetings of the Shareholders shall be held at such places and times as determined by the Board of Directors in their discretion as provided in the Articles of Incorporation.

Section 4. Notice of Meetings. At least 10 and no more than 60 days prior to any annual or special meeting of Shareholders, the Corporation shall notify Shareholders of the date, time and place of the meeting and, in the case of a special meeting or where otherwise required by the Articles of Incorporation or by law, shall briefly describe the purpose or purposes of the meeting. Only business within the purpose or purposes described in the notice may be conducted at a special meeting. Unless otherwise required by the Articles of Incorporation or by law, the Corporation shall be required to give notice only to Shareholders entitled to vote at the meeting. If an annual or special Shareholders' meeting is adjourned to a different date, time or place, notice thereof need not be given if the new date, time or place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is fixed pursuant to Article 7, Section 5 hereof, notice of the adjourned meeting shall be given to persons who are Shareholders as of the new record date. If mailed, notice shall be deemed to be effective when deposited in the United States mail with postage thereon prepaid, correctly addressed to the Shareholder's address shown in the Corporation's current record of Shareholders.

Section 5. Quorum. Except as may be provided in the terms of a series of Preferred Stock, a majority of the votes entitled to be cast by a voting group on a matter, represented in person or by proxy at a meeting of Shareholders, shall constitute a quorum for that voting group for any action on that matter, unless quorum requirements are otherwise fixed by a court of competent jurisdiction acting pursuant to Section 55-7-03 of the General Statutes of North Carolina. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and any adjournment thereof, unless a new record date is or must be set for the adjournment. Action may be taken by a voting group at any meeting at which a quorum of that voting group is represented, regardless of whether action is taken at that meeting by any other voting group. In the absence of a quorum at the opening of any meeting of Shareholders, such meeting may be adjourned from time to time by a vote of the majority of the shares voting on the motion to adjourn.

Section 6. Voting of Shares. Except as otherwise provided by the Articles of Incorporation or by law, each outstanding share of voting capital stock of the Corporation shall be entitled to one vote on each matter submitted to a vote at a meeting of the Shareholders. Action on a matter by a voting group for which a quorum is present is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the vote of a greater number is required by law, by the Articles of Incorporation, by rules of any exchange on which the voting group's stock is listed or by Section 55-10-03(c) of the North Carolina Business Corporation Act (the "NCBCA"). Voting on all matters shall be by ballot vote.

ARTICLE 3 -- BOARD OF DIRECTORS

Section 1. General Powers. Except as otherwise expressly provided in the Articles of Incorporation or by law, the Board of Directors shall have the exclusive power and authority to direct the management of the business and affairs of the Corporation and shall exercise all corporate powers, and possess all authority, necessary or appropriate to carry out the intent of this provision, and which are customarily exercised by the board of directors of a public company.

Section 2. Number, Term and Qualification. The number, term and qualification of Directors of the Corporation shall be as provided in the Articles of Incorporation.

Section 3. Removal. Directors may be removed from office only for the reasons, if any, specified in the Articles of Incorporation.

Section 4. Vacancies. Vacancies occurring in the Board of Directors shall be filled only as provided in the Articles of Incorporation.

Section 5. Compensation. Compensation for the services of Directors as such shall be determined exclusively by the Board of Directors as provided in the Articles of Incorporation.

ARTICLE 4 -- MEETINGS OF DIRECTORS

Section 1. Annual and Regular Meetings. All annual and regular meetings of the Board of Directors shall be held at such places and times as determined by the Board of Directors in their discretion as provided in the Articles of Incorporation.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held at such places and times as determined by the Board of Directors in their discretion as provided in the Articles of Incorporation.

Section 3. Notice of Meetings. Unless the Board of Directors by resolution determines otherwise in accordance with authority set forth in the Articles of Incorporation, all meetings of the Board of Directors may be held without notice of the date, time, place or purpose of the meeting. The Secretary shall give such notice of any meetings called by the Board by such means of communication as may be specified by the Board.

Section 4. Quorum. The percentage of Directors in office specified in the Articles of Incorporation will constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 5. Manner of Acting. A majority of Directors who are present at a meeting at which a quorum is present will constitute the required vote to effect any action taken by the Board of Directors.

Section 6. Action Without Meeting. Action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board. The action must be evidenced by one or more written consents signed by each Director before or after such action, describing the action taken, and included in the minutes or filed with the corporate records. Action taken without a meeting is effective when the last Director signs the consent, unless the consent specifies a different effective date.

Section 7. Meeting by Communications Device. The Board of Directors may permit Directors to participate in any meeting of the Board of Directors by, or conduct the meeting through the use of, any means of communication by which all Directors participating may simultaneously hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE 5 -- COMMITTEES

Section 1. Election and Powers. The Board of Directors may have such committees, with such members who shall have such powers and authority as may be determined by the Board of Directors as provided by the Articles of Incorporation. To the extent specified by the Board of Directors or in the Articles of Incorporation, each committee shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation, except that no committee shall have authority to do the following:

(a) Authorize distributions.

(b) Approve or propose to Shareholders action required to be approved by Shareholders.

(c) Fill vacancies on the Board of Directors or on any of its committees.

(d) Amend the Articles of Incorporation.

(e) Adopt, amend or repeal the bylaws.

(f) Approve a plan of merger not requiring Shareholder approval.

(g) Authorize or approve the reacquisition of shares, except according to a formula or method prescribed by the Board of Directors.

(h) Authorize or approve the issuance, sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee (or a senior executive officer of the Corporation) to do so within limits specifically prescribed by the Board of Directors.

Section 2. Removal; Vacancies. Unless the Board of Directors by resolution determines otherwise in accordance with authority specified in the Articles of Incorporation, any member of a committee may be removed at any time exclusively by the Board of Directors with or without cause, and vacancies in the membership of a committee as a result of death, resignation, disqualification or removal shall be filled by a majority of the whole Board of Directors.

Section 3. Meetings. The provisions of Article 4 governing meetings of the Board of Directors, action without meeting, notice, waiver of notice and quorum and voting requirements shall apply to the committees of the Board and its members to the extent not otherwise prescribed by the Board in the resolution authorizing the establishment of the committee.

Section 4. Minutes. Each committee shall keep minutes of its proceedings and shall report thereon to the Board of Directors at or before the next meeting of the Board.

ARTICLE 6 -- OFFICERS

Section 1. Titles. Pursuant to authority conferred in the Articles of Incorporation, the Board of Directors shall have the exclusive power and authority to elect from time to time such officers of the Corporation, including a Chairman and a President (one of whom shall be the Chief Executive Officer), a Vice Chairman, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, a Chief Financial Officer, a General

Counsel, a Controller, a Treasurer, a Secretary, one or more Assistant Controllers, one or more Assistant Treasurers, and one or more Assistant Secretaries, and such other officers as shall be deemed necessary or desirable from time to time. The officers shall have the authority and perform the duties as set forth herein or as from time to time may be prescribed by the Board of Directors. Any two or more offices may be held by the same individual, but no officer may act in more than one capacity where action of two or more officers is required.

Section 2. Election; Removal. Pursuant to authority conferred in the Articles of Incorporation, the officers of the Corporation shall be elected exclusively by the Board of Directors and shall serve at the pleasure of the Board as specified at the time of their election, until their successors are elected and qualify, or until the earlier of their resignation or removal. Pursuant to authority conferred in the Articles of Incorporation, any officer may be removed by the Board at any time with or without cause.

Section 3. Compensation. Pursuant to authority conferred in the Articles of Incorporation, the compensation of the officers shall be fixed by the Board of Directors.

Section 4. General Powers of Officers. Except as may be otherwise provided in these bylaws or in the NCBCA, the Chairman, the Vice-Chairman, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the General Counsel, the Controller, the Treasurer, the Secretary, or any one of them, may (i) execute and deliver in the name of the Corporation, in the name of any division of the Corporation or in both names any agreement, contract, deed, instrument, power of attorney or other document pertaining to the business or affairs of the Corporation or any division of the Corporation, and (ii) delegate to any employee or agent the power to execute and deliver any such agreement, contract, instrument, power of attorney or other document.

Section 5. Chief Executive Officer. The Chief Executive Officer of the Corporation shall report directly to the Board. Except in such instances as the Board may confer powers in particular transactions upon any other officer, and subject to the control and direction of the Board, the Chief Executive Officer shall manage the business and affairs of the Corporation and shall communicate to the Board and any committee thereof reports, proposals and recommendations for their respective consideration or action. He may do and perform all acts on behalf of the Corporation.

Section 6. Chairman. The Chairman shall preside at meetings of the Board of Directors and the Shareholders and shall have such other powers and perform such other duties as the Board may prescribe or as may be prescribed in these bylaws.

Section 7. Vice Chairman. The Vice Chairman shall have such powers and perform such duties as the Board or the Chairman (to the extent he is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed in these bylaws.

Section 8. President. The President shall have such powers and perform such duties as the Board and the Chief Executive Officer (to the extent he is authorized by the Board

of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed in these bylaws.

Section 9. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents. The Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall have such powers and perform such duties as the Board or the Chief Executive Officer (to the extent he is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed in these bylaws.

Section 10. Chief Financial Officer. The Chief Financial Officer shall have such powers and perform such duties as the Board or the Chief Executive Officer (to the extent he is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed in these bylaws. The Chief Financial Officer shall present to the Board such balance sheets, income statements, budgets and other financial statements and reports as the Board or the Chief Executive Officer (to the extent he is authorized by the Board of Directors to prescribe the authority and duties of other officers) may require and shall perform such other duties as may be prescribed or assigned pursuant to these bylaws and all other acts incident to the position of Chief Financial Officer.

Section 11. Controller. The Controller shall be responsible for the maintenance of adequate accounting records of all assets, liabilities, capital and transactions of the Corporation. The Controller shall prepare such balance sheets, income statements, budgets and other financial statements and reports as the Board or the Chief Executive Officer or the Chief Financial Officer (to the extent they are authorized by the Board of Directors to prescribe the authority and duties of other officers) may require, and shall perform such other duties as may be prescribed or assigned pursuant to these bylaws and all other acts incident to the position of Controller.

Section 12. Treasurer.

(a) The Treasurer shall have the care and custody of all the funds and securities of the Corporation except as may be otherwise ordered by the Board, and shall cause such funds (i) to be invested or reinvested from time to time for the benefit of the Corporation as may be designated by the Board or by the Chairman, the Vice Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations), or (ii) to be deposited to the credit of the Corporation in such banks or depositories as may be designated by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations), and shall cause such securities to be placed in safekeeping in such manner as may be designated by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations).

(b) The Treasurer or such other person or persons as may be designated for such purpose by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such

designations) may endorse in the name and on behalf of the Corporation all instruments for the payment of money, bills of lading, warehouse receipts, insurance policies and other commercial documents requiring such endorsement.

(c) The Treasurer or such other person or persons as may be designated for such purpose by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations), (i) may sign all receipts and vouchers for payments made to the Corporation; (ii) shall prepare a statement of the cash account of the Corporation to the Board as often as it shall require the same; and (iii) shall enter regularly in books to be kept for that purpose full and accurate account of all moneys received and paid on account of the Corporation and of all securities received and delivered by the Corporation.

(d) The Treasurer shall perform such other duties as may be prescribed or assigned pursuant to these bylaws and all other acts incident to the position of Treasurer.

Section 13. Secretary. The Secretary shall keep the minutes of all proceedings of the Shareholders, the Board and the Committees of the Board. The Secretary shall attend to the giving and serving of all notices of the Corporation, in accordance with the provisions of these bylaws and as required by the laws of the State of North Carolina. The Secretary shall cause to be prepared and maintained (i) at the office of the Corporation a stock ledger containing the names and addresses of all Shareholders and the number of shares held by each and (ii) any list of Shareholders required by law to be prepared for any meeting of Shareholders. The Secretary shall be responsible for the custody of all stock books and of all unissued stock certificates. The Secretary shall be the custodian of the seal of the Corporation. The Secretary shall affix or cause to be affixed the seal of the Corporation to such contracts, instruments and other documents requiring the seal of the Corporation, and when so affixed may attest the same and shall perform such other duties as may be prescribed or assigned pursuant to these bylaws and all other acts incident to the position of Secretary.

Section 14. Voting Upon Securities. Unless otherwise ordered by the Board of Directors, the Chairman, the President, any Executive Vice President, any Senior Vice President or any Vice President shall have full power and authority in behalf of the Corporation to attend, act and vote at meetings of the security holders of any entity in which this Corporation may hold securities, and at such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner, the Corporation might have possessed and exercised if present. The Board of Directors may by resolution from time to time confer such power and authority upon any other person or persons.

Section 15. Continuing Determination by Board. All powers and duties of the officers shall be subject to a continuing determination by the Board of Directors.

ARTICLE 7 -- CAPITAL STOCK

Section 1. Certificates. Unless the Board determines otherwise, shares of the capital stock of the Corporation shall be represented by certificates. The name and address of the persons to whom shares of capital stock of the Corporation are issued, with the number of shares and date of issue, shall be entered on the stock transfer records of the Corporation. Certificates for shares of the capital stock of the Corporation shall be in such form not inconsistent with the Articles of Incorporation of the Corporation as shall be approved by the Board of Directors. Each certificate shall be signed (either manually or by facsimile) by (a) the Chairman, the Vice Chairman, the President or any Vice President and by the Secretary, Assistant Secretary, Treasurer or Assistant Treasurer or (b) any two officers designated by the Board of Directors. Each certificate may be sealed with the seal of the Corporation or a facsimile thereof.

Section 2. Transfer of Shares. Transfer of shares shall be made on the stock transfer records of the Corporation, and transfers shall be made only upon surrender of the certificate for the shares sought to be transferred by the recordholder or by a duly authorized agent, transferee or legal representative. All certificates surrendered for transfer or reissue shall be cancelled before new certificates for the shares shall be issued.

Section 3. Transfer Agent and Registrar. The Board of Directors may appoint one or more transfer agents and one or more registrars of transfers and may require all stock certificates to be signed or countersigned by the transfer agent and registered by the registrar of transfers.

Section 4. Regulations. The Board of Directors may make rules and regulations as it deems expedient concerning the issue, transfer and registration of shares of capital stock of the Corporation.

Section 5. Fixing Record Date. For the purpose of determining Shareholders entitled to notice of or to vote at any meeting of Shareholders, or entitled to receive payment of any dividend, or in order to make a determination of Shareholders for any other purpose, the Board of Directors may fix in advance a date as the record date for the determination of Shareholders. The record date shall be not more than 70 days before the meeting or action requiring a determination of Shareholders. A determination of Shareholders entitled to notice of or to vote at a Shareholders' meeting shall be effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

Section 6. Lost Certificates. The Board of Directors must authorize the issuance of a new certificate in place of a certificate claimed to have been lost, destroyed or wrongfully taken, upon receipt of (a) an affidavit from the person explaining the loss, destruction or wrongful taking, and (b) a bond from the claimant in a sum as the Corporation may reasonably direct to indemnify the Corporation against loss from any claim with respect to the certificate claimed to have been lost, destroyed or wrongfully taken. The Board of Directors may, in its

discretion, waive the affidavit and bond and authorize the issuance of a new certificate in place of a certificate claimed to have been lost, destroyed or wrongfully taken.

ARTICLE 8 -- GENERAL PROVISIONS

Section 1. Dividends and other Distributions. The Board of Directors may from time to time declare and the Corporation may pay dividends or make other distributions with respect to its outstanding shares in the manner and upon the terms and conditions provided by law.

Section 2. Seal. The seal of the Corporation shall be any form approved from time to time or at any time by the Board of Directors.

Section 3. Waiver of Notice. Whenever notice is required to be given to a Shareholder, director or other person under the provisions of these bylaws, the Articles of Incorporation or applicable law, a waiver in writing signed by the person or persons entitled to the notice, whether before or after the date and time stated in the notice, and delivered to the Corporation shall be equivalent to giving the notice.

Section 4. Depositories. The Chairman, the President, the Chief Financial Officer, and the Treasurer are each authorized to designate depositories for the funds of the Corporation deposited in its name or that of a division of the Corporation, or both, and the signatories with respect thereto in each case, and from time to time, to change such depositories and signatories, with the same force and effect as if each such depository and the signatories with respect thereto and changes therein had been specifically designated or authorized by the Board; and each depository designated by the Board or by the Chairman, the President, the Chief Financial Officer, or the Treasurer shall be entitled to rely upon the certificate of the Secretary or any Assistant Secretary of the Corporation or of a division of the Corporation setting forth the fact of such designation and of the appointment of the officers of the Corporation or of the Division or of both or of other persons who are to be signatories with respect to the withdrawal of funds deposited with such depository, or from time to time the fact of any change in any depository or in the signatories with respect thereto.

Section 5. Signatories. Unless otherwise designated by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer, all notes, drafts, checks, acceptances, orders for the payment of money shall be (a) signed by the Treasurer or any Assistant Treasurer and (b) countersigned by the Controller or any Assistant Controller, or either signed or countersigned by the Chairman, the Vice Chairman, the President, any Executive Vice President, any Senior Vice President or any Vice President in lieu of either the officers designated in (a) or the officers designated in (b) of this Section.

Section 6. Fiscal Year. The fiscal year of the Corporation shall be fixed by the Board of Directors.

Section 7. Amendments. These bylaws may be amended or repealed by the Board of Directors, including any bylaw adopted, amended or repealed by the Shareholders generally. These bylaws may be amended or repealed by the Shareholders even though the bylaws may also be amended or repealed by the Board of Directors.

* * * * *

THIS IS TO CERTIFY that the above bylaws of ITT Rayonier Incorporated were adopted by the Board of Directors of the Corporation by action without a meeting effective on December 13, 1993.

THIS 13th day of December, 1993.

/s/ John Canning

Secretary

[Corporate Seal]

COMMON
SHARESCOMMON
SHARESINCORPORATED
UNDER THE LAWS
OF NORTH CAROLINA

CUSIP 754907 10 3

RAYONIER INC.

CERTIFICATE NUMBER	DATE	REFERENCE NUMBER	SHARES
MA			

This
Certifies that

is the owner of

FULLY PAID AND NON-ASSESSABLE COMMON SHARES OF

Rayonier Inc., transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney, upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are issued and shall be held subject to all the provisions of the Articles of Incorporation and the amendments thereto (copies of which are on file with the Transfer Agent) to all of which provisions the holder by acceptance hereof, assents. This certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

Witness the signatures of the duly authorized officers.

CERTIFICATE OF STOCK

DATED:

COUNTERSIGNED AND REGISTERED:

BY THE BANK OF NEW YORK
TRANSFER AGENT
AND REGISTRAR,
William J. Danner
AUTHORIZED SIGNATURE

John B. Canning
CORPORATE SECRETARY

R. M. Gross
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM --	as tenants in common	GIFT MIN ACT --	----- Custodian ----- Under
			(Cust) (Minor)
TEN ENT --	as tenants by the entireties		
JT TEN --	as joint tenants with right of	the	Transfers to Minors Act

	survivorship and not as tenants	(State)	
	in common		

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sells(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

the within Depository Receipt and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Depository Receipt on the books of the Company with full power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the certificate in every particular without alteration or enlargement or any change whatever. The signature of the person executing this power must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union, or a Savings Association participating in a Medallion program approved by the Securities Transfer Association, Inc.

AMERICAN BANKNOTE COMPANY
680 BLAIR MILL ROAD
HORSHAM, PA 19044
215-657-3480

PRODUCTION COORDINATOR VICTOR COLON-215-830-2198
PROOF OF JANUARY 16, 1994
RAYONIER
H 27633

SALES PERSON G. BEEHLER-212-582-9200
/home/joew/inprogress/home14/RAYIONER27633

Opr. JW/lr NEW
/net/banknote/home14/R

1994 RAYONIER INCENTIVE STOCK PLAN

The following is the text of the 1994 Rayonier Incentive Stock Plan:

1. PURPOSE

The purpose of the 1994 Rayonier Incentive Stock Plan is to motivate and reward superior performance on the part of employees of Rayonier and its subsidiaries and to thereby attract and retain employees of superior ability. In addition, the Plan is intended to further opportunities for stock ownership by such employees in order to increase their proprietary interest in Rayonier and, as a result, their interest in the success of the Company. Awards will be made, in the discretion of the Committee, to Key Employees (including officers and directors who are also employees) whose responsibilities and decisions directly affect the performance of any Participating Company and its subsidiaries. Such incentive awards may consist of stock options, stock appreciation rights payable in stock or cash, performance shares, restricted stock or any combination of the foregoing, as the Committee may determine.

2. DEFINITIONS

When used herein, the following terms shall have the following meanings:

"Acceleration Event" means the occurrence of an event defined in Section 9 of the Plan.

"Act" means the Securities Exchange Act of 1934.

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

"Award Agreement" means the written agreement evidencing each Award granted to a Key Employee under the Plan.

"Beneficiary" means the beneficiary or beneficiaries designated pursuant to Section 10 to receive the amount, if any, payable under the Plan upon the death of a Key Employee.

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

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

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

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

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

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

"Key Employee" means an employee (including any officer or director who is also an employee) of any Participating Company whose responsibilities and decisions, in the judgment of the Committee, directly affect the performance of the Company and its subsidiaries.

"Limited Stock Appreciation Right" means a stock appreciation right which shall become exercisable automatically upon the occurrence of an Acceleration Event as described in Section 9 of the Plan.

"Option" means an option awarded under Section 5 of the Plan to purchase Stock of the Company, which option may be an Incentive Stock Option or a non-qualified stock option.

"Participating Company" means the Company or any subsidiary or other affiliate of the Company; provided, however, for Incentive Stock Options only, "Participating Company" means the Company or any corporation which at the time such Option is granted qualifies as a "subsidiary" of the Company under Section 425(f) of the Code.

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

"Plan" means the 1994 Rayonier Incentive Stock Plan, as the same may be amended, administered or interpreted from time to time.

"Plan Year" means the calendar year.

"Retirement" means eligibility to receive immediate retirement benefits under a Participating Company pension plan.

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

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

"Stock" means the common stock of the Company.

"Total Disability" means the complete and permanent inability of a Key Employee to perform all of his or her duties under the terms of his or her employment with any Participating Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

3. SHARES SUBJECT TO THE PLAN

The aggregate number of shares of Stock which may be awarded under the Plan in any Plan Year shall be subject to an annual limit. The maximum number of shares of Stock for which Awards may be granted under the Plan in each Plan Year shall be 1.5 percent (1.5%) of the total of the issued and outstanding shares of Stock reported in the Annual Report on Form 10-K of the Company 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) shares of Stock be cumulatively available for Awards of incentive stock options under the Plan, and provided further, that no more than twenty percent (20%) of the total number of shares on a cumulative basis shall be available for restricted stock and performance shares Awards. For any Plan Year, no individual employee may receive an Award of stock options for more than ten percent (10%) of the annual limit on available shares applicable to that Plan Year.

Subject to the above limitations, shares of Stock to be issued under the Plan may be made available from the authorized but unissued shares, or shares held by the Company in treasury or from shares purchased in the open market. For the purpose of computing the total number of shares of Stock available for Awards under the Plan, there shall be counted against the foregoing limitations the number of shares of Stock 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 Plan are forfeited, terminated, expire unexercised, are settled in cash in lieu of Stock or are exchanged for other Awards, the shares of Stock which were theretofore subject to such Awards shall again be available for Awards under the 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 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). For the initial Plan Year commencing March 1, 1994, the applicable annual limit shall be 400,000 shares of Stock.

4. GRANT OF AWARDS AND AWARD AGREEMENTS

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

(b) Each Award granted under the Plan shall be evidenced by a written Award Agreement. Such agreement shall be subject to and incorporate the express terms and conditions, if any, required under the Plan or required by the Committee.

5. STOCK OPTIONS AND RIGHTS

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

(b) No employee eligible to participate herein shall be granted Incentive Stock Options to purchase shares, which said options are exercisable during any one calendar year, to the extent that the fair market value of such shares (determined at the time that the options are granted) exceeds \$100,000. No employee shall be given the opportunity to exercise Incentive Stock Options granted hereunder with respect to shares valued in excess of \$100,000 in any calendar year, except and to the extent that the Incentive Stock Options shall have accumulated over a period in excess of one year.

(c) Rights may be granted only to Key Employees who may be considered directors or officers of the Company for purposes of Section 16 of the Act.

(d) The exercise period for a non-qualified stock option and any related Right shall not exceed ten years and two days from the date of grant, and the exercise period for an Incentive Stock Option and any related Right shall not exceed ten years from the date of grant.

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

(f) No part of any Option or Right may be exercised until the Key Employee who has been granted the Award shall have remained in the employ of a Participating Company for such period after the date of grant as the Committee may specify, if any, and the Committee may further require exercisability in installments; provided, however, the period during which a Right is exercisable shall commence no earlier than six months following the date the Option or Right is granted.

(g) The purchase price of the shares as to which an Option shall be exercised shall be paid to the Company at the time of exercise either in cash or Stock already owned by the optionee having a total Fair Market Value equal to the purchase price, or a combination of cash and Stock having a total fair market value, as so determined, equal to the purchase price. The Committee shall determine acceptable methods for tendering Stock as payment upon exercise of an Option and may impose such limitations and prohibitions on the use of Stock to exercise an Option as it deems appropriate.

(h) Unless Section 9 shall provide otherwise, Rights granted to a director or officer shall terminate when such person ceases to be considered a director or officer of the Company subject to Section 16 of the Act.

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

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

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

(C) Except as provided in Section 9, if the Key Employee shall voluntarily resign before eligibility for Retirement or he or she is terminated for cause as determined by the Committee, the Options or Rights shall be cancelled coincident with the effective date of the termination of employment.

(D) If the Key Employee's employment terminates for any other reason, he or she may exercise his or her Options, to the extent that he or she shall have been entitled to do so at the date of the termination of his or her employment, at any time, or from time to time, within three months after the date of the termination of his or her employment or within such other period, and subject to such terms and conditions as the Committee may specify, but not later than the expiration date specified in Section 5(d) above.

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

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

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

(i) Upon exercise of a Right, the Key Employee shall be entitled, subject to such terms and conditions the Committee may specify, to receive upon exercise thereof all or a portion of the excess of (A) the Fair Market Value of a specified number of shares of Stock at the time of exercise, as determined by the Committee, over (B) a specified

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

(ii) For the purposes of Subsection (i) of this Section 5(l), in the case of any such Right or portion thereof, other than a Right related to an Incentive Stock Option, exercised for cash during a "window period" specified by Rule 16b-3 under the Act, the Fair Market Value of the Stock at the time of such exercise shall be the highest composite daily closing price of the Stock during such window period.

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

6. PERFORMANCE SHARES

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

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

(c) The Committee shall determine the Performance Objectives of Awards of Performance Shares. Performance Objectives may vary from Key Employee to Key Employee and between groups of Key Employees and shall be based upon such performance criteria or combination of factors as the Committee may deem appropriate, including, but not limited to, minimum earnings per share or return on equity. If during the course of a Performance Period there shall occur significant events which the Committee expects to have a substantial effect on the applicable Performance Objectives during such period, the Committee may revise such Performance Objectives.

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

(e) If a Key Employee terminates service with all Participating Companies during a Performance Period because of death, Total Disability, Retirement, or under other circumstances where the Committee in its sole discretion finds that a waiver would be in the best interests of the Company, that Key Employee may, as determined by the Committee, be entitled to an Award of Performance Shares at the end of the Performance Period based upon the extent to which the Performance Objectives were satisfied at the end of such period and prorated for the portion of the Performance Period during which the Key Employee was employed by any Participating Company; provided, however, the Committee may provide for an earlier payment in settlement of such Performance Shares in such amount and under such terms and conditions as the Committee deems appropriate or desirable. If a Key Employee terminates service with all Participating Companies during a Performance Period for any other reason, then such Key Employee shall not be entitled to any Award with respect to that Performance Period unless the Committee shall otherwise determine.

(f) Each Award of a Performance Share shall be paid in whole shares of Stock, or cash, or a combination of Stock and cash either as a lump sum payment or in annual installments, all as the Committee shall determine, with payment to commence as soon as practicable after the end of the relevant Performance Period.

7. RESTRICTED STOCK

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

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

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

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

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

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

(g) Subject to Section 7(e) and Section 8, each Key Employee entitled to receive Restricted Stock under the Plan shall be issued a certificate for the shares of Stock. Such certificate shall be registered in the name of the Key Employee, and shall bear an appropriate legend reciting the terms, conditions and restrictions, if any, applicable to such Award and shall be subject to appropriate stop-transfer orders.

8. CERTIFICATES FOR AWARDS OF STOCK

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

(b) All certificates for shares of Stock delivered under the Plan shall also be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. The foregoing provisions of this Section 8(b) shall not be effective if and to the extent that the shares of Stock delivered under the Plan are covered by an effective and current registration statement under the Securities Act of 1933, or if and so long as the Committee determines that application of such provisions is no longer required or desirable. In making such determination, the Committee may rely upon an opinion of counsel for the Company.

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

9. ACCELERATION EVENTS

(a) For the purposes of this Plan, an Acceleration Event shall occur if (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Act disclosing that any person (within the meaning of Section 13(d) of the Act), other than the Company or a subsidiary of the Company or any employee benefit plan sponsored by the Company or a subsidiary of the Company, is the beneficial owner directly or indirectly of twenty percent or more of the outstanding Stock of the Company; (ii) any person (within the meaning of Section 13(d) of the Act), other than the Company or a subsidiary of the Company or any employee benefit plan sponsored by the Company or a subsidiary of the Company, shall purchase shares pursuant to a

tender offer or exchange offer to acquire any Stock of the Company (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of fifteen percent or more of the outstanding Stock of the Company (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock); (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 or pursuant to which shares of Stock of the Company would be converted into cash, securities or other property, other than a merger of the Company in which holders of Stock of the Company immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, 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 a majority of the members of the Board within a 12-month period unless the election or nomination for election by the Company's stockholders of each new director during such 12-month period was approved by the vote of two-thirds of the directors then still in office who were directors at the beginning of such 12-month period.

(b) Notwithstanding any provisions in this Plan to the contrary:

(i) Each outstanding Option granted under the Plan shall become immediately exercisable in full for the aggregate number of shares covered thereby and all related Rights shall also become exercisable upon the occurrence of an Acceleration Event described in this Section 9 and shall continue to be exercisable in full for cash for a period of 60 calendar days beginning on the date that such Acceleration Event occurs and ending on the 60th calendar day following that date; provided, however, that (A) no Right shall become exercisable earlier than six months following the date the Right is granted, and (B) no Option or Right shall be exercisable beyond the expiration date of its original term.

(ii) Options and Rights shall not terminate and shall continue to be fully exercisable for a period of seven months following the occurrence of an Acceleration Event in the case of an employee who is terminated other than for just cause or who voluntarily terminates his employment because he in good faith believes that as a result of such Acceleration Event he is unable effectively to discharge his present duties or the duties of the position he occupied just prior to the occurrence of such Acceleration Event. For purposes of Section 9 only, termination shall be for "just cause" only if such termination is based on fraud, misappropriation or embezzlement on the part of the employee which results in a final conviction of a felony. Under no circumstances, however, shall any Option or Right be exercised beyond the expiration date of its original term.

(iii) Any Right or portion thereof may be exercised for cash within the 60-calendar-day period following the occurrence of an Acceleration Event with settlement, except in the case of a Right related to an

Incentive Stock Option, based on the "Formula Price" which shall be the highest of (A) the highest composite daily closing price of the Stock during the period beginning on the 60th calendar day prior to the date on which the Right is exercised and ending on the date such Right is exercised, (B) the highest gross price paid for the Stock during the same period of time, as reported in a report on Schedule 13D filed with the Securities and Exchange Commission or (C) the highest gross price paid or to be paid for a share of Stock (whether by way of exchange, conversion, distribution upon merger, liquidation or otherwise) in any of the transactions set forth in this Section 9 as constituting an Acceleration Event.

(iv) Upon the occurrence of an Acceleration Event, Limited Stock Appreciation Rights shall automatically be granted as to any Option with respect to which Rights are not then outstanding; provided, however, that Limited Stock Appreciation Rights shall be provided at the time of grant of any Incentive Stock Option subject to exercisability upon the occurrence of an Acceleration Event. Limited Stock Appreciation Rights shall entitle the holder thereof, upon exercise of such rights and surrender of the related Option or any portion thereof, to receive, without payment to the Company (except for applicable withholding taxes), an amount in cash equal to the excess, if any, of the Formula Price as that term is defined in Section 9 over the option price of the Stock as provided in such Option; provided that in the case of the exercise of any such Limited Stock Appreciation Right or portion thereof related to an Incentive Stock Option, the Fair Market Value of the Stock at the time of such exercise shall be substituted for the Formula Price. Each such Limited Stock Appreciation Right shall be exercisable only during the period beginning on the first business day following the occurrence of such Acceleration Event and ending on the 60th day following such date and only to the same extent the related Option is exercisable. In the case of persons who are considered directors or officers of the Company for purposes of Section 16 of the Act, Limited Stock Appreciation Rights shall not be so exercisable until they have been outstanding for at least six months. Upon exercise of a Limited Stock Appreciation Right and surrender of the related Option, or portion thereof, such Option, to the extent surrendered, shall not thereafter be exercisable.

(v) The restrictions applicable to Awards of Restricted Stock issued pursuant to Section 7 shall lapse upon the occurrence of an Acceleration Event and the Company shall issue stock certificates without a restrictive legend. Key Employees holding Restricted Stock on the date of an Acceleration Event may tender such Restricted Stock to the Company which shall pay the Formula Price as that term is defined in Section 9; provided, such Restricted Stock must be tendered to the Company within 60 calendar days of the Acceleration Event.

(vi) If an Acceleration Event occurs during the course of a Performance Period applicable to an Award of Performance Shares pursuant to Section 6, then the Key Employee shall be deemed to have satisfied the Performance Objectives and settlement of such Performance Shares shall be based on the Formula Price, as defined in this Section 9.

10. BENEFICIARY

(a) Each Key Employee shall file with the Company a written designation of one or more persons as the Beneficiary who shall be entitled to receive the Award, if any, payable under the Plan upon his or her death. A Key Employee may from time to time revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to the Key Employee's death, and in no event shall it be effective as of a date prior to such receipt.

(b) If no such Beneficiary designation is in effect at the time of a Key Employee's death, or if no designated Beneficiary survives the Key Employee or if such designation conflicts with law, the Key Employee's estate shall be entitled to receive the Award, if any, payable under the Plan upon his or her death. If the Committee is in doubt as to the right of any person to receive such Award, the Company may retain such Award, without liability for any interest thereon, until the Committee determines the rights thereto, or the Company may pay such Award into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Company therefor.

11. ADMINISTRATION OF THE PLAN

(a) Each member of the Committee shall be both a member of the Board and a "disinterested person" within the meaning of Rule 16b-3 under the Act or successor rule or regulation. No member of the Committee shall be, or shall have been, eligible to receive an Award under the Plan or any other plan maintained by any Participating Company to acquire stock, stock options, stock appreciation rights, performance shares or restricted stock of a Participating Company at any time within the one year immediately preceding the member's appointment to the Committee.

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

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

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

(e) The Committee may, in its sole discretion, delegate such of its powers as it deems appropriate.

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

12. AMENDMENT, EXTENSION OR TERMINATION

The Board may, at any time, amend or terminate the Plan and, specifically, may make such modifications to the Plan as it deems necessary to avoid the application of Section 162(m) of the Code and the Treasury regulations issued thereunder. However, no amendment shall, without approval by a majority of the Company's stockholders, (a) alter the group of persons eligible to participate in the Plan, (b) except as provided in Section 13 increase the maximum number of shares of Stock which are available for Awards under the Plan or (c) extend the period during which awards may be granted beyond December 31, 2003. If an Acceleration Event has occurred, no amendment or termination shall impair the rights of any person with respect to a prior Award.

13. ADJUSTMENTS IN EVENT OF CHANGE IN COMMON STOCK

In the event of any recapitalization, reclassification, split-up or consolidation of shares of Stock or, stock dividend, merger or consolidation of the Company or sale by the Company of all or a portion of its assets, the Committee may make such adjustments in the Stock subject to Awards, including Stock subject to purchase by an Option, or the terms, conditions or restrictions on Stock or Awards, including the price payable upon the exercise of such Option, as the Committee deems equitable.

14. MISCELLANEOUS

(a) Except as provided in Section 9, nothing in this Plan or any Award granted hereunder shall confer upon any employee any right to continue in the employ of any Participating Company or interfere in any way with the right of any Participating Company to terminate his or her employment at any time. No Award payable under the Plan shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of any Participating Company for the benefit of its employees unless the Company shall determine otherwise. No Key Employee shall have any claim to an Award until it is actually granted under the Plan. To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as provided in Section 7(e) with respect to Restricted Stock.

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

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

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

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

15. EFFECTIVE DATE, TERM OF PLAN AND SHAREHOLDER APPROVAL

The effective date of the Plan shall be March 1, 1994. No Award shall be granted under this Plan after the Plan's termination date. The Plan's termination date shall be December 31, 2003. The Plan will continue in effect for existing Awards as long as any such Award is outstanding.

RAYONIER INCORPORATED
SENIOR EXECUTIVE SEVERANCE PAY PLAN

1. Purpose

The purpose of this Rayonier Senior Executive Severance Pay Plan ("Plan") is to assist in occupational transition by providing severance pay for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan and to assist covered employees whose employment terminates within two years after a Change in Control event.

2. Covered Employees

Covered employees under this Plan ("Executives") are those full-time, regular Senior Executive salaried employees of Rayonier Incorporated ("Company") who are United States citizens, or who are employed in the United States and are identified in Appendix "A" attached hereto.

3. Severance Pay Upon Termination of Employment

If the Company terminates a Senior Executive's employment, the Executive shall be provided severance pay in accordance with the terms of this Plan, except where the Executive:

- o is terminated for cause;
- o accepts employment or refuses comparable employment with a purchase as provided in Section 8, "Divestiture";
- o is terminated with an Effective Date on or after the Executive's Normal Retirement Date as defined herein, or;
- o terminates employment with the Company prior to the

Effective Date.

No severance pay will be provided under this Plan where the Executive terminates employment by:

- o voluntarily resigning;
- o voluntarily retiring or;
- o failing to return from an approved leave of absence (including a medical leave of absence).

No severance pay will be provided under this Plan upon any termination of employment as a result of the Executive's death or disability.

"Normal Retirement Date" shall mean the first of the month which coincides with or follows the Executive's 65th birthday.

4. Schedule of Severance Pay

Severance pay will be provided in accordance with the following Schedule of Severance Pay which sets forth the months of Base Pay which is provided to an Executive, based upon the Executive's Years of Service as of the Effective Date.

Years of Service -----	Months of Base Pay -----
Less than	4
	4
	5
	6
	7
	8
	9
	10
	11
	12
	12
	13
	14
	15
	16
	17
	18
	19
	20
	21

13	22
14	23
15 or more	24

"Base Pay" shall mean the annual base salary rate payable to the Executive at the Effective Date divided by twelve (12) months. Such annual base salary rate shall in no event be less than the highest annual base salary rate paid to the Executive at any time during the twenty-four (24) month period immediately preceding the Effective Date.

"Effective Date" is the date the Company selects as the Executive's last day of active employment.

"Years of Service" shall mean the total number of completed years of employment, inclusive of credited ITT system service, since the Executive's Rayonier service date to the Effective Date, rounded to the nearest whole year. The ITT system service date is the date from which employment in the ITT system is recognized in conjunction with Rayonier service for purposes of determining eligibility for vesting under the applicable ITT and Rayonier retirement plans covering the Executive on the Effective Date. Notwithstanding the above Schedule of Severance Pay, (i) in no event shall months of Base Pay provided to an Executive exceed the number of months remaining between the Effective Date and the Executive's Normal Retirement Date or (ii) shall severance pay exceed the equivalent of twice the Executive's total annual compensation during the year immediately preceding the Effective Date.

5. Form of Payment of Severance Pay

Severance pay shall be paid in the form of periodic payments according to the regular payroll schedule ("Salary Continuation"), provided that the Company reserves the right at any time to pay the remaining severance pay in the form of a discounted lump sum.

Any discounted lump sum paid under this Plan shall be equal to the present value of the remaining periodic payments of severance pay as determined by the Company using an interest rate equal to the prime rate at the _____ Bank in effect on the date the Company notifies the Executive that it is exercising its right to pay severance in the discounted lump sum.

Salary Continuation will commence or the discounted lump sum will be paid on the next day following the Effective Date except that where the Company exercises its right to pay the discounted lump sum after the commencement of Salary Continuation, it will be paid promptly after the Company exercises such right.

In the event of an Executive's death during the period the Executive is receiving Salary Continuation, the amount of severance pay remaining shall be paid in a discounted lump sum to the Executive's spouse or to such other beneficiary or beneficiaries designated by the Executive in writing or, if the Executive is not married and failing such designation, the estate of the Executive.

If an Executive is receiving Salary Continuation, the Executive must continue to be available to render to the company reasonable assistance, consistent with the level of the Executive's prior position with the company, at times and locations that are mutually acceptable. In requesting such services, the Company will take into account any other commitments which the Executive may have. After the Effective Date and normal wind up of the Executive's former duties, the Executive will not be required to perform any regular services for the Company. In the event the Executive secures other employment during the period the Executive is receiving Salary Continuation, the Executive must promptly notify the Company.

Salary Continuation will cease if an Executive is rehired by the Company.

6. Benefits During Severance Pay

As long as an Executive is receiving Salary Continuation, except as provided in this Section, the Executive will continue to be eligible for participation in company employee benefit plans, including without limitation, any non-qualified excess or supplemental benefit plans, in accordance with the provisions of such plans as in effect on the Effective Date. An executive will not be eligible to participate in any Company short-term or long-term disability plans, the company business travel accident plan or any new employee benefit plan or any improvement to any existing employee benefit plan adopted by the Company after the Effective Date.

7. Excluded Executive Compensation Plans, Programs, Arrangements and Perquisites

During the period an Executive is receiving Salary Continuation, the Executive will not be eligible to accrue any vacation or participate in any (i) bonus program, (ii) special termination programs, (iii) tax or financial advisory services, (iv) new awards under any stock option or stock related plan for executives (provided that the Executive will be eligible to exercise any outstanding stock options in accordance with the terms of any applicable stock option Plan, (v) new or revised executive compensation programs that may be introduced after the Effective Date and (vi) any other executive compensation program, plan, arrangement, practice, policy or perquisites unless specifically authorized by the Company in writing. The period during which an Executive is receiving Salary Continuation does not count as service for the purpose of any Company long-term incentive award program

including, but not limited to, Rayonier Incorporated's Long-Term Incentive Plan and any similar plan.

8. Divestiture

If a Rayonier Inc. subsidiary or division of Rayonier Inc. or a portion thereof at which an Executive is employed is sold or divested and if (i) the Executive accepts employment or continued employment with the purchaser and (ii) refuses employment or continued employment with the purchaser on terms and conditions substantially comparable to those in effect immediately preceding the sale or divestiture, the Executive shall not be provided severance pay under this Plan. The provisions of this Section 8 apply to divestitures accomplished through sales of assets or through sales of corporate entities.

9. Disqualifying Conduct

If during the period an Executive is receiving Salary Continuation, the Executive (i) engages in any activity which is inimical to the best interests of the Company, (ii) disparages the Company; (iii) fails to comply with any Company Covenant Against Disclosure and Assignment of Rights to Intellectual Property; (iv) without Rayonier Inc.'s, prior consent, induces any employees of the Company to leave their Company employment; (v) without Rayonier Inc.'s, prior consent, engages in, becomes affiliated with, or becomes employed by any business competitive with the company; or (vi) fails to comply with applicable provisions of the Rayonier Code of Business Conduct or applicable Rayonier Inc. Corporate policies, then the Company will have no further obligation to provide severance pay.

10. Release

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

11. Change in Control

Other provisions of this Plan to the contrary notwithstanding, in the event of a Change in Control (as defined in Appendix (B")):

- o If an Executive's employment with the Company terminates, whether voluntarily or involuntarily (except upon termination as a result of death, disability or on or after the Executive's Normal Retirement Date), within two years after a Change in Control event, the Executive shall receive severance pay as provided for in this Plan.
- o Such Executive may elect, and any executive receiving Salary Continuation may elect, to receive severance pay as either Salary Continuation or in a discounted lump sum. The Company shall not have the right to make payment in a discounted lump sum.

After a Change in Control event, and during the period when Executive is receiving Salary Continuation if, for any reason at any time the company is unable to treat the Executive as being eligible for ongoing participation in any Company employee benefit plan as provided in Section 6, "Benefits During Severance Pay", in existence immediately prior to the Change in Control event, and if as a result thereof the Executive does not receive a benefit or receives a reduced

benefit, the Company shall provide such benefits by (i) direct payment to the Executive of the amounts the Executive would have received from such benefit plan had the Executive continued to be eligible or (ii) at the company's option, make available equivalent benefits from other sources.

12. Administration of Plan

This Plan shall be administered by the Rayonier Board of Directors Compensation and Management Development Committee (the "Committee") who shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations and decisions by the Company shall be final, conclusive and binding on all parties affected thereby.

13. Termination or Amendment

Rayonier Incorporated may terminate or amend this Plan ("Plan change") at any time, except that no such Plan Change may reduce or adversely affect severance pay for any Executive whose employment terminates within two years of the Effective Date of such Plan Change provided that the Executive was a covered employee under this Plan on the date of Plan Change. Notwithstanding the foregoing, for two years after the occurrence of a Change in Control event, this Plan may not be terminated or amended.

14. Offset

Any severance pay provided to an Executive under this Plan shall be offset by reducing such severance pay by any severance pay, salary continuation, termination pay or similar

pay or allowance which Executive receives or is entitled to receive (i) under any other company plan, policy, practice, program, arrangement; (ii) pursuant to any employment agreement or other agreement with the Company; (iii) by virtue of any law, custom or practice. Any severance pay provided to Executives under this Plan shall also be offset by reducing such severance pay by any severance pay, salary continuation pay, termination pay or similar pay or allowance received by the Executive as a result of any prior termination of employment with the Company.

Coordination of severance pay with any pay or benefits provided by any applicable Rayonier Incorporated short-term or long-term disability plan shall be in accordance with the provisions of those plans.

15. Miscellaneous

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

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

Benefits under this Plan are paid for entirely by the Company from its general assets.

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

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

16. Adoption Date and Amendment

This Plan was adopted by Rayonier Incorporated's Board of Directors on December 8, 1993 ("Adoption Date") and does not apply to any termination of employment which occurred or which was communicated to the Executive prior to the Adoption Date.

APPENDIX A
SENIOR EXECUTIVE OFFICERS

Ronald M. Gross
Chairman, President and Chief Executive Officer

W. L. Nutter
Executive Vice President

William S. Berry
Senior Vice President, Forest Resources and Corporate
Development

Gerald J. Pollack
Senior Vice President and Chief Financial Officer

Kevin S. O'Brien
Senior Vice President, Pulp Marketing

John P. O'Grady
Senior Vice President, Human Resources

Roger H. Watts
Vice President and General Counsel

Kent B. Smith
Vice President, Forest Operations

For purposes of this Appendix B, each of the following events shall constitute a "Change in Control Event";

(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 (within the meaning of Section 13(d) of the Act), other than Rayonier Incorporated (the "Corporation") or a subsidiary of the Corporation or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, is the beneficial owner directly or indirectly of twenty percent or more of the outstanding Common Stock of the Corporation;

(ii) any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Common Stock of the Corporation (or securities convertible into such Common Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act) directly or indirectly, of fifteen percent or more of the outstanding Common Stock of the Corporation (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Common Stock);

(iii) the stockholders of the Corporation shall approve (A) any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving Corporation or pursuant to which shares of Common Stock of the corporation would be converted into cash, securities or

other property, other than a merger of the Corporation in which holders of Common Stock of the Corporation immediately prior to the merger have the same proportionate ownership of common stock of the surviving Corporation immediately after the merger as immediately before, 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 Corporation; or

(iv) there shall have been a change in a majority of the members of the Board of Directors of the Corporation within a 12-month period, unless the election or nomination for election by the Corporation's stockholders of each new Director during such 12-month period was approved by the vote of two-thirds of the Directors then still in office who were Directors at the beginning of such 12- month period.

RAYONIER INVESTMENT AND SAVINGS PLAN
FOR SALARIED EMPLOYEES
Effective March 1, 1994

RAYONIER INVESTMENT AND SAVINGS PLAN
FOR SALARIED EMPLOYEES
Effective March 1, 1994

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RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES

EFFECTIVE MARCH 1, 1994

ARTICLE ONE
INTRODUCTION AND PURPOSE

Rayonier Inc. ("Rayonier") established the Rayonier Investment and Savings Plan for Salaried Employees (the "Plan") as of March 1, 1994. The Plan contains assets received in a spin-off from the ITT Investment and Savings Plan for Salaried Employees. The purpose of the Plan is to increase the level of ownership of stock of Rayonier by salaried employees of Rayonier to provide a convenient way for such salaried employees to increase their financial security for emergencies and financial hardships and to supplement retirement income by saving on a regular and long-term basis, thereby offering these employees an additional incentive to continue their careers with Rayonier. The Plan is intended to meet the requirements of sections 401(a), 401(k), 401(m) and 501(a) of the Internal Revenue Code of 1986, as amended.

ARTICLE TWO
DEFINITIONS

2.1 "Accounts" shall mean, with respect to any Member or Deferred Member, his Basic Investment Account, Supplemental Investment Account, his Company Contribution Account and his Retirement Account.

2.2 "Actual Contribution Percentage" shall mean, with respect to a specified group of Employees referred to in sections 4.2(b) and 4.2(c), the average of the ratios, calculated separately for each Employee in that group, of (a) the After-Tax Savings and Matching Company Allocation made by the Employee for a Plan Year and, at the option of the Company, the Retirement contribution made for the Employee for the Plan Year under section 5.1(a) to (b) the Employee's Salary for that Plan Year. Such Actual Contribution Percentage shall be computed to the nearest one-hundredth of one percent of the Employee's Salary. For purposes of this section 2.3, Salary shall exclude compensation paid to the Employee while he is not a Plan Member.

2.3 "Actual Deferral Percentage" shall mean, with respect to a specified group of Employees referred to in sections 4.1(c) and 4.2(c), the average of the ratios, calculated separately for each Employee in that group, of (a) the amount of Before-Tax Savings made on the Employee's behalf for a Plan Year and, at the option of the Company, the Retirement contribution made for the Employee for the Plan Year under section 5.1(a) to (b) the Employee's Salary for that Plan Year. Such Actual Deferral Percentage shall be computed to the nearest one-hundredth of one percent of the Employee's Salary. For purposes of this section 2.4, Salary shall exclude compensation paid to the Employee while he is not a Plan Member.

2.4 "After-Tax Savings" shall mean the contributions made by a Member pursuant to section 4.2.

2.5 "Basic After-Tax Investment Account" shall mean that portion of the Trust Fund which, with respect to any Member or Deferred Member, is attributable to Basic After-Tax Savings and any investment earnings and gains or losses thereon.

2.6 "Basic After-Tax Savings" shall mean the contributions made by a Member which are credited to his Basic After-Tax Investment Account in accordance with section 4.2(a)(i).

2.7 "Basic Before-Tax Investment Account" shall mean that portion of the Trust Fund which, with respect to any Member or Deferred Member, is attributable to Basic Before-Tax Savings and any investment earnings and gains or losses thereon.

2.8 "Basic Before-Tax Savings" shall mean the contributions made on a Member's behalf which are credited to his Basic Before-Tax Investment Account in accordance with section 4.1(a)(i).

2.9 "Basic Investment Account" shall mean that portion of the Trust Fund which, with respect to any Member or Deferred Member, includes his Basic Before-Tax Investment Account and his Basic After-Tax Investment Account.

2.10 "Basic Savings" shall mean the Basic After-Tax Savings contributed by a Member and the Basic Before-Tax Savings contributed on a Member's behalf.

2.11 "Before-Tax Savings" shall mean those contributions made on a Member's behalf pursuant to section 4.1.

2.12 "Beneficiary" shall mean such beneficiary or beneficiaries as may be designated from time to time by the Member or Deferred Member, on a form made available by the Plan Committee for such purpose, to receive, in the event of the Member's or Deferred Member's death, the value of his Accounts at the time of his death. In the case of a Member or Deferred

Member who is married, the Beneficiary shall be the Member's or Deferred Member's spouse unless such spouse consents in writing on a form witnessed by a notary public to the designation of another person or trust as Beneficiary. For purposes of this section 2.13 a Deferred Member shall not include a Deferred Member who is an alternate payee designated as such pursuant to a qualified domestic relations order.

2.13 "Board of Directors" shall mean the Board of Directors of Rayonier or of any successor by merger, purchase or otherwise.

2.14 "Break in Service" shall mean a five consecutive year period in which an employee does not have any Hours Worked, which shall be treated as commencing on the date of severance from Service.

2.15 "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any section of the Code shall include any successor provision thereto.

2.16 "Company" shall mean Rayonier or any successor by merger, purchase or otherwise with respect to its Employees, any Participating Division with respect to its Employees, and any Participating Corporation with respect to its Employees.

2.17 "Company Contribution Account" shall mean that portion of the Trust Fund which, with respect to any Member or Deferred Member, is attributable to any contributions made on his behalf by the Company pursuant to section 5.1 with respect to Basic Savings and any investment earnings and gains or losses thereon, and/or any contributions and investment earnings thereon made on his behalf and transferred to the Trust Fund pursuant to a Prior Plan Transfer.

2.18 "Compensation" shall mean, for purposes of sections 2.33 and 5.6, total wages and other compensation paid to or for the Member as reported on the Member's Form W-2, Wage and Tax Statement, plus elective contributions under sections 401(k) and 125 of the Code. In no event shall Compensation exceed the indexed dollar limit prescribed under section 401(a)(17) of the Code.

2.19 "Deferred Member" shall mean a Member who has terminated employment with the Company and whose Vested Share will be deferred in accordance with section 10.1(a). "Deferred Member" shall also include an alternate payee designated as such pursuant to a qualified domestic relations order.

2.20 "Disability" shall mean, with respect to a Member, the total disability of such Member that results in the Member qualifying for benefits under the Rayonier Long Term Disability Plan for Salaried Employees. If a Member qualifies for benefits under the Rayonier Long Term Disability Plan for Salaried Employees then he shall be deemed to be totally disabled as determined by the insurance company that administers such plan.

2.21 "Effective Date" shall mean March 1, 1994 with respect to those Participating Corporations and Participating Divisions that began their participation in the Plan on such date; "Effective Date" with respect to any other Participating Corporation or Participating Division shall mean the date as of which such Participating Corporation or Participating Division begins its participation in the Plan.

2.22 "Employee" shall mean any person regularly employed by the Company who is considered a salaried employee for purposes of the Company's other employee benefit plans, who is paid from a payroll maintained in the continental United States and who receives regular and stated compensation other than a pension or retainer. However, except as the Board of Directors or the Plan Committee, pursuant to authority delegated to it by the Board of

Directors, may otherwise provide on a basis uniformly applicable to all persons similarly situated, and, except as specified below, no person shall be an "Employee" for purposes of the Plan whose terms and conditions of employment are determined by a collective bargaining agreement with the Company which does not make this Plan applicable to him, or who is a leased employee as defined in Code section 414(n).

2.23 "Enrollment Date" shall mean January 1 or July 1 of any calendar year.

2.24 "Hardship Committee" shall mean the Investment and Savings Plan Hardship Committee or Committees established hereunder for the purposes provided in Article Thirteen.

2.25 "Highly Compensated Employee" shall mean, with respect to any Plan Year, any employee who in the immediately preceding Plan Year (i) was a five percent owner, (ii) earned annual Compensation from the Company or an affiliated company which exceeds a dollar amount that is indexed annually and is determined pursuant to section 414(q)(1)(B) of the Code, (iii) earned annual Compensation from the Company or an affiliated company which exceeds a dollar amount that is indexed annually and is determined pursuant to section 414(q)(1)(C) of the Code and was among the top 20% of employees in terms of pay or (iv) was an officer of the Company or an affiliated company (subject to the limitations of section 414(q) of the Code) and received more than fifty percent of the amount in effect under Code section 415(b)(1)(A) for such year in annual compensation. The thresholds referred to in (ii) and (iii) above shall be adjusted at the same time and in the same manner as the dollar limit on benefits under a defined benefit plan is adjusted pursuant to section 415(d) of the Code. Notwithstanding the foregoing, an Employee who meets the criteria under clause (ii), (iii) or (iv) for the current year (based on the threshold dollar amounts in effect for the current year) but not for the preceding year

(based on the threshold amounts in effect for such year) will not be considered a highly compensated employee for the current year unless the employee is one of the 100 highest-paid employees of the Company or an affiliated company.

2.26 "Hours Worked" shall mean hours for which an employee is compensated whether or not he has worked, such as paid holidays, paid vacation, paid sick leave and paid time off, and back pay for the period for which it was awarded, and each such hour shall be computed as only one hour, even though he is compensated at more than the straight time rate. With respect to any period for which an employee is compensated but has not worked, hours counted shall be included on the basis of the employee's normal work-day or work-week. This definition of Hours Worked shall be applied in compliance with 29 Code of Federal Regulations section 2530.200b-2(b) and (c), as promulgated by the United States Department of Labor, in a consistent and nondiscriminatory manner.

2.27 "ITT" shall mean ITT Corporation.

2.28 "ITT Common Stock" shall mean shares of common stock of ITT.

2.29 "ITT Plan" shall mean the ITT Investment and Savings Plan for Salaried Employees.

2.30 "Loan Valuation Date" shall mean the last day of the calendar month in which a Member's properly completed application for a loan under the Plan as transmitted by the Company is received by the Savings Plan Administrator.

2.31 "Matching Company Allocation" means the Rayonier Stock allocated to a Member's Retirement Account.

2.32 "Member" shall mean any person who has become a Member as provided in Article Three or on whose behalf a Prior Plan Transfer has been made.

2.33 "Non-U.S. Citizen Employee" shall mean any person who is considered a salaried employee for purposes of the Company's employee benefit plans, who is

- (a) not a citizen of the United States,
- (b) paid from a payroll maintained in the continental United States, and
- (c) employed by the Company in a permanent position (as distinguished from a temporary assignment) in the continental United States, even though such person may be covered under a retirement plan of the Company other than those enumerated in section 2.22. The hire or assignment on or after March 1, 1994 of a Non-U.S. Citizen Employee who is participating in such other Company retirement plan to a position in the continental United States, at a Participating Corporation or a Participating Division, is deemed to be the hiring or assignment for a permanent position, for purposes of eligibility for Plan Membership, when the employee has been in such position for a period of thirty-six consecutive months.

2.34 "Participating Corporation" shall mean any subsidiary or affiliated company of Rayonier or designated division(s) or unit(s) only of such subsidiary or affiliate which, by appropriate action of the Board of Directors or by a designated officer of Rayonier pursuant to authorization delegated to him by the Board of Directors has been designated as a Participating Corporation in the Plan as to all of its employees or as to the employees of one or more of its operating or other units and the Board of Directors of which shall have taken appropriate action to adopt this Plan.

2.35 "Participating Division" shall mean any division of Rayonier or designated unit(s) only of such division which by appropriate action of the Board of Directors or by a designated officer of Rayonier pursuant to authorization delegated to him by the Board of Directors has been designated as a Participating Division in this Plan.

2.36 "Plan" shall mean the Rayonier Investment and Savings Plan for Salaried Employees as set forth herein or as amended from time to time.

2.37 "Plan Committee" shall mean the Investment and Savings Plan Committee established hereunder for the purposes of administering the Plan as provided in Article Twelve.

2.38 "Plan Year" initially shall mean the period commencing March 1, 1994 and ending December 31, 1994 and there after shall mean the calendar year.

2.39 "Prior Plan Transfer" shall mean that portion of the Account of any Member or Deferred Member that is attributable to amounts transferred on his behalf from the spin-off of the ITT Plan.

2.40 "Retirement" shall mean early or normal retirement under the Retirement Plan for Salaried Employees of Rayonier. Normal retirement may be elected under the above-stated Retirement Plans on or after the first day of the calendar month coincident with or next following the 65th anniversary of an Employee's birth. Early retirement may be elected at any time after the 50th anniversary of an Employee's birth, provided service requirements specified in the stated Retirement Plans are met. "Retirement" for Members not covered by the above stated Retirement Plans shall mean separation from service on or after attaining age 65.

2.41 "Retirement Allocation" means the Rayonier Stock allocated to a Member's Retirement Account pursuant to section 7.4.

2.42 "Retirement Account" shall mean that portion of the Trust Fund which, with respect to any Member or Deferred Member, is attributable to Retirement Allocations.

2.43 "Salary" shall mean an Employee's compensation from the Company at his base rate, determined prior to any election by the Member pursuant to section 4.1(a) hereof and prior to any election by the Member pursuant to section 125 of the Code, excluding any overtime, bonus, foreign service allowance or any other form of compensation, except to the extent otherwise deemed "Salary" for purposes of the Plan under such nondiscriminatory rules as are adopted by the Plan Committee with respect to all Members or any particular Participating Company or Participating Division, and limited to a dollar amount which is indexed annually and determined in accordance with section 401(a)(17) of the Code.

2.44 "Savings Plan Administrator" shall mean the Savings Plan Administrator designated by the Company.

2.45 "Service" shall mean the period of elapsed time beginning on the date an Employee commences employment with the Company and any service credited under the Prior Plan, and ending on his most recent severance date, which shall be the earlier of (i) the date he quits, is discharged, retires or dies or (ii) the first anniversary of the date on which he is first absent from service, with or without pay, for any reason such as vacation, sickness, disability, layoff or leave of absence. If Service is interrupted for maternity or paternity reasons, meaning an interruption of Service by reason of (a) the pregnancy of the employee, (b) the birth of a child of the employee or (c) the placement of a child with the employee by reason of adoption, or for purposes of caring for a newborn child of the employee

immediately following the birth or adoption of the newborn, then the date of severance from Service shall be the earlier of (i) the date he quits, is discharged, retires or dies, or (ii) the second anniversary of the date on which he is first absent from Service. If an Employee terminates and is later reemployed within 12 months of (i) his date of termination or (ii) the first day of an absence from service immediately preceding his date of termination, if earlier, the period between his severance date and his date of reemployment shall be included in his Service. With respect to Service for purposes of the vesting schedule in section 5.2, if an Employee terminates and is later reemployed after 12 or more months have elapsed since his severance date, the period of service prior to his severance date shall be included in his Service.

For purposes of eligibility for membership in the Plan provided in Article Three, an Employee whose employment with the Company is on a temporary or less than full-time basis shall be eligible if he is regularly scheduled to complete or has completed at least 1,000 Hours Worked in a twelve consecutive month period of employment measured from the date on which such Employee's Service commences or from any subsequent anniversary thereof. After such an Employee has become a Member of the Plan as provided in Article Three, Service for purposes of meeting the requirements for vesting shall be determined in accordance with the first paragraph of this section 2.45.

Under the circumstances hereinafter stated and upon such conditions as the Plan Committee shall determine on a basis uniformly applicable to all employees similarly situated, the period of Service of an employee shall be deemed not to be

interrupted by an absence of the type hereinafter stated and the period of such absence shall be included in determining the length of an employee's Service:

- (a) if a leave of absence has been authorized by the Company or any subsidiary or affiliate of the Company, for the period of such authorized leave of absence only; or
- (b) if an employee enters service in the armed forces of the United States and if the employee's right to re-employment is protected by the Selective Service Act or any similar law then in effect and if the employee returns to regular employment within the period during which the right to re-employment is protected by any such law.

2.46 "Supplemental After-Tax Investment Account" shall mean that portion of the Trust Fund which, with respect to any Member or Deferred Member, is attributable to Supplemental After-Tax Savings and any investment earnings and gains or losses thereon.

2.47 "Supplemental After-Tax Savings" shall mean the contributions made by a Member which are credited to his Supplemental After-Tax Investment Account in accordance with section 4.2(a)(ii) and/or which are credited on his behalf pursuant to a Prior Plan Transfer.

2.48 "Supplemental Before-Tax Investment Account" shall mean that portion of the Trust Fund which, with respect to any Member or Deferred Member, is attributable to Supplemental Before-Tax Savings and any investment earnings and gains or losses thereon.

2.49 "Supplemental Before-Tax Savings" shall mean the contributions made on a Member's behalf which are credited to his Supplemental Before-Tax Investment Account in accordance with section 4.1(a)(ii) and/or which are credited on his behalf pursuant to a Prior Plan Transfer.

2.50 "Supplemental Investment Account" shall mean that portion of the Trust Fund which, with respect to any Member or Deferred Member, includes his Supplemental Before-Tax Investment Account and his Supplemental After-Tax Investment Account.

2.51 "Supplemental Savings" shall mean the Supplemental After-Tax Savings contributed by a Member, Supplemental Before-Tax Savings contributed on a Member's behalf, and the Supplemental After-Tax Savings and Supplemental Before-Tax Savings credited on a Member's behalf pursuant to a Prior Plan Transfer.

2.52 "Termination of Employment" shall mean separation from the employment of the Company for any reason, including, but not limited to, Retirement, death, Disability, resignation or dismissal by the Company; provided, however, that transfer in employment between the Company and any other subsidiary or affiliate of Rayonier shall not be deemed to be "Termination of Employment." With respect to any leave of absence and any period of service in the armed forces of the United States, section 2.45 shall govern.

2.53 "Trust Fund" shall mean the aggregate funds held by the Trustee under the trust agreement or agreements established for the purposes of this Plan, consisting of Funds R, B, C, D, and I as described in Article Six.

2.54 "Trustee" shall mean the Trustee or Trustees at any time acting as such under the trust agreement or agreements established for the purposes of this Plan.

2.55 "Valuation Date" shall mean the date or dates, as applicable, on which the Trust Fund is valued in accordance with Article Seven.

2.56 "Vested Company Contribution Account" shall mean, with respect to a Member or Deferred Member, that portion of his Company Contribution Account which is vested in accordance with the terms of section 5.4.

2.57 "Vested Share" shall mean, with respect to a Member or Deferred Member, that portion of his Accounts vested in accordance with the terms of sections 4.4 and 5.4.

2.58 "Withdrawal Valuation Date" shall mean, with respect to withdrawals made pursuant to sections 8.2 and 8.3 and with respect to withdrawals made after age 59-1/2 pursuant to section 8.4, the last day of the calendar month in which a Member's properly completed request for a withdrawal under the Plan as transmitted by the Company is received by the Savings Plan Administrator. With respect to withdrawals made prior to age 59-1/2 pursuant to section 8.4, "Withdrawal Valuation Date" shall mean the last day of the calendar month in which a Member's properly completed request for a withdrawal under the Plan as transmitted by the Company is approved by the relevant Hardship Committee.

ARTICLE THREE
MEMBERSHIP

3.1 Membership. All Employees of the Company who were Members of the ITT Plan shall become Members of the Plan on the Effective Date. Any other Employee shall become a Member on any Enrollment Date following his completion of six months of Service; provided, however, that an Employee whose employment with the Company is on a temporary or less than full-time basis shall become a Member on any Enrollment Date coinciding with or next following fulfillment of the conditions of section 2.45.

3.2 Enrollment Form. A Member must file an enrollment form approved by the Plan Committee with the Company at least 15 days prior to an Enrollment Date. By filing the enrollment form, the Employee shall designate a Beneficiary and he may:

- (a) designate the rate of his After-Tax Savings,
- (b) authorize the Company to make regular payroll deductions of the amount of his After-Tax Savings, if any,
- (c) designate the rate of his Before-Tax Savings,
- (d) authorize the Company to reduce his Salary by the amount of his Before-Tax Savings, if any,
- (e) make an investment election as described in section 6.2.

ARTICLE FOUR
MEMBER SAVINGS

- 4.1 Member Before-Tax Savings.
- (a) Each Member may elect, subject to the provisions of section 4.1(b), to have his subsequent Salary reduced by 2%, 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, 11%, 12%, 13%, 14%, 15% or 16%, and have that amount contributed to the Trust Fund by the Company that employs said Member. Such election shall be effective with the first payroll paid on or after the date as of which the election is to apply. From time to time and in order to comply with section 401(k)(3) of the Code, the Plan Committee may impose a limitation on the extent to which a Member who is a Highly Compensated Employee may reduce his Salary in accordance herewith, based on the Plan Committee's reasonable projection of savings rates of Members who are not Highly Compensated Employees.
- (i) Basic Before-Tax Savings--Contributions under this section which are not in excess of 6% of such Member's Salary for the month for which such contributions are made shall be known as "Basic Before-Tax Savings" and shall be credited to his Basic Before-Tax Investment Account; and
- (ii) Supplemental Before-Tax Savings--Contributions under this section which are in excess of the maximum allowed under the preceding paragraph (i) shall be known as "Supplemental Before-Tax Savings" and shall be credited to his Supplemental Before-Tax Investment Account.
- Before-Tax Savings shall also include amounts credited on a Member's behalf pursuant to a Prior Plan Transfer. As of any January 1, April 1, July 1, or October 1, a Member may elect to change the rate of his Salary reduction by giving the Company at least 15 days prior written notice on a form approved by the Plan Committee for such purpose.

- (b) The maximum dollar amount of Before-Tax Savings that may be made on behalf of any Member for a calendar year shall be the maximum amount determined by the Secretary of the Treasury, pursuant to section 402(g) of the Code. In the event the foregoing limitation is exceeded for any calendar year, the excess Before-Tax Savings as adjusted for investment experience will be deemed to have been distributed to the Member and recontributed to the Plan as After-Tax Savings or returned to the Member on behalf of whom such Before-Tax Savings were contributed, in accordance with the Member's election. Any amounts so returned to the Member will be returned no later than the April 15 following the end of the calendar year for which the contributions were made. However, in the event the Member participated in more than one qualified defined contribution plan under which he contributed pursuant to a salary deferral arrangement, the Member shall notify the Committee by March 1 of the following calendar year of the amount of the excess deferrals to be allocated to this Plan and such portion of the excess deferrals so allocated shall be recontributed to the Plan as After-Tax Savings or returned to the Member as provided in the preceding sentence .
- (c) With respect to each Plan Year, the Actual Deferral Percentage for Highly Compensated Employees who are Members shall not exceed the greater of: (a) 125 percent of the Actual Deferral Percentage for all other Employees who are Members or (b) the lesser of (i) 200 percent of the Actual Deferral Percentage of all other Employees who are Members or (ii) the Actual Deferral Percentage of all other Employees who are Members plus 2 percentage points. In the event the Actual Deferral Percentage for Highly Compensated Employees for any Plan Year exceeds the limits described in the preceding sentence, then the amount of excess deferrals, determined by reducing contributions

made on behalf of Highly Compensated Employees in order of the Actual Deferral Percentages beginning with the highest of such percentages, as adjusted for investment experience, will be distributed to the Members on whose behalf such deferrals were made or, under rules to be adopted by the Committee, such Members may elect to recharacterize such adjusted deferrals as After-Tax Savings. Any distribution of the adjusted excess deferrals will be made to the Highly Compensated Employees on the basis of the respective portion of the adjusted excess deferrals attributable to each of such employees and will be returned to the employees on whose behalf such contributions were made within 2-1/2 months following the end of the Plan Year for which the deferrals were made. In the event that any portion of a Member's Before-Tax Savings, as adjusted for investment experience, is returned or recharacterized pursuant to section 4.1(b) as a result of the annual limit applicable to Before-Tax Savings, such Member's Average Deferral Percentage shall be determined before such excess deferral is returned. Any such adjusted excess deferrals that are recharacterized shall be treated as (a) annual additions pursuant to section 5.6 and (b) Before-Tax Savings for purposes of their withdrawability prior to Termination of Employment and shall be subject to the financial hardship requirement provisions of section 8.4.

4.2 Member After-Tax Savings.

- (a) By authorizing payroll deductions, each Member may elect to contribute to the Trust Fund 1%, 2%, 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, 11%, 12%, 13%, 14%, 15% or 16% of his Salary in such payroll period, effective with the first payroll paid on or after the date as of which the election is to apply. A Member may not contribute more than the difference between 16% of his Salary and

the amount of savings he elected pursuant to section 4.1. A Member who contributes only After-Tax Savings in accordance with this section 4.2 shall be subject to a minimum contribution of 2% of his Salary. From time to time and in order to comply with section 401(m) of the Code, the Plan Committee may impose an additional limit on the extent to which a Member who is a Highly Compensated Employee may contribute to the Trust Fund as After-Tax Savings, based on the Plan Committee's reasonable projection of savings rates of Members who are not Highly Compensated Employees. Each Member's contributions shall be paid monthly into the Trust Fund and shall be credited as follows:

- (i) Basic After-Tax Savings--Contributions by a Member that are not in excess of the difference between 6% of such Member's Salary for the month for which such contributions are made and the amount credited as Basic Before-Tax Savings for that month shall be known as "Basic After-Tax Savings" and shall be credited to his Basic After-Tax Investment Account; and
- (ii) Supplemental After-Tax Savings--Any contributions by a Member that are in excess of the maximum allowed under the preceding paragraph (i) shall be known as "Supplemental After-Tax Savings" and shall be credited to his Supplemental After-Tax Investment Account.

After-Tax Savings may also include amounts credited on a Member's behalf pursuant to a Prior Plan Transfer.

As of January 1, April 1, July 1 or October 1, a Member may elect to change his after-tax contribution rate by giving the Company at least 15 days prior written notice on a form approved by the Plan Committee for such purpose.

- (b) With respect to each Plan Year, the Actual Contribution Percentage for Highly Compensated Employees who are Members shall not exceed the greater of (a) 125 percent of the Actual Contribution Percentage for all other Employees who are Members or (b) the lesser of (i) 200 percent of the Actual Contribution Percentage of all other Employees who are Members or (ii) the Actual Contribution Percentage of all other Employees who are Members plus 2 percentage points. In the event the Actual Contribution Percentage for Highly Compensated Employees for any Plan Year exceeds the limits described in the preceding sentence, such excess contributions determined by reducing contributions made on behalf of Highly Compensated Employees in order of the Actual Contribution Percentages beginning with the highest such percentages, as adjusted for investment experience, will be returned to, or paid to, the employees for whom such contributions were made within 2-1/2 months following the end of the Plan Year for which the contributions were made.

A Member's Actual Contribution Percentage shall be determined after a Member's excess Before-Tax Savings are either recontributed to the Plan as After-Tax Savings or paid to the Member.

- (c) Notwithstanding the provisions of section 4.1(c) and section 4.2(b) above, in no event shall the sum of the Actual Deferral Percentage of the group of eligible Highly Compensated Employees and the Actual Contribution Percentage of such group, after applying the provisions of section 4.1(c) and section 4.2(b) above, exceed the "aggregate limit" as such term is defined under regulations prescribed by the Secretary of the Treasury under section 401(m) of the Code. In the event the aggregate limit is exceeded for any Plan

Year, the Actual Contribution Percentages of the Highly Compensated Employees shall be reduced to the extent necessary to satisfy the aggregate limit in accordance with the procedure set forth in section 4.2(b) above.

4.3 Suspension and Resumption of Member Savings. A Member may suspend his savings under section 4.1 and section 4.2 by giving to the Company written notice on a form approved by the Plan Committee for such purpose. Such suspension will become effective with the first payroll paid in the month following the date written notice is received by the Company. If a Member takes a withdrawal from his Supplemental Before-Tax Investment Account and Basic Before-Tax Investment Account under section 8.4 he may elect to suspend his savings for a period of not less than 12 months in lieu of disclosing his financial resources. Such suspension will become effective in the third month following the month in which the Valuation Date of the Member's distribution occurs. No Matching Company Allocations shall be made under section 7.3 during the period of a Member's suspension although he will continue to be considered a Member for purposes of sections 4.1(c), 4.2(b) and 4.2(c).

A Member who suspends his savings in accordance with the first sentence of the preceding paragraph may resume his savings under section 4.1 and/or under section 4.2 as of any January 1, April 1, July 1 or October 1 after the date the suspension commenced by giving to the Company at least 15 days' prior written notice on a form approved by the Plan Committee for such purpose. A Member who elects to suspend his savings in accordance with the third sentence of the preceding paragraph may resume his savings under section 4.1 and/or under section 4.2 as of any January 1, April 1, July 1, or October 1 following a period of suspension of not less than 12 months, by giving to the Company at least 15 days' prior written notice on a form approved by the Plan Committee for such purpose.

4.4 Vesting of Member's and Deferred Member's Contributions. Each Member's and Deferred Member's Basic Investment Account and Supplemental Investment Account shall at all times be fully vested.

ARTICLE FIVE
COMPANY CONTRIBUTIONS

- 5.1 Company Contributions.
- (a) Retirement Contributions. The Company shall contribute each Plan Year to the Retirement Account of a Member an amount equal to one-half of one percent of the Member's salary for the Plan Year.
- (b) Matching Company Contributions. The Company, with respect to each Member employed by it, shall contribute to the Trust Fund an amount equal to 50% of such Member's Basic Savings for the corresponding month. The Company contributions with respect to a Member shall be paid into the Trust Fund and credited to such Member's Company Contribution Account. No Company contributions shall be made with respect to a Member's Supplemental Savings. Notwithstanding the foregoing, no Company contributions shall be made in respect of a Member's Basic Savings which were made during a suspension period following a withdrawal prior to Termination of Employment as provided in sections 8.2, 8.3 and 8.4 herein. Company contributions shall be made in either cash or Rayonier stock, as the Company shall determine (including Treasury shares or newly issued shares of previously authorized but unissued Rayonier stock).
- (c) Contributions From Profits. Contributions under this Article V shall be made from the Company's profits, which shall mean the net income of the Company for the Company's fiscal year as determined by the Company according to generally accepted accounting principles and practices, but without regard to any federal, state, or local income and/or franchise taxes which may be payable with respect to such income.

5.2 Vesting. A Member shall be vested in, and have a nonforfeitable right to, his Company Contribution Account and in accordance with the following schedule:

YEARS OF SERVICE -----	NONFORFEITABLE PERCENTAGE -----
less than 1 year.....	0%
1 but less than 2 years	20%
2 but less than 3 years	40%
3 but less than 4 years	60%
4 but less than 5 years	80%
5 or more years	100%

Notwithstanding the foregoing schedule, a Member shall immediately be fully vested in his Company Contribution Account in the event of any one of the following:

- (a) attainment of age 65,
- (b) his Retirement,
- (c) his Disability,
- (d) his death,
- (e) termination of the Plan, or
- (f) complete discontinuance of Company contributions.

A Member shall at all times be fully vested in, and shall have a nonforfeitable right to 100 percent of, the portion of his Retirement Account.

5.3 Forfeitures.

- (a) In the event of Termination of Employment of a Member for any reason other than the foregoing listed in (a) through (d) of section 5.4, then the portion of the Member's Company Contribution Account in which he is not vested in accordance with section 5.4 shall be forfeited. However, if he is reemployed by the Company prior to the expiration of a Break in Service, the provisions of section 10.7 shall apply.
- (b) If a Member shall have withdrawn all or a portion of the value of his Vested Company Contribution Account at any time before Termination of Employment, then all or a portion of the excess of the value of his Company

Contribution Account over the value of his Vested Company Contribution Account shall be forfeited as provided in section 8.3. However, the Member may restore such forfeited amounts in accordance with the provisions of section 8.6.

- (c) As soon as practicable after an event giving rise to a forfeiture shall have occurred, the amount of any forfeiture under the foregoing subdivisions of this section 5.5, reduced by any forfeited amounts restored to a Member's Accounts, shall be applied to reduce future Company contributions under section 5.1.
- (d) In the event of the termination of the Plan or complete discontinuance of Company contributions hereunder, any forfeitures not previously applied in accordance with the foregoing provisions of this section shall be credited proportionately to the accounts of all Members as provided in section 14.2(b).

5.4 Maximum Annual Additions.

- (a) Notwithstanding any other provision of the Plan, except as otherwise provided in this section 5.4(a), the annual addition to a Member's Accounts for any Plan Year, when added to the Member's annual addition for that Plan Year under any other qualified defined contribution plan of the Company or any subsidiary or affiliate of the Company, shall not exceed an amount which is equal to the lesser of (i) 25% of his aggregate Compensation for that Plan Year determined after (A) any reduction of Salary pursuant to section 4.1(a) and (B) after any reduction of Salary as a result of elective contributions pursuant to section 125 of the Code, or (ii) \$30,000. As of January 1 of each Plan Year, one-quarter of the dollar limitation in effect under section 415(b)(1)(A) of the Code, if greater, shall become effective as the alternative maximum permissible annual addition during that Plan Year in lieu of \$30,000.

- (b) For purposes of this section 5.4, the "annual addition" for a Plan Year to a Member's Accounts under this Plan shall be the sum of (i) the amount of such Member's Before-Tax Savings for such Plan Year, (ii) the amount of such Member's After-Tax Savings for such Plan Year, and (iii) all contributions by the Company or any subsidiary or affiliate of the Company to such Member's Company Contribution Account or Retirement Account for such Plan Year.
- (c) For purposes of this section 5.4, the term subsidiary or affiliate shall mean any such company within the controlled group of companies within the meaning of Code section 414, except the phrase "more than 50 percent" shall be substituted for the phrase "at least 80 percent" each place it appears in section 1563(a)(1) of such Code.
- (d) In the event that it is determined that the annual additions to a Member's Accounts for any Plan Year would be in excess of the limitations contained herein, such annual additions shall be reduced to the extent necessary to bring such annual additions within the limitations contained in this section 5.4. The Member's allocable share of Company contributions for such Plan Year shall be reduced and reallocated to the other Members in the Plan, in the proportion that the Salary of each other Member bears to the total Salaries for all such other Members for such Plan Year; subject, however, to the limitations contained in section 5.4(a).
- (e) In the event that any Member of this Plan is a participant in any other defined contribution plan (whether or not terminated), maintained by the Company or any subsidiary or affiliate of the Company the total amount of annual additions to such Member's accounts under all such defined contribution plans shall not exceed the limitations set forth in this section 5.4.

If it is determined that as a result of the limitations set forth in this Subparagraph (e), the annual additions to such Member's accounts must be reduced:

- (i) first, the annual additions to such Member's accounts under other defined contribution plans shall be reduced to the extent necessary and to the extent permitted by law so that the limitations described in section 5.4(a) are not exceeded; and
- (ii) second, if after application of clause (i), the annual additions to such Member's accounts are still in excess of the permissible amount, the annual additions to such Member's Account under this Plan shall be reduced.

In the event that any Member of the Plan is also a participant in any defined benefit plan maintained by the Company or any subsidiary or affiliate of the Company, it is intended that the benefits under such defined benefit plan shall be reduced prior to the application of the limitations contained in section 5.4(a) to the annual additions to such Member's Accounts under this Plan to the extent NECESSARY TO SATISFY THE requirements of section 415(e) of the Code.

ARTICLE SIX
INVESTMENT OF CONTRIBUTIONS

6.1 Investment Funds. Contributions to the Plan shall be invested by the Trustee in the following funds:

FUND R--a fund invested primarily in Rayonier Common Stock. Such common stock shall be purchased by the Trustee regularly on the open market, in accordance with a non-discretionary purchase program, by the exercise of stock rights or by private purchase; provided, however, that at the option and direction of Rayonier, treasury stock or newly issued shares of Rayonier Common Stock previously authorized and unissued may be contributed to the Trustee as provided in section 5.1.

FUND B--a fund invested in a portfolio of common stocks, all of which are included in the Standard and Poor's 500 Composite Stock Index ("S&P 500"), with the objective of providing investment results which will approximate the performance of the S&P 500 (the "Index Fund"). The Index Fund will be managed by the Trustee using statistical methods designed to achieve the foregoing objective, individual stocks being selected by the Trustee on the basis of their contribution to the objective of the Index Fund as a whole, without regard to economic, market or financial analysis.

FUND C--a fund, together with the earnings thereon, invested in a diversified portfolio consisting of fixed income investments and agreements in support of capital preservation and liquidity. The fixed income investments will in each case represent an issuer's promise to repay principal plus a rate of interest and may include, but are not limited to, group annuity contracts with life insurance companies, deposit agreements with banks, obligations of the United States Government or its agencies, and asset-backed securities. Fund C will be managed to provide a stable rate of return consistent with the preservation of principal.

FUND D--a fund invested through an actively managed portfolio of the following asset classes: equity securities, fixed income securities, and money market instruments (the "Balanced Fund"). The fund's investments will be actively shifted among these asset classes in order to capitalize on intermediate-term (i.e., 12-18 months) valuation opportunities and to maximize the fund's total return. Fund D's objective is to approach long-term stock market returns with less volatility.

FUND I--a fund invested primarily in ITT Common Stock attributable to the spin-off from the ITT Plan.

In any Fund, the Trustee temporarily may hold cash or make short-term investments in obligations of the United States Government, commercial paper, an interim investment fund for tax qualified employee benefit plans established by the Trustee, unless otherwise provided by applicable law, or other investments of a short-term nature.

6.2 Investment of Contributions. Contributions under the Plan shall be invested by the Trustee as follows:

- (a) Matching Company contributions and Retirement contributions shall be invested entirely in Fund R, except when a Member who has attained age 55 elects to have all or part of his Company contributions transferred to or invested in Fund C pursuant to section 6.5.
- (b) Contributions for Member savings made pursuant to section 4.1 or section 4.2 shall be invested, in multiples of 5%, in any one or more of Fund R, B C, or D as elected by the Member. No amounts shall be invested in Fund I.

A Company Contribution Account shall be established for each Member in each Fund to which Matching Company contributions made pursuant to section 5.1 with respect to him have been made or transferred. A Retirement Account shall be established for each Member in each Fund in which Retirement contributions with

respect to him have been made. A Basic After-Tax Investment Account, a Basic Before-Tax Investment Account, a Supplemental After-Tax Investment Account, and a Supplemental Before-Tax Investment Account, as applicable, shall be established for each Member in each Fund to which such Member's savings have been directed.

6.3 Change in Investment Election. Not more than once in any calendar month, by giving to the Company prior written notice on a form approved by the Plan Committee for such purpose, a Member may change his investment election within the limitation set forth in section 6.2 with respect to savings to be made for any payroll paid on or after the effective date of such notice. The effective date of notice shall be the first day of the calendar month immediately following the date on which properly completed written notice is received by the Company.

6.4 Redistribution of Member Savings. Not more than once in any calendar month, by giving written notice to the Company on a form approved by the Plan Committee for such purpose, a Member, Deferred Member or Beneficiary who was the spouse of a Member and who elects to defer receipt of the Member's or Deferred Member's Vested Share in accordance with section 10.1(a) or (b) may elect to redistribute on any Valuation Date all or part, in multiples of 5%, of his Basic Investment Account and/or Supplemental Investment Account among the Funds R, B, C, or D. The Valuation Date applicable to the redistribution reallocation shall be the last day of the calendar month in which properly completed written notice is received by the Savings Plan Administrator. With respect to Fund I, a Member may elect only to transfer amounts from Fund I to another fund.

6.5 Investment Option at Age 55. By giving to the Company written notice on a form approved by the Plan Committee for such purpose, any Member who has attained age 55 shall have an option to elect the following:

- (a) to have transferred to Fund C all or part, in multiples of 5%, of his previously credited Company Contribution Account and/or his Retirement Account,
- (b) to have invested in Fund C all or part, in multiples of 25%, of his future Matching Company Allocations and Retirement Allocations, and
- (c) if a Member is age 55 or older when he joins the Plan or becomes a Member, he can have all or part of the Matching Company Allocations and Retirement Allocations mad on his behalf invested in Fund C in multiples of 25% thereof.

A Member may make the elections described above only once, and if a Member desires to make more than one type of election, such elections must be made simultaneously.

The Valuation Date applicable with respect to transfers and investments made in accordance with subparagraph (a) above shall be the last day of the calendar month in which the Member's request is filed with the Company. The effective date applicable with respect to investments made in accordance with subparagraph (b) above shall be the first day of the calendar month following the calendar month in which the Member's request is filed with the Company.

6.6 Voting of Rayonier Stock. Each Member is, for the purposes of this section 6.6, hereby designated a named fiduciary within the meaning of section 402(a)(2) of the Employee Retirement Income Security Act of 1974, as amended, with respect to the shares of Rayonier Stock allocated to his Account. Each Member and Deferred Member (or Beneficiary in the event of the death of the Member or Deferred Member) may direct the Trustee as

to the manner in which the Rayonier Stock allocated to his Accounts is to be voted. Before each annual or special meeting of shareholders of Rayonier there shall be sent to each Member, Deferred Member and such Beneficiary a copy of the proxy solicitation material for such meeting, together with a form requesting instructions to the Trustee on how to vote the Rayonier Stock allocated to such Member's, Deferred Member's and Beneficiary's Accounts. Upon receipt of such instructions, the Trustee shall vote such shares as instructed, determined separately with respect to shares of Rayonier Stock held in Fund R. In lieu of voting fractional shares as instructed by Members, Deferred Members or Beneficiaries, the Trustee may vote the combined fractional shares of Rayonier Stock to the extent possible to reflect the directions of Members, Deferred Members or Beneficiaries with allocated fractional shares of each class of stock. The Trustee shall vote shares of Rayonier Stock allocated to Accounts under the Plan but for which the Trustee received no valid voting instructions in the same manner and in the same proportion, determined separately with respect to shares of Rayonier Stock held in Fund R, as the shares of Rayonier Stock in the Accounts in the respective funds with respect to which the Trustee received valid voting instructions are voted. Instructions to the Trustee shall be in such form and pursuant to such regulations as the Plan Committee may prescribe.

Any instructions received by the Trustee from Members, Deferred Members and Beneficiaries regarding the voting of Rayonier Stock shall be confidential and shall not be divulged by the Trustee to the Company, or to any director, officer, employee or agent of the Company, it being the intent of this provision of section 6.6 to ensure that the Company (and its directors, officers, employees and agents) cannot determine the voting instructions given by any Member, Deferred Member or Beneficiary.

ARTICLE SEVEN
CREDITS TO MEMBERS' ACCOUNTS, VALUATION AND
ALLOCATION OF ASSETS

7.1 Crediting Savings and Contributions. Before-Tax Savings and After-Tax Savings made on behalf of or by a Member shall be allocated to the Basic Investment Account or Supplemental Investment Account of such Member, as appropriate, as soon as practicable after such contributions are transferred to the Trust Fund. Company contributions and Retirement contributions made on behalf of a Member shall be allocated to the appropriate account as soon as practicable after contribution to the Trust Fund.

7.2 Credits to Members' Accounts. At the end of each month in which the Plan is in effect and operation, the amount of each Member's credit in each of the Funds R, B, C, D, and I shall be expressed and credited in dollars of contributions by the Member and Company contributions and Rayonier Stock allocated to a Member's Accounts for such month. For the purposes of section 6.6 and Article Fifteen, a Member's interest in Fund R shall be converted into shares of Rayonier Common Stock at any time of determination by dividing the value of all shares of Rayonier Common Stock in Fund R by the value of such Member's interest in Fund R at the time. The resulting number of shares of Rayonier Common Stock shall be deemed allocated to such Member.

7.3 Valuation of Assets. At the end of each month after the first month in which the Plan is in operation, the Trustee shall determine the total fair market value of all assets then held by it in each Fund.

7.4 Allocation of Assets. At the end of each month when the value of all assets in each Fund has been determined pursuant to section 7.3, the Trustee shall determine the gain or loss in the value of such assets in each of the Funds R, B, C, D, and I. Such gain or loss shall be allocated pro rata by Fund to the

balances credited to the Accounts of all Members and Deferred Members immediately prior to the end of such month, not including new contributions to that Fund at the end of that month for that month.

ARTICLE EIGHT
WITHDRAWALS PRIOR TO TERMINATION OF EMPLOYMENT

8.1 General Conditions for Withdrawals. Subject to the restriction in section 8.7, at any time before Termination of Employment, a Member may file with the Company a written notice on a form approved by the Plan Committee requesting a withdrawal from his Accounts. Any such withdrawal shall be payable only in cash and shall be in accordance with the conditions of section 8.2, 8.3, or 8.4. For purposes of this Article Nine, a Member's Accounts shall be valued as of the applicable Withdrawal Valuation Date. Amounts to be distributed to Members will not participate in the investment experience of the Plan after the Withdrawal Valuation Date. Such amounts generally will be paid within approximately six weeks following the Withdrawal Valuation Date.

8.2 Withdrawals from Supplemental After-Tax Investment Account and Basic After-Tax Investment Account. Subject to the provisions of section 8.1, one and only one withdrawal from a Member's Supplemental After-Tax Investment Account and Basic After-Tax Investment Account may be made by a Member in any six-month period before Termination of Employment. Such withdrawal may be:

- (a) any specified whole dollar amount which is less than the full value of his Supplemental After-Tax Investment Account and Basic After-Tax Investment Account, or
- (b) the full value of his Supplemental After-Tax Investment Account, or
- (c) the full value of his Basic After-Tax Investment Account. For

a withdrawal in accordance with subparagraph (a) above, certain conditions will apply: (i) the amount withdrawn must be at least \$300; (ii) if the amount withdrawn exceeds the value of the Member's Supplemental After-Tax Savings and investment earnings and gains thereon (such value for this purpose will be

determined as of the Valuation Date immediately preceding the applicable Withdrawal Valuation Date), Matching Company Allocations will be suspended and will not be resumed for a period of at least three months following the applicable Withdrawal Valuation Date; (iii) if a Member has accounts in more than one Fund, the amount withdrawn shall be prorated among such accounts (except for Fund I) based on their respective values; and (iv) further Basic and Supplemental Savings by the Member under the Plan may be continued without interruption.

For a withdrawal in accordance with subparagraph (b) above, further Basic and Supplemental Savings by the Member under the Plan may be continued without interruption.

For a withdrawal in accordance with subparagraph (c) above, certain conditions will apply: (i) the Member must simultaneously withdraw his Supplemental After-Tax Investment Account, if any; (ii) Matching Company Allocations will be suspended and will not be resumed for a period of three months following the applicable Withdrawal Valuation Date; and (iii) further Basic and Supplemental Savings by the Member under the Plan may be continued without interruption.

8.3 Withdrawal of Vested Company Contribution Account. Subject to the provisions of section 8.1, not more frequently than once in any six-month period, a Member who has withdrawn the maximum amount available from his Supplemental After-Tax Investment Account and Basic After-Tax Investment Account pursuant to section 8.2 may withdraw, in 25 percent increments, all or a portion of the value of his Vested Company Contribution Account. Upon such a withdrawal, a percentage of the excess of the value of a Member's Company Contribution Account over the value of his Vested Company Contribution Account shall be forfeited by the Member. Such percentage will be equal to the percentage of his Vested Company Contribution Account that the Member elects to withdraw. Such Member may continue his Basic and Supplemental Savings under the Plan without interruption;

however, Matching Company Allocations will be suspended for a period of three months following the applicable Withdrawal Valuation Date. Such three month suspension period shall run concurrently with any three-month suspension period resulting from a withdrawal pursuant to section 8.2. Such Member shall be able to have the forfeited amount restored pursuant to section 8.6.

8.4 Withdrawal from Supplemental Before-Tax Investment Account and Basic Before-Tax Investment Account.

- (a) Subject to the provisions of section 8.1, a Member who has not attained age 59-1/2 may withdraw all or a portion of his Supplemental Before-Tax Investment Account and his Basic Before-Tax Investment Account, except for that portion of each such Account which represents investment earnings credited to the Account subsequent to December 31, 1988, in the ITT Plan only if he is able to establish to the satisfaction of the relevant Hardship Committee that a bona fide financial hardship exists and only if he has obtained (i) all distributions (other than hardship distributions) available under all other retirement plans maintained by the Employer, including this Plan and (ii) all non-taxable loans available under all retirement plans maintained by the Employer, including this Plan, provided that the loan repayments do not result in a financial hardship for the Member. For this purpose, a bona fide financial hardship shall mean an immediate and heavy need to draw on financial resources not reasonably available from other sources of the Member. Bona fide financial hardships shall include cash down payments and/or closing costs associated with the purchase of a Member's principal residence; medical expenses for a Member, his spouse or dependents, or expenses necessary for those persons to obtain medical care, which were not paid or reimbursed by insurance; tuition expenses and related educational fees for

post-secondary education for a Member, his spouse or dependents for the next academic year; payments to prevent a Member's eviction from his principal residence or foreclosure of a mortgage on such residence; and any other reasons which the relevant Hardship Committee may deem appropriate. A Member's withdrawal from Before-Tax Investment Accounts, together with his concomitant withdrawal from After-Tax Investment and Vested Company Contribution Accounts and Plan loan, if any, shall be limited to the amount of the financial need plus taxes on such withdrawals for which the Member is liable. A Member may demonstrate lack of other reasonably available financial resources by disclosing on a form approved by the relevant Hardship Committee for such purpose relevant details of his personal and family finances or, alternatively, the relevant Hardship Committee may deem that the Member has no other financial resources reasonably available if (i) the Member agrees to cease all Before-Tax Savings and After-Tax Savings for a period of not less than 12 months and (ii) in the calendar year in which the Member is eligible to resume saving under the Plan, to have his maximum permissible Before-Tax Savings to the Plan, as defined in section 4.1(b), reduced by any Before-Tax Savings made on his behalf in the previous calendar year. The relevant Hardship Committee shall make determinations of financial hardship in a uniform and nondiscriminatory manner, with reference to all the relevant facts and circumstances and in accordance with applicable tax law under section 401(k) of the Code. Subsequent to the attainment of age 59-1/2, a Member may at any time before Termination of Employment, and without regard to financial hardship, withdraw all or a portion of his Supplemental Before-Tax Investment Account and his Basic Before-Tax Investment Account.

8.5 Ordering of Withdrawals. For purposes of processing a withdrawal, Basic After-Tax Savings made by a Member attributable to the ITT Plan on or after January 1, 1987, and investment earnings and gains thereon and Supplemental After-Tax Savings made by a Member on or after January 1, 1987, and investment earnings and gains thereon shall constitute a separate contract (Contract II) and all remaining amounts in the Plan with respect to a Member shall constitute another contract (Contract I) for purposes of section 72(e) of the Code. The Plan Committee shall maintain records of withdrawals, contributions, earnings and other additions and subtractions attributable to each separate contract and shall credit or charge the appropriate contract, and adjust the non-taxable basis of each contract, for transactions properly allocable to such contract. For purposes of processing a withdrawal under section 8.2 or 8.3, and a withdrawal from Before-Tax Investment Accounts under section 8.4 by a member who has attained age 59-1/2, such withdrawals will be deducted from the Member's Accounts in Contract I and Contract II in the following order: (i) the value of the Member's Supplemental After-Tax Investment Account in Contract I, (ii) the value of the Member's Supplemental After-Tax Investment Account in Contract II, (iii) the value of the Member's Basic After-Tax Investment Account in Contract I, (iv) the value of the Member's Basic After-Tax Investment Account in Contract II and (v) the value of the Member's Vested Company Contribution Account.

8.6 Repayment of Withdrawal From Plan. If a Member makes a withdrawal pursuant to section 8.3 and he forfeits all or a portion of the value of his Company Contribution Account, he shall be permitted to repay in full the amounts previously withdrawn from his Basic After-Tax Investment Account and his Vested Company Contribution Account to the Plan by giving to the Company prior written notice on a form approved by the Plan Committee for such purpose. At his option, the Member may repay the amount of his Supplemental After-Tax Investment Account.

Such payment may be made at any time after the three month suspension of Matching Company Allocations described in section 8.3 above, provided the Member is then eligible for the Plan and further provided the Member has not incurred a Break in Service. Such repayment amounts shall be invested in Fund R, Fund B, Fund C, and Fund D (Balanced Fund) in the same amounts as were withdrawn from each Fund except with respect to amounts in Fund I, which may not be withdrawn. Upon such repayment the Plan Committee shall instruct the Trustee to restore the balance of the Member's Accounts in each Fund to its value at the time of the withdrawal payment. However, repayments of amounts previously withdrawn from the short-term U.S. Government Obligations Fund (which was eliminated from the ITT Plan effective July 1, 1993) will be invested in Fund C. With respect to a Member who has exercised the investment option at age 55 pursuant to section 6.5, repayment and restoration of the Member's Company Contribution Account shall be made in accordance with the Member's election pursuant to such section 6.5 in effect at the time of repayment.

8.7 Withdrawal Limitation after Loan Application. A Member who has applied for a loan in accordance with Article Nine may not apply for a withdrawal of any type from his Accounts before the third calendar month following the Loan Valuation Date which is applicable to his loan. A Member may, however, file application for a withdrawal, subject to the conditions of sections 8.2, 8.3, or 8.4, at the same time he files application with the Company for a loan provided such withdrawal and loan applications are appended together upon transmittal to and receipt by the Savings Plan Administrator. (See section 9.7 for similar loan limitation after withdrawal application.)

8.8 Direct Rollover. Certain withdrawals or portions thereof paid on or after January 1, 1993 pursuant to this Article Nine may be "eligible rollover distributions" as defined and discussed in section 10.9, and shall be treated as such to the extent required under section 402 of the Code.

8.9 Fund I Amounts. Notwithstanding any provision of Article Eight to the contrary, the value of a Member's interest in Fund I shall not be used to calculate the amount of any withdrawal and shall not be available for withdrawal under this Article Eight, except to the extent required under section 411(d)(6) of the Code.

ARTICLE NINE
LOANS

9.1 General Conditions For Loans. Subject to the restrictions in sections 9.6 and 9.7, at any time before Termination of Employment, a Member may file with the Company a written notice on forms approved by the Plan Committee requesting a loan from his Accounts. By filing the loan forms, the Member:

- (a) specifies the amount and the term of the loan,
- (b) agrees to the annual percentage rate of interest,
- (c) agrees to the finance charge,
- (d) promises to repay the loan, and
- (e) authorizes the Company to make regular payroll deductions to repay the loan.

9.2 Amounts Available for Loans. Subject to the following sentence, a Member may request a loan in any specified whole dollar amount which must be at least \$1,000 but which may not exceed the lesser of 50% of the Vested Share, or \$50,000 reduced by the Member's highest outstanding loan balance, if any, during the prior one-year period. In no event may a Member borrow any amount from his Retirement Account. For purposes of determining amounts available for loans, a Member's Vested Share shall be determined based on the latest information available to the Company at the time he files his loan request with the Company. Notwithstanding the foregoing, such amounts may automatically be borrowed from a Member's Retirement Account as may be necessary to fulfill the loan request of such Member if, as a result of a decrease in market value, the amount available for loan on the Loan Valuation Date is less than the amount calculated as being available for loan at the time the Member filed his loan request with the Company.

9.3 Account Ordering for Loans. For purposes of processing a loan, the amount of such loan will be deducted from the Member's Accounts in the following order: (i) the value of the Member's Before-Tax Savings (including investment earnings and

gains or losses thereon), (ii) the value of the Member's After-Tax Savings (including investment earnings and gains or losses thereon), (iii) the Member's Vested Company Contribution Account, (iv) the Member's Vested Matching Company Allocation, and (v) the Member's Retirement Allocation. A loan is deducted from a Member's Accounts as of the Loan Valuation Date. Amounts so deducted and distributed to a Member as a Plan loan will not participate in the investment experience of the Plan except as such amounts are repaid to the Member's Accounts.

9.4 Interest Rate for Loans. The Plan Committee shall establish and communicate to Members a reasonable market rate of interest for loans.

9.5 Term and Repayment of Loan. A Member may elect to repay a loan no less frequently than on a monthly basis over a period of 12, 24, 36, 48, or 60 months. A Member who is using a loan to acquire his own principal residence may elect to repay a loan over a period of 120 or 180 months. No extension of the loan term shall be permitted after the loan is made. Repayment of the loan is made to the Member's Accounts from which the loan amount was deducted in inverse order to the Account Ordering for Loans described in section 9.3. Repayments are invested in the Member's Accounts in accordance with his current investment election. Repayments of amounts deducted from the Member's Vested Company Contribution Account are invested in accordance with the investment direction applicable to the Member's Company contributions at the time of repayment under the terms of the Plan. Loan repayments are not credited with investment experience under the Plan until the first of the month following the month in which such repayments are made.

9.6 Frequency of Loan Requests. A Member may have only one loan outstanding at any time. A Member who fully repays a loan may not apply for another loan before the third calendar month following the last day of the month in which the loan is repaid.

9.7 Loan Limitation after Withdrawal Application. A Member who requests a withdrawal of any type in accordance with Article Nine may not apply for a loan before the third calendar month following the applicable Withdrawal Valuation Date. A Member may, however, file application for a loan, subject to the conditions of sections 9.1 and 9.2, at the same time he files application with the Company for a withdrawal provided such loan and withdrawal applications are appended together upon transmittal to and receipt by the Savings Plan Administrator. (See section 8.7 for similar withdrawal limitation after loan application.)

9.8 Prepayment of Loans. A Member may prepay the entire outstanding balance of a loan, with interest to date of prepayment, at any time. The date of prepayment will be the last day of the month in which the prepayment is made.

9.9 Outstanding Loan Balance at Termination of Employment. Upon the Member's Termination of Employment, the outstanding balance of any loan shall become due and payable and shall either be cancelled or, if the Member so elects, prepaid in full to his Accounts with interest to the date of prepayment; such prepayment date may not be later than the Valuation Date of the Member's distribution at Termination of Employment or the date he becomes a Deferred Member.

9.10 Loan Default during Employment. Under certain circumstances, including, but not limited to, the Member's failure to make repayment or the bankruptcy of the Member, the Plan Committee may declare a Member's loan to be in default. In the event default is declared, the outstanding loan balance and any accrued interest may be treated as a withdrawal prior to Termination of Employment subject to the provisions of Article Eight.

9.11 Incorporation by Reference. Any additional rules or restrictions as may be necessary to implement and administer Plan loans shall be in writing and communicated to Members. Such further documentation is hereby incorporated into the Plan by reference, and pursuant to subparagraph (b) of section 12.2, the Plan Committee is hereby authorized to make such revisions to these rules as it deems necessary or appropriate on the advice of counsel.

9.12 Fund I Amounts. Notwithstanding any provision of Article Nine to the contrary, in no event may a Member borrow any amounts from, or repay any amounts to, Fund I.

ARTICLE TEN
DISTRIBUTIONS10.1
(a)

General.

Upon Termination of Employment, a Member may apply for distribution of the value of his Vested Share. Alternatively, upon Termination of Employment before normal retirement date, a Member whose Vested Share as of the Valuation Date of the month in which he files appropriate application with the Savings Plan Administrator exceeds \$3,500 may elect to defer distribution of such Vested Share until the January 31 Valuation Date immediately following his attainment of age 70-1/2. A Member who terminates employment and elects to defer distribution of his Vested Share shall become a Deferred Member. A Deferred Member may, however, file application for distribution of his Vested Share at any time prior to the January 31 following his attainment of age 70-1/2. If a Member terminates employment and does not apply for a distribution of his Vested Share, or does not elect to defer distribution of his Vested Share, within 60 days of his Termination of Employment, and the value of his Vested Share as of the Valuation Date coincident with or next following the 60th day after his Termination of Employment exceeds \$3,500, such Member will be deemed to be a Deferred Member; provided, however, that distribution of the Vested Share of a Member so deemed to be a Deferred Member shall commence not later than the 60th day after the close of the Plan Year in which the later of the following events occurs: (i) the Member's attainment of age 65, or (ii) the date of the Member's Termination of Employment. A Deferred Member may elect to redistribute his Basic Investment Account and/or Supplemental Investment Account in accordance with section 6.4 among Funds R, B, C, or D and to make the investment election described in section 6.5.

- (b) Upon the death of a Member or Deferred Member, the value of such Member's or Deferred Member's Vested Share shall be distributed to his Beneficiary. If the Member's or the Deferred Member's Beneficiary is not the spouse of such Member or Deferred Member, the value of the Member's or Deferred Member's Vested Share shall be distributed to the Beneficiary within one year from the Member's or Deferred Member's date of death. However, if the Member's or Deferred Member's Beneficiary is his spouse and the value of the Vested Share to be distributed to the spouse Beneficiary exceeds \$3,500, such spouse Beneficiary may elect to defer receipt of the Member's or Deferred Member's Vested Share until the date as of which the Member or Deferred Member would have reached age 70-1/2. If the value of the Vested Share to be distributed to a spouse Beneficiary exceeds \$3,500 and such spouse Beneficiary neither files application for distribution of such Vested Share nor elects to defer receipt of such Vested Share, then such spouse Beneficiary shall be deemed to have deferred receipt of such Vested Share until the January 31 Valuation Date immediately following the date as of which the Member or Deferred Member would have attained age 70-1/2. A spouse Beneficiary may, however, file application for distribution of such Vested Share at any time prior to the January 31 Valuation Date immediately following the year in which the Member or Deferred Member would have attained age 70-1/2.
- (c) A Member who attains age 70-1/2 on or after January 1, 1988 must commence distribution of his Vested Share by no later than the April 1 following the year in which he attains age 70-1/2. The Vested Share of such Member shall be paid under the payment method described in section 10.3(e)(i) below, if permissible under the terms of that payment method. If payment under the terms of that payment method is not permissible, the

Vested Share of the Member shall be paid in an immediate lump sum. Alternatively, the Member may elect that his Vested Share be paid under the payment method described in section 10.3(e)(ii) below, if permissible under the terms of that payment method, or in an immediate lump sum. Payment of the Vested Share of a Member who has attained age 70-1/2 pursuant to this section shall be made no less frequently than annually, and once such payment has commenced, the Member may not elect an alternate method for payment of such Vested Share while the Member is still an Employee.

10.2

Valuation Date and Conditions of Distribution.

- (a) The value of any distribution will be determined as of the Valuation Date of the calendar month in which a properly completed application for the distribution by the Member, Deferred Member or Beneficiary, as transmitted by the Company, is received by the Savings Plan Administrator. In no event, however, may the Valuation Date of a Member's Accounts precede the Valuation Date of the month in which Termination of Employment occurs.
- (b) Application by the Member, Deferred Member or Beneficiary must be in writing on a form approved by the Plan Committee.
- (c) Generally, all funds distributed will be paid within approximately six weeks following the applicable Valuation Date. If part of the distribution is to be paid in stock, the stock certificate will be distributed after the check representing the cash distribution.

10.3 Methods of Distribution. After Termination of Employment occurs, and as soon as practicable following application by the Member, Deferred Member or Beneficiary, distributions under the Plan shall be made in the following manner:

- (a) all distributions from Fund B, Fund C, Fund D, and Fund I shall be made in cash;
- (b) unless the Member, Deferred Member or Beneficiary elects to take cash for distributions from Fund R, distributions from Fund R shall be in Rayonier Common Stock, except that any fractional interest in a share of Rayonier Common Stock shall be paid in cash;
- (c) all distributions of cash and Rayonier Common Stock shall be made as soon as practicable after receipt of the application by the Member, Deferred Member or Beneficiary in accordance with section 10.2(b).

However, with prior written notice on a form approved by the Plan Committee for such purpose, a Member who is terminating employment after attaining age 55 or who is terminating employment by reason of Retirement or Disability may elect to receive distribution in the method of payment described in (i) or (ii) below. With prior written notice on a form approved by the Plan Committee for such purpose, a Deferred Member who elects to receive his distribution after attaining age 55 may elect to receive distribution in the method of payment described in (i) or (ii) below.

- (i) Provided the value of the Member's or Deferred Member's vested Accounts is at least \$3,500, and the first payment is at least \$1,000, by payment in not more than twenty annual installments, with all such installments to be paid in cash, as follows: the amount of the annual installments to be paid to each Member or Deferred Member making such an election shall be based upon the value of his Accounts as of the Valuation Date coinciding

with or next following the date of receipt by the Savings Plan Administrator of his properly completed application as transmitted by the Company and each anniversary thereof, and shall be determined by multiplying such value by a fraction, the numerator of which shall be one and the denominator of which shall be the number of unpaid annual installments. Notwithstanding the foregoing, the number of annual installments elected may not exceed the life expectancy of the Member or Deferred Member, or if the Member or Deferred Member is married, the joint life expectancy of the Member or Deferred Member and his spouse. Any Member or Deferred Member who elects annual installment payments may, at any time thereafter, elect by filing a request with the Plan Committee to receive in a lump sum the remaining value of any unpaid annual installments. The Valuation Date applicable to such election shall be the last day of the calendar month in which his request to receive the remaining value of any unpaid annual installments is received by the Savings Plan Administrator.

- (ii) Provided the value of the Member's or Deferred Member's vested Accounts is at least \$3,500, and the first payment is at least \$1,000, by payment in annual cash installments over the Member's life expectancy, as actuarially determined at the time of commencement of the initial installment and as redetermined annually thereafter. The amount of such installments will be based on the value of his Accounts as of the Valuation Date coinciding with or next following the date of receipt by the Savings Plan Administrator of his properly completed application as transmitted by the Company and each anniversary thereof, and shall be determined by multiplying such value by a

fraction, the numerator of which shall be one and the denominator of which shall be the number of years and fraction thereof of his life expectancy based on his age at the time the installment is payable. Any Member or Deferred Member who elects annual cash installment payments over his life expectancy may not thereafter elect to receive in a lump sum the remaining value of his Accounts.

If a Member or Deferred Member elects a distribution as provided in the first sentence of section 10.3(e) and the Member or Deferred Member dies after the Valuation Date applicable to such distribution but prior to receipt of the cash and/or Rayonier stock comprising such distribution, then the distribution shall be paid to his estate. If a Member or Deferred Member elects a distribution as provided in the first sentence of section 10.3(e) and the Member or Deferred Member dies prior to the Valuation Date applicable to such distribution, then the distribution shall be paid to his Beneficiary.

If a Member or Deferred Member elects a distribution as provided in paragraphs (i) or (ii) of this section 10.3(e) and the Member or Deferred Member dies before all the installments are paid, then the following procedure shall apply: if an installment is paid with a Valuation Date that occurred prior to the date of death of the Member or Deferred Member and prior to the Member's or Deferred Member's receipt of the cash comprising such installment, then such installment shall be paid to his estate. The remaining value of the Member's or Deferred Member's Accounts shall be paid to his beneficiary at one time.

The Vested Share of a Member who, following Termination of Employment, fails to apply for distribution of such Vested Share, shall be paid entirely in cash, provided

that the value of such Vested Share is less than \$3,500 on a Valuation Date no earlier than the second Valuation Date following his Termination of Employment. Alternative methods of distribution may apply to that portion of a Member's or a Deferred Member's Accounts attributable to a Prior Plan Transfer.

In no event shall the foregoing provisions permit the distribution of a Member's Accounts to commence later than the April 1 following the calendar year in which he attains age 70-1/2.

10.4 Death of Spouse Beneficiary. Upon the death of a spouse Beneficiary with Accounts remaining in the Plan, the remaining value of all such Accounts shall be paid to the estate of the spouse Beneficiary.

10.5 Proof of Death and Right of Beneficiary or Other Person. The Plan Committee may require and rely upon such proof of death and such evidence of the right of any Beneficiary or other person to receive the undistributed value of the Accounts of a deceased Member, Deferred Member or Beneficiary as the Plan Committee may deem proper, and its determination of death and of the right of such Beneficiary or other person to receive payment shall be conclusive.

10.6 Completion of Appropriate Forms. The Plan Committee has prescribed forms providing written notice to the Company in order for a distribution to be made under the Plan. No distribution shall be made under the Plan unless such forms are properly filed by the Member, Deferred Member or Beneficiary; however, if a distribution is due to a Member, Deferred Member or Beneficiary under the terms of the Plan, the Savings Plan Administrator will take necessary action to cause the distribution to be made.

Restoration of Prior Forfeiture.

(a) On Repayment of Accounts Following Rehire

If a Member's employment is terminated otherwise than by Retirement or Disability and as a result of such termination an amount to his credit is forfeited, such amount shall be subsequently restored to his Accounts provided he is reemployed by the Company prior to the expiration of a Break in Service, and, after giving prior written notice on a form approved by the Plan Committee for such purpose, he repays to the Trust Fund an amount in cash equal to the full amounts of his Basic Investment Account, his Vested Company Contribution Account and his vested Rayonier Account distributed to him from the Trust Fund on account of his Termination of Employment. (At his option, the Member may repay the amount of his Supplemental Investment Account.) Such repayment must be made within five years of the date he again becomes eligible to become a Member of the Plan. Such repayment shall be invested in Fund R, Fund B, Fund C, and Fund D (Balanced Fund) in the same amounts as were withdrawn from each Fund. Any amount withdrawn from Fund I shall be repaid to Fund R. Repayment of amounts previously withdrawn from the short-term U.S. Government Obligations Fund under the ITT Plan (which was eliminated effective July 1, 1993 from the ITT Plan) will be reinvested in Fund C. With respect to a Member who had exercised the investment option at age 55 pursuant to section 6.5, repayment and restoration of the Member's Company Contribution Account and Retirement Account shall be made in accordance with the Member's election pursuant to such section 6.5.

Upon such repayment, the Trustee shall restore the balance of the Member's Accounts in each Fund to its value at the time the distribution was made. Any amounts restored under this paragraph shall be repaid

as amounts included in the Member's Basic After-Tax Investment Account and Supplemental After-Tax Investment Account.

(b) On Rehire of Deferred Member

If a Deferred Member whose employment terminated otherwise than by Retirement or Disability and as a result of such termination an amount to his credit was forfeited, such amount shall be subsequently restored to his Accounts at its current value assuming such amount, from the time of termination to the date of restoration, was subject to the same overall investment experience as the Member's Matching Company Allocations while he was a Deferred Member, provided he is reemployed by the Company prior to the expiration of a Break in Service. Such restoration shall be made as of the Valuation Date next following the date the Savings Plan Administrator is informed of the Deferred Member's reemployment provided such Deferred Member is again eligible to become a Member of the Plan. Such restoration of the Company Contribution Account shall be invested in Fund R. However, with respect to a Deferred Member who had exercised the investment option at age 55 pursuant to section 6.5, the restoration and transfer of the Company Contribution Account and the remainder of the Retirement Account shall be made in accordance with the Member's election pursuant to such section 6.5.

10.8 Direct Rollover of Certain Distributions. Notwithstanding any other provision of this Plan, with respect to any withdrawal or distribution from the Plan pursuant to Article Eight or this Article Ten which is (a) payable on and after January 1, 1993 to a "distributee" and (b) determined by the Plan Administrator to be an "eligible rollover distribution," such distributee may elect, at the time and in a manner prescribed by

the Plan Committee for such purpose, to have the Plan make a "direct rollover" of all or part of such withdrawal or distribution to an "eligible retirement plan" which accepts such rollover. The following definitions apply to the terms used in this section 10.8:

- (a) "Distributee" means a Member or Deferred Member. In addition, the Member's or Deferred Member's spouse Beneficiary and the Member's or Deferred Member's spouse or former spouse who is the alternate payee under a qualified domestic relations order as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.
- (b) "Eligible rollover distribution" is any withdrawal or distribution of all or any portion of a Member or Deferred Member's Vested Share owing to the credit of a distributee, except that the following distributions shall not be eligible rollover distributions: (i) any distribution that is one of a series of substantially equal periodic payments made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more, (ii) any distribution required under section 401(a)(9) of the Code, and (iii) the portion of a distribution not includable in gross income.
- (c) "Eligible retirement plan" means an individual retirement account described in section 408(a) of the Code, an annuity plan described in section 403(a) of the Code or a qualified trust described in section 401(a) of the Code that accepts the eligible rollover distribution. However, in the case of an eligible rollover distribution to the spouse Beneficiary of the Member or Deferred Member, an eligible retirement plan is an individual retirement account or individual retirement annuity only.

- (d) "Direct rollover" means a payment by the Plan directly to the eligible retirement plan specified by the distributee.

In the event that the provisions of this section 10.8 or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this section 10.8 or applicable part thereof shall be ineffective without necessity of further amendment of the Plan.

ARTICLE ELEVEN
MANAGEMENT OF FUNDS

11.1 Rayonier Pension Fund Trust and Investment Committee. The Rayonier Pension Fund Trust and Investment Committee shall be responsible, except as otherwise herein expressly provided, for the management of the assets of the Plan. Said Committee is designated a named fiduciary of the Plan within the meaning of section 402(a) of the Employee Retirement Income Security Act of 1974 and shall have the authority, powers and responsibilities delegated and allocated to it from time to time by resolutions of the Board of Directors, including, but not by way of limitation, the authority to establish one or more trusts for the Plan pursuant to trust instrument(s) approved or authorized by the Committee and--subject to the provisions of such trust instrument(s) to:

- (i) provide, consistent with the provisions of the Plan, direction to the Trustee thereunder, which may involve but need not be limited to direction of investment of Plan assets and the establishment of investment criteria, and
- (ii) appoint and provide for use of investment advisors and investment managers.

In discharging its responsibility, the Committee shall evaluate and monitor the investment performances of the Trustee and investment managers, if any.

11.2 Trust Fund. All the funds of the Plan shall be held by a Trustee appointed from time to time by the Rayonier Pension Fund Trust and Investment Committee in one or more trusts under a trust instrument or instruments approved or authorized by said Committee for use in providing the benefits of the Plan; provided that no part of the corpus or income of the Trust Fund shall be used for, or diverted to, purposes other than for the exclusive benefit of Members, Deferred Members, and Beneficiaries.

11.3 Reports to Members and Deferred Members. At least annually at a time to be determined by the Plan Committee, each Member and Deferred Member shall be furnished a written statement setting forth the value of each of his Accounts, together with a statement of the amounts contributed to each such Account by himself and by the Company on his behalf and the vested amount of the Company Contribution Account and Retirement Account, or the earliest time a portion of the Company Contribution Account and Retirement Account will become vested.

11.4 Fiscal Year. The fiscal year of the Plan and the Trust shall end on the 31st day of December of each year or at such other date as may be designated by the Rayonier Pension Fund Trust and Investment Committee.

ARTICLE TWELVE
ADMINISTRATION OF PLAN

12.1 Appointment of Plan Committee. From time to time, the Board of Directors or an officer of Rayonier to whom authority has been delegated by the Board shall appoint a Plan Committee of not less than five persons to serve during the pleasure of the appointing Board or officer and shall designate a Chairman of the Plan Committee from among the members and a Secretary who may be, but need not be, one of the members of the Plan Committee. Any person so appointed may resign at any time by delivering his written resignation to the Secretary of Rayonier and the Chairman or Secretary of the Plan Committee. Notwithstanding any vacancies, the Plan Committee may act so long as there are at least three members of the Plan Committee.

12.2 Powers of Plan Committee.

- (a) The Plan Committee is designated a named fiduciary within the meaning of section 402(a)(2) of the Employee Retirement Income Security Act of 1974, and shall have authority and responsibility for general supervision of the administration of the Plan.
- (b) The Plan Committee shall establish such policies, rules and regulations as it may deem necessary to carry out the provisions of the Plan and transactions of its business, including, without limitation, such rules and regulations which may become necessary with respect to loans and any defaults thereof.
- (c) Except as to matters which are required by law to be determined or performed by the Board of Directors, or which from time to time the Board may reserve to itself or allocate or delegate to officers of Rayonier or to another Committee, the Plan Committee shall determine any question arising in the administration, interpretation and application of the Plan, including

the right to remedy possible ambiguities, inconsistencies or commissions. Such determinations shall be final, conclusive and binding on all parties affected thereby.

- (d) The Plan Committee shall have the right to exercise powers reserved to the Board of Directors hereunder to the extent that the right to exercise such powers may from time to time be allocated or delegated to the Plan Committee by the Board of Directors and to such further extent that, in the judgment of the Plan Committee, the exercise of such powers does not involve any material cost to the Company.
- (e) The Plan Committee may retain counsel, employ agents and provide for such clerical, accounting and other services as it may require in carrying out the provisions of the Plan.
- (f) The Plan Committee may appoint from its number such committees with such powers as it shall determine and may authorize one or more of its number or any agent to execute or deliver any instrument or make any payment on its behalf.
- (g) The Plan Committee may delegate to an administrator the responsibility of administering and operating the details of the Plan in accordance with the provisions of the Plan and any policies which, from time to time, may be established by the Plan Committee.

12.3 Plan Committee Action. Action by the Plan Committee may be taken by majority vote at a meeting upon such notice, or upon waiver of notice, at such time and place as it may determine from time to time; or action may be taken by unanimous written consent of the members without a meeting with the same effect for all purposes as if assented to at a meeting.

12.4 Compensation. No member of the Plan Committee shall receive any compensation for his services as such, and, except as required by law, no bonds or other security shall be required of him in such capacity in any jurisdiction.

12.5 Committee Liability. The members of the Plan Committee as well as the Rayonier Pension Fund Trust and Investment Committee and the Hardship Committees shall use that degree of care, skill, prudence and diligence in carrying out their duties that a prudent man, acting in a like capacity and familiar with such matters, would use in his conduct of a similar situation. A member of any Committee shall not be liable for the breach of fiduciary responsibility of another fiduciary unless:

- (a) he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or
- (b) by his failure to discharge his duties solely in the interest of the Members and other persons entitled to benefits under the Plan, for the exclusive purpose of providing benefits and defraying reasonable expenses of administering the Plan not met by the Company, he has enabled such other fiduciary to commit a breach; or
- (c) he has knowledge of a breach by such other fiduciary and does not make reasonable efforts to remedy the breach; or
- (d) if the Committee of which he is a member improperly allocates responsibilities among its members or to others and he fails to review prudently such allocation.

ARTICLE THIRTEEN
HARDSHIP COMMITTEES

13.1 Appointment of Hardship Committees. From time to time, the Chairman of the Plan Committee shall appoint a Hardship Committee of not less than three persons who may be, but need not be, members of the Plan Committee and shall designate a Chairman of the Hardship Committee from among the members and a Secretary who may be, but need not be, one of the members of the Hardship Committee. Any person so appointed may resign at any time by delivering his written resignation to the Chairman of the Plan Committee. Notwithstanding any vacancies, the Hardship Committee may act so long as there are two members of the Hardship Committee. The Chairman of the Plan Committee may appoint a separate Hardship Committee with respect to Members employed by Hartford which shall have the authority described in section 13.2 only with respect to such Members and shall be subject to the provisions of this Article Thirteen.

13.2 Powers of Hardship Committees.

- (a) Each Hardship Committee is designated a named fiduciary within the meaning of section 402(a) of the Employee Retirement Income Security Act of 1974, and shall have authority to determine whether a bona fide financial hardship exists as a condition for a Member's withdrawal from his Supplemental Before-Tax Investment Account and his Basic Before-Tax Investment Account under section 8.4 herein. The relevant Hardship Committee shall take into account all pertinent facts and circumstances and shall base its determination on the meaning of hardship as construed by the applicable tax law, including cases and Internal Revenue Service guidelines thereunder. A determination by such Hardship Committee as to the existence or absence of a hardship shall be final, conclusive and binding.

- (b) The Hardship Committees shall establish such policies, rules and regulations as they may deem necessary to carry out the provisions of the Plan and transactions of their business.
- (c) The Hardship Committees may retain counsel, employ agents and provide for such clerical, accounting and other services as they may require in carrying out the provisions of the Plan.
- (d) Each Hardship Committee may appoint from its number such committees with such powers as it shall determine and may authorize one or more of its number or any agent to execute or deliver any instrument or make any payment on its behalf.

13.3 Hardship Committee Action. Action by each Hardship Committee shall be taken by majority vote at a meeting upon such notice, or upon waiver of notice, at such time and place as it may determine from time to time; or action may be taken by written consent of a majority of the members without a meeting with the same effect for all purposes as if assented to at a meeting.

13.4 Compensation. No member of a Hardship Committee shall receive any compensation for his services as such.

ARTICLE FOURTEEN
AMENDMENT AND TERMINATION

14.1 Amendment. The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan; provided that no such modification or amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of Members, Deferred Members, and Beneficiaries, or shall increase the duties of the Trustee without its consent thereto in writing. Except as may be required to conform with governmental regulations, no such amendment shall adversely affect the rights of any Member or Deferred Member with respect to contributions made on his behalf prior to the date of such amendment.

14.2 Termination of Plan.

- (a) The Plan is entirely voluntary on the part of the Company. The Board of Directors reserves the right at any time to terminate the Plan, the trust agreement and the trust hereunder or to suspend, reduce or partially or completely discontinue contributions thereto. In the event of such termination or partial termination of the Plan or complete discontinuance of contributions, the interests of Members and Deferred Members shall automatically become nonforfeitable.
- (b) In the event of such termination or partial termination or complete discontinuance, any forfeitures not previously applied in accordance with section 5.3 shall be credited ratably to the Accounts of all Members and Deferred Members in proportion to the amounts of Matching Company Allocations made pursuant to section 5.1 credited to that portion of their respective Retirement Accounts that is attributable to Matching Company Allocations during the current calendar year,

or, if no Matching Company Allocations have been made during the current calendar year, then in proportion to such Matching Company Allocations during the last previous calendar year during which such Matching Company Allocations were made.

14.3 Merger or Consolidation of Plan. The Plan may not be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan unless each Member, Deferred Member, or Beneficiary under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer if the Plan had then terminated.

ARTICLE FIFTEEN
TENDER OFFER

15.1 Applicability. The provisions of this Article Sixteen shall apply in the event any person, either alone or in conjunction with others, makes a tender offer, or exchange offer, or otherwise offers to purchase or solicits an offer to sell to such person one percent or more of the outstanding shares of a class of Rayonier Stock held by a Trustee hereunder (herein jointly and severally referred to as a "tender offer"). As to any tender offer, each Member and Deferred Member (or Beneficiary in the event of the death of the Member or Deferred Member) shall have the right to determine confidentially whether shares held subject to the Plan will be tendered.

15.2 Instructions to Trustee. In the event a tender offer for Rayonier Stock is commenced, the Plan Committee, promptly after receiving notice of the commencement of such tender offer, shall transfer certain of its recordkeeping functions to an independent recordkeeper. The functions so transferred shall be those necessary to preserve the confidentiality of any directions given by the Members and Deferred Members (or Beneficiary in the event of the death of the Member or Deferred Member) in connection with the tender offer. A Trustee may not take any action in response to a tender offer except as otherwise provided in this Article Fifteen. Each Member is, for all purposes of this Article Fifteen, hereby designated a named fiduciary within the meaning of section 402(a)(2) of the Employee Retirement Income Security Act of 1974, as amended, with respect to the shares of Rayonier Stock allocated to his Accounts. Each Member and Deferred Member (or Beneficiary in the event of the death of the Member or Deferred Member) may direct the Trustee to sell, offer to sell, exchange or otherwise dispose of the Rayonier Stock allocated to any such individual's Accounts in accordance with the provisions, conditions and terms of such tender offer and the provisions of this Article Fifteen; provided, however, that such directions shall be confidential and shall not be

divulged by the Trustee or independent recordkeeper to the Company or to any director, officer, employee or agent of the Company, it being the intent of this provision of section 15.2 to ensure that the Company (and its directors, officers, employees and agents) cannot determine the direction given by any Member, Deferred Member or Beneficiary. Such instructions shall be in such form and shall be filed in such manner and at such time as the Trustee may prescribe. The confidentiality provision of this section shall likewise apply to the directions given to, and actions taken by, the Trustee pursuant to section 15.5.

15.3 Trustee Action on Member Instructions. The Trustee shall sell, offer to sell, exchange or otherwise dispose of the Rayonier Stock allocated to the Member's, Deferred Member's or Beneficiary's Accounts with respect to which it has received directions to do so under this Article Fifteen or as provided in section 15.5. The proceeds of a disposition directed by a Member, Deferred Member or Beneficiary from his Accounts under this Article Fifteen shall be allocated to such individual's Accounts and be governed by the provisions of section 15.6 or other applicable provisions of the Plan and the trust agreements established under the Plan.

15.4 Action With Respect to Members Not Instructing the Trustee or Not Issuing Valid Instructions. To the extent to which Members, Deferred Members and Beneficiaries do not issue valid directions to the Trustee to sell, offer to sell, exchange or otherwise dispose of the Rayonier Stock allocated to their Accounts, such individuals shall be deemed to have directed the Trustee that such shares remain invested in Rayonier Stock subject to all provisions of the Plan, including section 15.6.

15.5 Investment of Plan Assets after Tender Offer. To the extent possible, the proceeds of a disposition of Rayonier Stock in an individual's Accounts shall be reinvested in Rayonier Stock by the Trustee as expeditiously as possible in the exercise of the Trustee's fiduciary responsibility and shall otherwise be

held by the Trustee subject to the provisions of the trust agreement, the Plan and any applicable note or loan agreement. In the event that Rayonier Common Stock is no longer available to be acquired following a tender offer, the Company may direct the substitution of new employer securities for the Rayonier Common Stock or for the proceeds of any disposition of Rayonier Common Stock. Pending the substitution of new employer securities or the termination of the Plan and trust, the Trust Fund shall be invested in such securities as the Trustee shall determine; provided, however, that, pending such investment, the Trustee shall invest the cash proceeds in short-term securities issued by the United States of America or any agency or instrumentality thereof or any other investments of a short-term nature, including corporate obligations or participations therein and interim collective or common investment funds.

ARTICLE SIXTEEN
GENERAL AND ADMINISTRATIVE PROVISIONS

16.1 Payment of Expenses.

- (a) Direct charges and expenses arising out of the purchase or sale of securities and taxes levied on or measured by such transactions with respect to any Fund shall be subsidized by the Company.
- (b) The Company shall pay all other expenses reasonably incurred in administering the Plan, including expenses of the Plan Committee, the Rayonier Pension Fund Trust and Investment Committee, the Hardship Committees and the Trustee(s), such compensation to the Trustee(s) as from time to time may be agreed between the Rayonier Pension Fund Trust and Investment Committee and Trustee(s), fees for legal services, investment management and all taxes, if any.

16.2 Source of Payment. Benefits under the Plan shall be payable only out of the Trust Fund, and the Company shall not have any legal obligation, responsibility or liability to make any direct payment of benefits under the Plan. Neither the Company nor the Trustee guarantees the Trust Fund against any loss or depreciation or guarantees the payment of any benefit hereunder. No person shall have any rights under the Plan with respect to the Trust Fund, or against the Company, except as specifically provided for herein.

16.3 Inalienability of Benefits. Except as specifically provided in the Plan or as applicable law may otherwise require or as may be required under the terms of a qualified domestic relations order, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempts so to do shall be void, nor shall any such benefit be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of the person entitled to such benefit; and

in the event that the Plan Committee shall find that any Member, Deferred Member or Beneficiary who is or may become entitled to benefits hereunder has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any of his benefits under the Plan, except as specifically provided in the Plan or as applicable law may otherwise require, then such benefit shall cease and terminate, and in that event the Plan Committee shall hold or apply the same to or for the benefit of such Member, Deferred Member or Beneficiary who is or may become entitled to benefits hereunder, his spouse, children, parents or other blood relatives, or any of them.

16.4 No Right to Employment. Nothing herein contained nor any action taken under the provisions hereof shall be construed as giving any Employee the right to be retained in the employ of the Company.

16.5 Uniform Action. Action by the Plan Committee and the Hardship Committees shall be uniform in nature as applied to all persons similarly situated, and no such action shall be taken which will discriminate in favor of and Members who are Highly Compensated Employees.

16.6 Headings. The headings of the sections in this Plan are placed herein for convenience of reference and in the case of any conflict, the text of the Plan, rather than such headings, shall control.

16.7 Use of Pronouns. The masculine pronouns as used herein shall be equally applicable to both men and women, and words used in the singular are intended to include the plural, whenever appropriate.

16.8 Construction. The Plan shall be construed, regulated and administered in accordance with the laws of the State of Connecticut, subject to the provisions of applicable Federal laws.

ARTICLE SEVENTEEN
TOP-HEAVY PROVISIONS

17.1 Determination of Top-Heavy Status. For purposes of this Article Eighteen, the Plan shall be "top-heavy" with respect to any Plan Year, if, as of the last day of the preceding Plan Year, the value of the aggregate of the Accounts under the Plan for "key employees" exceeds 60 percent of the value of the aggregate of the Accounts under the Plan for all Employees. The value of such Accounts shall be determined as of the Valuation Date coincident with or immediately preceding the last day of such preceding Plan Year, in accordance with sections 416(g)(3) and (4) of the Code and Article Seven of this Plan. The determination as to whether an Employee will be considered a "key employee" shall be made in accordance with the provisions of sections 416(i)(1) and (5) of the Code and any regulations thereunder, and, where applicable, on the basis of the Employee's remuneration from the Company, or a subsidiary or affiliate of the Company, as reported on Form W-2 for the applicable Plan Year. For purposes of determining whether the Plan is top-heavy, the account balances under the Plan will be combined with the account balances or the present value of accrued benefits under any other qualified plan of the Company or its subsidiaries or affiliates in which there are members who are "key employees" or which enables the Plan to meet the requirements of section 401(a)(4) or 410 of the Code; and, in the Company's discretion, may be combined with the account balances or the present value of accrued benefits under any other qualified plan of the Company or its subsidiaries or affiliates in which all members are non-key employees, if the contributions or benefits under the other plan are at least comparable to the benefits provided under this Plan.

17.2 Minimum Requirements. For any Plan Year with respect to which the Plan is top-heavy, an additional Company contribution shall be allocated on behalf of each Member (or each Employee eligible to become a Member) who is not a "key employee," and who has not separated from service as of the last

day of the Plan Year, to the extent that the amounts allocated to his Accounts as a result of contributions made on his behalf under sections 5.1 and 5.2 for the Plan Year would otherwise be less than 3% of his remuneration (as reported on Form W-2 for that Plan Year). However, if the greatest percentage of remuneration (as reported on Form W-2 for that Plan Year and limited to a dollar amount that is indexed annually in accordance with section 401(a)(1) of the Code) contributed on behalf of a "key employee" under section 4.1 or allocated to his Accounts as a result of contributions made pursuant to section 5.1 for the Plan Year would be less than 3%, such lesser percentage shall be substituted for "3%" in the preceding sentence. Notwithstanding the foregoing provisions of this section 17.2, no minimum contribution shall be made with respect to a Member (or an Employee eligible to become a Member) if the required minimum benefit under section 416(c)(1) of the Code is provided by the Retirement Plan for Salaried Employees of Rayonier Company.

* * * * *

IN WITNESS WHEREOF, RAYONIER INC. has caused this instrument to be executed effective as of March 1, 1994.

RAYONIER INC.

By: _____

Date: _____, 19____

RETIREMENT PLAN
FOR SALARIED EMPLOYEES
OF RAYONIER, INC.

RETIREMENT PLAN FOR SALARIED EMPLOYEES
OF RAYONIER, INC.

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RETIREMENT PLAN FOR SALARIED EMPLOYEES
OF RAYONIER, INC.

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FOREWORD

The Plan as set forth in this document is known as the Retirement Plan for Salaried Employees of Rayonier, Inc. (hereinafter called the Plan).

Unless otherwise expressly provided in this Plan and consistent with applicable law, (i) the rights and benefits of any Member who retires or whose employment is terminated, whichever first occurs, are determined in accordance with the provisions of the Plan in effect at the time of such retirement or termination, and (ii) no revision to the Plan shall deprive any Member who retires or whose employment is terminated prior to such revisions, of any rights and benefits which theretofore had accrued under the Plan.

This Plan is intended to qualify under the Internal Revenue Code of 1986.

Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of North Carolina.

RETIREMENT PLAN FOR SALARIED EMPLOYEES
OF RAYONIER, INC.

ARTICLE 1 - DEFINITIONS

- 1.01 Accrued Benefit shall mean, as of any date of determination, the normal retirement allowance computed under Section 4.01(b) and payable as of his Normal Retirement Date.
- 1.02 Annual Dollar Limit means \$150,000, except that if for any calendar year after 1994 the cost-of-living adjustment as hereafter defined is equal to or greater than \$10,000, then the Annual Dollar Limit (as previously adjusted under this Section) for any Plan Year beginning in any subsequent calendar year shall be increased by the amount of such cost-of-living adjustment, rounded to the next lowest multiple of \$10,000. The cost-of-living adjustment shall equal the excess of (i) \$150,000 increased by the adjustment made under Section 415(d) of the Code for the calendar year except that the base period for purposes of Section 415(d)(1)(A) of the Code shall be the calendar quarter beginning October 1, 1993 over (ii) the Annual Dollar Limit in effect for the Plan Year beginning in the calendar year.
- 1.03 Annuity Starting Date shall mean the first day of the first period for which an amount is due on behalf of a Member or former Member as an annuity or any other form of payment under the Plan.
- 1.04 Appendix shall mean the tables of factors which are used in determining the amount of the various forms of benefits payable under the Plan.

- 1.05 Associated Company shall mean that any such division, subsidiary or affiliated company of Rayonier, Inc. not participating in the Plan which is (i) a component member of a controlled group of corporations (as defined in Section 414(b) of the Code), which controlled group of corporations includes as a component member Rayonier, Inc., (ii) any trade or business under common control (as defined in Section 414(c) of the Code) with Rayonier, Inc., (iii) 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 Rayonier, Inc. or (iv) any other entity required to be aggregated with Rayonier, Inc. pursuant to regulations under Section 414(o) of the Code, shall automatically be an Associated Company hereunder during the period it is a division, subsidiary or affiliated company of Rayonier, Inc. or during such period as may otherwise be determined by the Board of Directors or the Pension Administration Committee. Notwithstanding the foregoing, for purposes of the preceding sentence and Section 4.08 of the Plan the definitions of Section 414(b) and (c) of the Code shall be modified as provided in Section 415(h) of the Code.
- 1.06 Beneficiary shall mean any person or entity named by a Member by written designation to receive certain benefits payable in the event of his death as provided under Section 4.07.
- 1.07 Benefit Service shall mean employment recognized as such for the purposes of computing a benefit under the Plan as provided under Article 2.
- 1.08 Board of Directors shall mean the Board of Directors of Rayonier, Inc. or of any successor by merger, purchase or otherwise.

- 1.09 Code shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.10 Company shall mean Rayonier, Inc. formerly known as ITT Rayonier Corporation with respect to its Employees; and any Participating Unit with respect to its Employees. When used herein, the term Company shall collectively include Rayonier, Inc. and any Participating Unit.
- 1.11 Compensation shall mean the total remuneration paid to a Member (whether before or after membership in the Plan) for services rendered including annual base salary and overtime (determined prior to any pre-tax contributions under a "qualified cash or deferred arrangement", as defined under Section 401(k) of the Code and its applicable regulations, or under a "cafeteria plan", as defined under Section 125 of the Code and its applicable regulations), but excluding foreign service pay, automobile allowance, separation pay or other special pay or allowances of similar nature, commissions and all bonuses, unless heretofore or hereafter specifically designated as being included in Compensation for purposes of the Plan by the Board of Directors under rules or regulations uniformly applicable to all Members similarly situated, and excluding the cost of any public or private employee benefit plan, including the Plan; provided, however, Compensation taken into account for any purpose under the Plan shall not exceed the Annual Dollar Limitation. For purposes of applying the Annual Dollar Limit on Compensation, the family unit of an Employee, who is either (i) a 5% owner or (ii) both a highly compensated employee (as defined in Section 414(q) of the Code) and one of the ten most highly compensated employees, will be treated as a single Employee with one Compensation, and the Annual Dollar Limit will be allocated among the members of the family unit in proportion to each

such Member's Compensation. For this purpose, a family unit is the Employee who is a 5% owner or one of the ten most highly compensated employees, the Employee's spouse, and the Employee's lineal descendants who have not attained age 19 before the close of the year. The Pension Administration Committee shall resolve any questions arising hereunder as to the meaning of Compensation on a basis uniformly applicable to all Employees similarly situated.

- 1.12 Early Retirement Date shall mean the date as determined in the manner set forth in Section 4.03.
- 1.13 Effective Date of the Plan shall mean February ____, 1994.
- 1.14 Eligibility Service shall mean any employment recognized as such for the purposes of meeting the eligibility requirements for membership in the Plan and for eligibility for benefits under the Plan as provided under Article 2.
- 1.15 Employee shall mean any person regularly employed by the Company who is paid from a payroll maintained in the continental United States, Hawaii, Puerto Rico or the U.S. Virgin Islands and who receives regular and stated compensation other than a pension or retainer; provided, however, that except as the Board of Directors or the Pension Administration Committee, pursuant to the authority delegated to it by the Board of Directors, may otherwise provide on a basis uniformly applicable to all persons similarly situated, no person shall be an Employee for purposes of the Plan who is (i) engaged as a consultant, (ii) a non-resident alien, (iii) paid on an hourly basis and who, under the Company's employment

classification practices, is considered as an hourly-rated employee for purposes of the Company's employee benefit plans, (iv) accruing benefits in respect of current service under any other pension, retirement, qualified profit-sharing or other similar plan of the Company (other than the Rayonier, Inc. Investment and Savings Plan for Salaried Employees,) or of any Associated Company (v) a Leased Employee; and provided further, that no person shall be an Employee for purposes of the Plan whose terms and conditions of employment are determined by a collective bargaining agreement with the Company which does not make this Plan applicable to him.

1.16 Equivalent Actuarial Value shall mean equivalent value of a benefit under the Plan determined on the basis of the applicable factors set forth in Appendix A, except as otherwise specified in the Plan. In any other event, Equivalent Actuarial Value shall be determined on the same actuarial basis utilized to compute the factors set forth in Appendix A.

1.17 Final Average Compensation shall mean the sum of

- (a) The average of a Member's annual base salary earned in any five calendar years of Eligibility Service in which such Compensation was highest, plus
- (b) The average of a Member's annual Compensation in excess of base annual salary earned in any five calendar years of Eligibility Service in which such Compensation was highest;

provided, however, that the calendar years on which such averages are based shall be any five calendar years during the last 120 calendar months of a Member's Eligibility Service or, if the Member has less than five calendar years of Eligibility Service, all of his calendar

years of Eligibility Service; provided, further, however, that (i) the annual base salary earned in any calendar year and taken into account for purposes of "Final Average Compensation", and (ii) the amount in excess of base annual salary earned in any calendar year and taken into account for purposes of "Final Average Compensation", and (iii) the sum of (i) and (ii) taken into account for any calendar year, each shall not exceed the Annual Dollar Limit. If the Member terminates employment before the last day of the calendar year or otherwise experiences an interruption in Eligibility Service, the Pension Administration Committee shall, in accordance with rules uniformly applicable to all persons similarly situated, determine the amount of the Member's Final Average Compensation. Unless otherwise determined by the Board of Directors or the Pension Administration Committee, pursuant to authority delegated to it by the Board of Directors, the term Eligibility Service as used in this Section shall include all service recognized as Eligibility Service for purposes of eligibility requirements under Article 2.

- 1.18 Hour of Service shall mean hours of employment as defined pursuant to the provisions of Section 2.01(b).
- 1.19 Leased Employee shall mean any person as so defined in Section 414(n) of the Code by virtue of his performance of services for the Company or an Associated Company.
- 1.20 Member shall mean any person included in the membership of the Plan as provided in Article 3. The pronoun he, his or him is used in this document solely for convenience and does not in any way connote a limit or restriction to persons of the masculine gender. In

all cases, when he, his or him is used it means with equal effect persons of the feminine gender.

- 1.21 Normal Retirement Date shall mean the first day of the calendar month coincident with or next following the date the Employee attains age 65, which is his Normal Retirement Age.
- 1.22 Parental Leave shall mean a period in which a person is absent from work because of the person's pregnancy, the birth of a person's child, the adoption by a person of a child, or, for purposes of caring for that child, for a period beginning immediately following such birth or adoption.
- 1.23 Participating Unit shall mean, in addition to Rayonier Inc., any subsidiary, division or affiliated company of Rayonier, Inc., any designated division(s) only of such subsidiary or affiliated company or any designated unit(s) only of such subsidiary, division or affiliated company which has by appropriate action of the Board of Directors been designated as a Participating Unit and the board of directors of any such subsidiary or affiliated company shall have taken appropriate action to adopt the Plan. The Board of Directors shall take action (i) to designate such entity as a Participating Unit, (ii) to determine that such persons are Employees, and (iii) to establish the terms and conditions under which such Employees are to be included in the Plan.

If a group of persons is transferred to or assigned to a Participating Unit or are hired by a Participating Unit as the result of the opening or purchase of a plant or the merger of one unit into another, such persons shall not be deemed to be Employees for purposes of the Plan until further action by the Board of Directors including the determination that such

persons are Employees for purposes of the Plan and the establishment of the terms and conditions under which such Employees are to be included in the Plan.

To the extent that the Board of Directors shall have authorized and established the basis for recognition under the Plan of service with a predecessor corporation(s), if any, reference in this Plan to service with a Participating Unit shall include service with the predecessor corporation(s) of such Participating Unit, provided that all or part of the business and assets of any such corporation shall have been acquired by Rayonier, Inc. or by a Participating Unit.

- 1.24 Pension Administration Committee shall mean the committee established for the purposes of administering the Plan as provided in Article 5.
- 1.25 Pension Fund Trust and Investment Committee shall mean the committee established by Rayonier, Inc. for the purposes of managing the assets of the Plan as provided in Article 5.
- 1.26 Plan shall mean the Retirement Plan for Salaried Employees of Rayonier, Inc. as set forth herein or as hereafter amended.
- 1.27 Plan Year shall mean the calendar year.
- 1.28 Postponed Retirement Date shall mean, with respect to an Employee who does not retire at Normal Retirement Date but who works after such date, the first day of the calendar month coincident with or next following the date on which such Employee retires from

active service. No retirement allowance shall be paid to the Employee until his Postponed Retirement Date, except as otherwise provided in Article 4.

- 1.29 Prior Salaried Plan shall mean the Retirement Plan for Salaried Employees of ITT Corporation, as in effect on February __, 1994 and as thereafter amended from time to time.
- 1.30 Qualified Joint and Survivor Annuity shall mean an annuity described in Section 4.06(a)(i).
- 1.31 Severance Date shall mean the date an Employee is considered to have severed his employment as defined pursuant to the provisions of Section 2.01(a).
- 1.32 Social Security Benefit shall mean the amount of annual old age or disability insurance benefit under Title II of the Federal Social Security Act as determined by the Pension Administration Committee under reasonable rules uniformly applied, on the basis of such Act as in effect at the time of retirement or termination to which a Member or former Member is or would upon application be entitled, even though the Member does not receive such benefit because of his failure to apply therefor or he is ineligible therefor by reason of earnings he may be receiving in excess of any limit on earnings for full entitlement to such benefit. In computing the Member's Social Security Benefit, no wage index adjustment or cost of living adjustment shall be assumed with respect to any period after the end of the calendar year in which the Member retires or terminates service. For all years prior to retirement or other termination of employment with the Company where actual earnings are not available, the Member's Social Security Benefit shall be determined on the basis of

the Member's actual earnings in conjunction with a salary increase assumption based on the actual yearly change in national average wages as determined by the Social Security Administration. If, within a reasonable time after the later of (i) the date of retirement or other termination of employment or (ii) the date on which a Member is notified of the retirement allowance or vested benefit to which he is entitled, the Member provides documentation from the Social Security Administration as to his actual earnings history with respect to those prior years, his Social Security Benefit shall be redetermined using the actual earnings history. If this recalculation results in a different Social Security Benefit, his retirement allowance or vested benefit shall be adjusted to reflect this change. Any adjustment to his retirement allowance or vested benefit shall be made retroactive to the date his payments commenced. The Pension Administration Committee shall resolve any questions arising under this Section on a basis uniformly applicable to all Employees similarly situated.

- 1.33 Social Security Retirement Age shall mean age 65 with respect to a Member who was born before January 1, 1938; age 66 with respect to a Member who was born after December 31, 1937 and before January 1, 1955; and age 67 with respect to a Member who was born after December 31, 1954.
- 1.34 Special Early Retirement Date shall mean the date as determined in the manner set forth in Section 4.04.
- 1.35 Spousal Consent shall mean written consent given by a Member's or former Member's spouse to an election made by the Member or former Member which specifies the form of

retirement allowance, vested benefit, Beneficiary, or contingent annuitant designated by the Member or former Member. The specified form or specified Beneficiary or contingent annuitant shall not be changed unless further Spousal Consent is given. Spousal Consent shall be duly witnessed by a notary public or, in accordance with uniform rules of the Pension Administration Committee, by a Plan representative and shall acknowledge the effect on the spouse of the Member's or former Member's election. The requirement for Spousal Consent may be waived by the Pension Administration Committee in accordance with applicable law. Spousal Consent shall be applicable only to the particular spouse who provides such consent.

- 1.36 Trustee shall mean the trustee or trustees by which the funds of the Plan are held as provided in Article 7.

ARTICLE 2 - SERVICE

2.01 Eligibility Service

- (a) Eligibility Service on and after the Effective Date. Unless the Board of Directors or the Pension Administration Committee determines otherwise on a basis uniformly applicable to all persons similarly situated and except as otherwise provided in this Article 2, all uninterrupted employment with the Company or with an Associated Company rendered on and after (i) the Effective Date or (ii) date of employment, if later, and prior to such Member's Severance Date shall be recognized as Eligibility Service for all Plan purposes. "Severance Date" shall mean the earlier of (i) the date a Member resigns, is discharged, retires or dies or (ii) one year from the date the Member is continuously absent from service for any other reason as provided in this Article 2. Eligibility Service for any period of employment rendered prior to the Effective Date shall be determined as set in Section 2.01(g).
- (b) Eligibility Service for Plan membership by Employees hired on other than a full-time basis -With respect to any Employee whose employment with the Company or with an Associated Company is on a temporary or less than full-time basis, "one year of Eligibility Service" for purposes of meeting the requirements for membership in the Plan as provided in Article 3 shall mean a period of twelve consecutive months of employment and measured from the date on which he first completes an Hour of Service or from any subsequent anniversary thereof and during which he has completed at least 1,000 Hours of Service with the Company or with an Associated Company. After such an Employee has met the requirements for membership in the Plan as provided in Article 3, Eligibility Service for

purposes of meeting the eligibility requirements for benefits and for vesting shall be determined in accordance with Sections 2.01(a) and 2.01(g).

"Hours of Service" shall include hours worked and hours for which a person is compensated by the Company or by an Associated Company for the performance of duties for the Company or an Associated Company, although he has not worked (such as: paid holidays, paid vacation, paid sick leave, paid time off and back pay for the period for which it was awarded), and each such hour shall be computed as only one hour, even though he is compensated at more than the straight time rate. This definition of "Hours of Service" shall be applied in a consistent and non-discriminatory manner in compliance with 29 Code of Federal Regulations, Section 2530.200b-2(b) and (c) as promulgated by the United States Department of Labor and as may hereafter be amended.

Solely for purposes of this paragraph (b), if a temporary or less than full-time Employee does not complete more than 500 Hours of Service in the twelve month period beginning on the date on which he first completes an Hour of Service or beginning on any subsequent anniversary thereof (which for purposes of this paragraph (b) shall be known as the "computation period"), he shall incur a one-year break in service. Solely for purposes of determining whether such an Employee has incurred a break in service, hours shall include each Hour of Service for which such Employee would otherwise have been credited under this paragraph (b) were it not for the Employee's absence due to Parental Leave. Hours of Service credited under the preceding sentence shall not exceed the number of hours needed to avoid a break in service in the computation period in which the Parental Leave first began, and in any event shall not exceed 501 hours; if no hours are needed to avoid a break in service in such computation period, then the provisions of the preceding sentence

shall apply as though the Parental Leave began in the immediately following computation period. If such an Employee has had a break in service before becoming eligible for membership, Eligibility Service shall begin from the date of his return to the employ of the Company or an Associated Company. Except as otherwise provided in this Article 2, his Eligibility Service before the break in service shall be restored only upon completion of one year of Eligibility Service within the twelve-month period following his break in service. If, however, the periods of consecutive one-year breaks in service equals or exceeds the greater of (i) five years or (ii) the total number of years of Eligibility Service before the break in service, his Eligibility Service prior to the break shall never be restored.

- (c) Employment with the Company or an Associated Company but not as an Employee - Eligibility Service with respect to prior employment rendered by any person who, on or after the Effective Date and prior to the date on which he becomes an Employee, is or was in the employ of the Company or an Associated Company but not as an Employee shall, subject to the provisions of Section 2.01(e) and Section 2.01(f), be equal to:
- (i) the number of years credited to him, if any, on the basis of the "1,000 hour rule" under a pension plan maintained by the Company or an Associated Company applicable to him for the period of such prior employment ending on the last day of the calendar year preceding the date on which he becomes an Employee or the date on which such prior employment terminated, plus
 - (ii) the greater of (1) the service credited to him, if any, on the basis of the "1,000 hour rule" for the portion of the calendar year ending on the date immediately preceding the date he becomes an Employee or the date on which such prior employment terminated, or (2) the Eligibility Service he would be credited with under this Plan

for the entire calendar year in which the transfer or termination of employment took place.

In the event a person's prior employment was not covered by or credited under a pension plan which recognized employment on the basis of the "1,000 hour rule", any such prior employment with the Company or an Associated Company whether rendered before or after the Effective Date shall be recognized in accordance with the terms of this Article 2 and subject to any limitations set forth by the Board of Directors or Pension Administration Committee on a basis uniformly applicable to all persons similarly situated.

- (d) Certain absences to be recognized as Eligibility Service - Except as otherwise indicated in this Article 2, the following periods of approved absence rendered on and after the Effective Date shall be recognized as Eligibility Service under the Plan and shall not be considered as breaks in Eligibility Service:
- (i) The period of any leave of absence granted in respect of service with the armed forces of the United States on or after the Effective Date provided the Employee shall have returned to the service of the Company or an Associated Company in accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment.
 - (ii) Except as provided by law, the period on or after the Effective Date of any leave of absence granted in respect of service, not exceeding two years, with any other agency or department of the United States Government.
 - (iii) The period on and after the Effective Date of any total and permanent disability during which an Employee becomes entitled to a disability benefit under Title II of the Federal Social Security Act as amended from time to time or the period on and

after the Effective Date of total and permanent disability as determined by the Pension Administration Committee on the basis of such medical information as it shall require.

- (iv) The period of any leave of absence on and after the Effective Date during which Company sickness or accident benefits are payable.
- (v) The period on and after the Effective Date of any leave of absence approved by the Company during which an Employee is paid Compensation at a rate which is at least one-half of the Employee's basic rate of Compensation in effect immediately prior to such leave.
- (vi) In any event, Eligibility Service shall include the period, with or without Compensation, immediately preceding the Employee's Severance Date but not in excess of 12 consecutive months inclusive of those periods of approved absences already included in sub-paragraphs (i) through (v) above, during which an Employee is continuously absent from service.
- (vii) The period between an Employee's Severance Date and his reemployment if he returns to the employ of the Company or an Associated Company before the first anniversary date of his Severance Date; provided, however, that the combined periods recognized under sub-paragraph (vi) above and under this sub-paragraph (vii) shall not exceed 12 consecutive months.

Except to the extent provided under sub-paragraph (vi) and, if applicable, under sub-paragraph (vii) above, if an Employee fails to return to active employment upon expiration of the approved absences specified in sub-paragraphs (i), (ii), (iv) and (v) above, such periods of approved absence shall not be considered as Eligibility Service under the Plan.

- (e) Breaks in Service - All absences from the Company or from an Associated Company, other than the absences specified in paragraph (d) above, shall be considered as breaks in Eligibility Service; provided, however, that in no event shall there be a break in Eligibility Service if an Employee (i) is continuously absent from service with the Company or with an Associated Company and returns to the employ of the Company or an Associated Company before the first anniversary of his Severance Date or (ii) is absent from work because of a Parental Leave and returns to the employ of the Company or an Associated Company within two years of his Severance Date. If the provisions of clause (ii) above are applicable, the first year of such absence for Parental Leave, measured from an Employee's Severance Date, shall not be considered in determining the Employee's period of break in service for purposes of Section 2.01(f) below.
- (f) Bridging breaks in service
- (i) If an Employee has a break in service and such Employee was eligible for a vested benefit under Section 4.05 at the time of his break in service, employment both before and after the Employee's absence shall be immediately recognized as Eligibility Service, subject to this provisions of this Section 2.01, upon his return to the employ of the Company or an Associated Company.
- (ii) If an Employee has a break in service and such Employee was not eligible for a vested benefit under Section 4.05 at the time of his break in service, Eligibility Service shall begin from the date of his return to the employ of the Company or an Associated Company. If such Employee returns to the employ of the Company or an Associated Company and the period of the Employee's break is less than the greater of (1) five years or (2) the service rendered prior to such break, the service

prior to such break shall be included as Eligibility Service, subject to the provisions of this Section 2.01, only upon completion of at least twelve months of Eligibility Service following his break in service. However, if the period of the Employee's break in service equals or exceeds the greater of (1) five years or (2) the service rendered prior to such break, the service rendered prior to such break shall be included as Eligibility Service, subject to the provisions of this Section 2.01, only upon completion of a period of Eligibility Service equal to the lesser of the period of his break in service or ten years.

(g) Eligibility Service prior to the Effective Date

- (i) Notwithstanding any foregoing provisions to the contrary, with respect to any person who (1) becomes a Member of the Plan on the Effective Date pursuant to the provisions of Section 3.01 or (2) was employed by ITT Rayonier Corporation on a salaried basis on December 1, 1993, Eligibility Service for determining eligibility for benefits shall include any employment rendered by such Member prior to the Effective Date to the extent such employment is recognized as Eligibility Service under the provisions of the Prior Salaried Plan as defined in Section 1.29.
- (ii) Notwithstanding any foregoing provision to the contrary, if an Employee other than an Employee described in subparagraph (i) above was employed by the Company prior to the Effective Date upon the satisfaction by such Member of the provisions of Section 2.01(f)(ii) with respect to bridging breaks in service, Eligibility Service for determining Plan membership and eligibility for benefits shall include any employment rendered by such Employee prior to Effective Date to the extent such

employment is or would have been recognized as Eligibility Service under the provisions of the Prior Salaried Plan as defined in Section 1.29.

2.02 Benefit Service

- (a) Benefit Service on and after the Effective Date . Unless the Board of Directors or the Pension Administration Committee determines otherwise on a basis uniformly applicable to all persons similarly situated and except as hereinafter otherwise provided, all uninterrupted employment with the Company rendered by such Member as an Employee on and after the Effective Date and prior to his Severance Date shall be recognized as Benefit Service under the Plan. Benefit Service for any period of employment rendered prior to the Effective Date shall be determined as forth in Section 2.02(f).
- (b) Employment with an Associated Company - No employment with an Associated Company rendered by a Member shall be recognized as Benefit Service under the Plan; except, however, if a Member completes thirty-six consecutive months of Eligibility Service as an Employee, any employment rendered on and after the Effective Date at an Associated Company located outside the United States before classification as an Employee shall be recognized as Benefit Service subject to any limitations set forth by the Pension Administration Committee for the Associated Company at which the Member was employed. If a Member ceases to be an Employee and is again employed at an Associated Company located outside the United States on and after the Effective Date, such future employment will not be recognized as Benefit Service unless and until the Member again (i) becomes an Employee and (ii) completes thirty-six consecutive months of Eligibility Service as an Employee.

- (c) Employment with the Company but not as an Employee
With respect to (i) any person who on or after the Effective Date and immediately prior to the date on which he becomes an Employee, is in the employ of the Company but not as an Employee and (ii) any Employee who completes an Hour of Service on and after the Effective Date and who ceases to be an Employee but remains in the employ of the Company and, on or after the Effective Date again becomes an Employee, uninterrupted employment with the Company otherwise than as an Employee shall be recognized, provided such person is a Member of the Plan, as Benefit Service upon completion of thirty-six consecutive months of Eligibility Service as an Employee, subject to the limitations set forth by the Board of Directors or the Pension Administration Committee for the Participating Unit at which such person was first employed.
- (d) Certain absences to be recognized as Benefit Service - Except as the Board of Directors or the Pension Administration Committee may otherwise determine or as otherwise indicated below, the following periods of approved absence rendered on and after the Effective Date shall be recognized as Benefit Service and shall not be considered as breaks in Benefit Service:
- (i) The period of any leave of absence granted in respect of service with the armed forces of the United States on and after the Effective Date provided the Employee shall have returned to the service of the Company or an Associated Company in accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment.

- (ii) Except as provided by law, the period on and after the Effective Date of any leave of absence granted in respect of service, not exceeding two years, with any other agency or department of the United States Government.
- (iii) The period on and after the Effective Date of any total and permanent disability during which an Employee becomes entitled to a disability benefit under Title II of the Federal Social Security Act as amended from time to time; provided, however, that, if such disability benefit ceases to be paid solely due to the Employee's age, Benefit Service shall include the period of total and permanent disability during which the Employee is entitled or would have been entitled if he had participated in the Company's applicable long term disability plan to receive disability benefit under such long term disability plan.
- (iv) The period on and after the Effective Date of any leave of absence during which Company sickness or accident benefits are payable.
- (v) The period on and after the Effective Date of any leave of absence approved by the Company during which an Employee is paid Compensation at a rate which is at least one-half of the Employee's basic rate of Compensation in effect immediately prior to such leave.
- (vi) In any event, Benefit Service shall include the period, with or without Compensation, immediately preceding the Employee's Severance Date not in excess of 12 consecutive months inclusive of those periods of approved absences already included in sub- paragraphs (i) through (v) above, during which an Employee is continuously absent from service.

Except to the extent provided under sub-paragraph (vi) above, if an Employee fails to return to active employment upon expiration of the approved absences specified in sub-paragraphs

(i), (ii), (iv) and (v) above, such periods of approved absence shall not be considered as Benefit Service under the Plan.

The Compensation of a Member during the periods of absence covered by clause (i), (ii), (iv) or (vi) above shall be the Compensation the Member actually receives during such period. The Compensation of a Member during the period of absence covered by clause (iii) above shall be deemed to be the Member's Final Average Compensation based on his Eligibility Service up to such absence. Unless the Pension Administration Committee determines otherwise on a basis uniformly applicable to all persons similarly situated, the Social Security Benefit of a Member covered by clause (iii) above shall be based on the benefit awarded by the Social Security Administration at the date of his total and permanent disability.

(e) All Other Absences for Employees

- (i) No period of absence approved by the Company other than those specified in Section 2.02(d) above shall be recognized as Benefit Service unless otherwise determined by the Board of Directors or the Pension Administration Committee on a basis uniformly applicable to all persons similarly situated.
- (ii) No other absence, other than the absence covered by the exception in clause (i) above, shall be recognized as Benefit Service and any such absence shall be considered as a break in Benefit Service; provided, however, that in no event shall there be a break in Benefit Service if an Employee is continuously absent from service with the Company or with an Associated Company for a period not in excess of 12 months and returns as an Employee to the employ of the Company before the first anniversary date of his Severance Date. However, any period between a

Severance Date and a reemployment date which is counted as Eligibility Service under Section 2.01(d)(vii) shall not be counted as Benefit Service.

If the Employee was eligible for a vested benefit under Section 4.05 at the time of a break in service, Benefit Service both before and after the Employee's absence shall be immediately recognized as Benefit Service under the Plan upon his return to service.

If the Employee was not eligible for a vested benefit under Section 4.05 at the time of a break in service, Benefit Service shall begin from the date of the Employee's return to the employ of the Company. However, any Benefit Service rendered prior to such break in service shall be included, subject to the provisions of this Section 2.02, as Benefit Service only at the time that he bridges his Eligibility Service in accordance with the provisions of Section 2.01(f).

(f) Benefit Service prior to the Effective Date

- (i) With respect to any person who (1) becomes a Member of the Plan on the Effective Date pursuant to the provisions of Section 3.01 or (2) was employed by ITT Rayonier Corporation on a salaried basis and becomes a Member of the Plan, Benefit Service shall include any employment rendered by such Member prior to the Effective Date to the extent such employment is recognized as Benefit Service under the provisions of the Prior Salaried Plan as defined in Section 1.29.
- (ii) Notwithstanding the foregoing, if a Member other than a Member described in subparagraph (i) above was an employee of the Company prior to the Effective Date, Benefit Service shall include at the time the Member satisfies the provisions of Section 2.01(f)(ii) with respect to bridging breaks in service, any employment

rendered by the Member prior to the Effective Date to the extent such employment is or would have been recognized as Benefit Service under the terms of the Prior Salaried Plan as defined in Section 1.29.

- 2.03 Questions relating to Service under the Plan - If any question shall arise hereunder as to an Employee's Eligibility Service or Benefit Service, such question shall be resolved by the Pension Administration Committee on a basis uniformly applicable to all Employee(s) similarly situated. The Pension Administration Committee may, with respect to any person or any group of persons which it considers to be not substantial in number, determine whether the employment of such person(s), the Company or any Associated Company shall be recognized under the Plan as Eligibility Service or Benefit Service. If, in the judgment of the Pension Administration Committee, a group of persons is considered to be substantial in number, the employment of such persons with the Company or any Associated Company shall not be recognized under the Plan as Eligibility Service or Benefit Service until further action by the Board of Directors.

ARTICLE 3 - MEMBERSHIP

3.01 Persons employed on the Effective Date

- (a) Every Employee who is a member of the Prior Salaried Plan on February __, 1994 shall become a Member of the Plan on the Effective Date.
- (b) Any person who would be classified as an Employee as defined in Section 1.15 on the Effective Date, who is absent from work at the Company by reason of layoff, leave of absence, short term disability or long term disability and who is a Member of the Prior Salaried Plan on February ____, 1994 shall become a Member of the Plan on the Effective Date.

3.02 Persons first employed as Employees on or after the Effective Date - Unless otherwise determined by the Board of Directors or the Pension Administration Committee, every person who is first employed as an Employee on or after the Effective Date shall become a Member of the Plan as of the first day of the calendar month coincident with or next following the later of:

- (a) the date on which he attains the 21st anniversary of his birth, or
- (b) the date on which he completes one year of Eligibility Service.

3.03 Persons employed as a Leased Employee with the Company or an Associated Company - Any person who is a Leased Employee shall not be eligible to participate in the Plan. However, if a Leased Employee subsequently becomes an Employee as defined in Section 1.15 or an Employee as defined in Section 1.15 subsequently becomes employed as a Leased Employee, uninterrupted employment with the Company or an Associated Company as a

Leased Employee, shall be counted for the sole purpose of determining Eligibility Service but not for the purpose of determining Benefit Service; provided, however, that Eligibility Service shall not be counted for any Leased Employee for any period of his employment during which he meets the requirements of Section 414(n)(5) of the Code.

- 3.04 Persons employed as other than Employees by the Company - Unless the Pension Administration Committee authorizes membership in the Plan on a different basis, every person employed as other than an Employee by a Participating Unit shall become a Member of the Plan as of the first day of the calendar month coincident with or next following the date on which he first becomes an Employee, but not unless and until he satisfies the same terms and conditions which would have been applicable had he always been an Employee at such Participating Unit.
- 3.05 Reemployment of former Employees, former Members and retired Members - Any person reemployed by the Company as an Employee shall be considered a new Employee for membership purposes under the Plan if such Employee was not previously a Member of the Plan.

The membership of any person reemployed by the Company as an Employee shall be immediately resumed if such Employee was previously a Member of the Plan.

If a retired Member or a former Member is reemployed by the Company or by an Associated Company, his membership in the Plan shall be immediately resumed and any payment of a retirement allowance with respect to his original retirement or any payment

of a vested benefit with respect to his original employment shall cease in accordance with the provisions of Section 4.11.

- 3.06 Termination of membership - Unless otherwise determined by the Pension Administration Committee under rules uniformly applicable to all person(s) or Employee(s) similarly situated, an Employee's membership in the Plan shall terminate if he ceases to be an Employee and he is not entitled to either a retirement allowance or vested benefit under Sections 4.01, 4.02, 4.03, 4.04 or 4.05, except that an Employee's membership shall continue (a) during any period while on leave of absence approved by the Company, (b) while absent by reason of temporary disability, (c) during the period of any total and permanent disability which continues to be recognized as Eligibility Service and Benefit Service as provided in Article 2, or (d) while he is not an Employee as herein defined but is in the employ of the Company or an Associated Company. Employees covered by the Plan may not waive such coverage.
- 3.07 Questions relating to membership in the Plan - If any question shall arise hereunder as to the commencement, duration or termination of the membership of any person(s) or Employee(s) employed by the Company or by an Associated Company, such question shall be resolved by the Pension Administration Committee under rules uniformly applicable to all person(s) or Employee(s) similarly situated.

ARTICLE 4 - BENEFITS

4.01 Normal Retirement Allowance

- (a) The right of a Member to his normal retirement allowance shall be nonforfeitable as of his Normal Retirement Age. A Member may retire from active service on a normal retirement allowance upon reaching his Normal Retirement Date. If a Member postpones his retirement and continues in active service after his Normal Retirement Date or returns to service after his Normal Retirement Date, the provisions of Section 4.02 shall be applicable.
- (b) Benefit - Prior to adjustment in accordance with Sections 4.06(a) and 4.07(c), the annual normal retirement allowance payable on a lifetime basis upon retirement at a Member's Normal Retirement Date shall be equal to the sum of (i) and (ii) where:
- (i) equals
- (1) 2 percent of the Member's Final Average Compensation multiplied by the portion of the first 25 years of his Benefit Service rendered prior to the Effective Date;
 - (2) plus 1-1/2 percent of the Member's Final Average Compensation multiplied by the next 15 years of his Benefit Service rendered prior to the Effective Date, to a combined maximum of 40 years of Benefit Service;
 - (3) reduced by 1-1/4 percent of the Social Security Benefit multiplied by the portion of his years of Benefit Service rendered prior to the Effective Date, and not in excess of 40 years;
 - (4) reduced by the annual normal retirement allowance determined under the provisions of Section 4.01(b) of the Prior Salaried Plan as defined in Section 1.29 with respect to the Member's period of employment rendered prior to the Effective Date which

has been credited as Benefit Service hereunder pursuant to the provisions of Section 2.02(f), and

(ii) equals:

- (1) 2 percent of the Member's Final Average Compensation multiplied by the balance of the portion of the first 25 years of his Benefit Service rendered on and after the Effective Date;
- (2) plus 1-1/2 percent of the Member's Final Average Compensation multiplied by the balance of the portion of the next 15 years of his Benefit Service rendered on or after the Effective Date, to a combined maximum of 40 years of Benefit Service minus the total number of years of Benefit Service rendered prior to the Effective Date;
- (3) reduced by 1-1/2 percent of the Social Security Benefit multiplied by the balance of the portion of the number of years of his Benefit Service rendered on or after the Effective Date not in excess of 40 years.

The combined maximum years of Benefit Service and to compute the annual normal retirement allowance under clause (i) and (ii) above shall not exceed 40 years.

The annual normal retirement allowance determined prior to reduction to be made on account of the Social Security Benefit shall be an amount not less than the greatest annual early retirement allowance which would have been payable to a Member had he retired under Section 4.03 or Section 4.04 at any time before his Normal Retirement Date and as such early retirement allowance would have been reduced to commence at such earlier date but without reduction on account of the Social Security Benefit. The reduction to be made on account of the Social Security Benefit shall in any event be based on the Federal Social Security Act in effect at the time of the Member's actual retirement.

4.02 Postponed Retirement Allowance

- (a) A Member who continues in active service after his Normal Retirement Date or returns to active service on or after his Normal Retirement Date shall be retired from active service on a postponed retirement allowance on the first day of the month following his termination of employment, which date shall be his Postponed Retirement Date.
- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(c), the annual postponed retirement allowance payable on a lifetime basis upon retirement at a Member's Postponed Retirement Date shall be equal to the greater of:
 - (i) an amount determined in accordance with Section 4.01(b) but based on the Member's Benefit Service, Social Security Benefit and Final Average Compensation as of his Postponed Retirement Date or
 - (ii) the annual normal retirement allowance to which the Member would have been entitled under Section 4.01(b) had he retired on his Normal Retirement Date, increased by an amount which is the Equivalent Actuarial Value of the monthly payments which would have been payable with respect to each month in which he worked fewer than eight days. Any monthly payment determined under this sub-paragraph (ii) with respect to any such month in which he worked fewer than eight days shall be computed as if the Member had retired on his Normal Retirement Date and shall reflect additional benefit accruals, if any, recomputed as of the first day of each subsequent Plan Year during which payment would have been made on the basis of his Final Average Compensation and Benefit Service accrued to such recomputation date.

(c) Benefit for Member in Active Service after he attains Age 70-1/2 - In the event a Member's retirement allowance is required to begin under Section 4.10 while the Member is in active service, the January 1 immediately following the calendar year in which the Member attained age 70-1/2 shall be the Member's Annuity Starting Date for purposes of this Article 4 and the Member shall receive a postponed retirement allowance commencing on that January 1 in an amount determined as if he had retired on such date. As of each succeeding January 1 prior to the Member's actual Postponed Retirement Date and as of his actual Postponed Retirement Date, the Member's retirement allowance shall be:

- (i) recomputed to reflect any additional retirement allowance attributable to his Compensation and Benefit Service earned during the immediately preceding calendar year and based on his age at each succeeding January 1 or actual Postponed Retirement Date, and
- (ii) reduced by the Equivalent Actuarial Value of the total payments of his postponed retirement allowance made with respect to each month of continued employment in which he was credited with at least eight days of service and which were paid prior to each such recomputation;

provided that no such reduction shall reduce the Member's postponed retirement allowance below the amount of postponed retirement allowance payable to the Member immediately prior to the recomputation of such retirement allowance.

4.03 Standard Early Retirement Allowance

(a) Eligibility - A Member, who has not reached his Normal Retirement Date but has, prior to his termination of employment, reached the 55th anniversary of his birth and completed ten years of Eligibility Service, is eligible to retire on a standard early retirement allowance on

the first day of the calendar month coincident with or next following termination of employment, which date shall be his Early Retirement Date.

- (b) Benefit - Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(c) the standard early retirement allowance shall be an allowance deferred to commence on the Member's Normal Retirement Date and shall be equal to the Member's Accrued Benefit earned up to his Early Retirement Date, computed on the basis of his Final Average Compensation, Social Security Benefit and Benefit Service at his Early Retirement Date.

The Member may, however, elect to receive an early retirement allowance commencing on his Early Retirement Date or the first day of any calendar month before his Normal Retirement Date specified in his later request therefor in a reduced amount which, prior to adjustment in accordance with Sections 4.06(a) and 4.07(c) shall be equal to his Accrued Benefit earned up to his Early Retirement Date prior to the reduction for the Social Security Benefit, reduced by 1/4 of 1 percent per month for each month by which the commencement date of his retirement allowance precedes his Normal Retirement Date.

The reduction to be made on account of the Social Security Benefit shall be determined on the assumption that the Member had no earnings after his Early Retirement Date and, with respect to the retirement allowance payable to a Member retiring prior to his 62nd birthday, shall not be made until such time as the Member is or would upon proper application first be entitled to receive said Social Security Benefit. With respect to a Member who retires on and after said date and prior to attaining age 62, the reduction to be made to the retirement allowance payable to such Member or any benefit payable after his death to his

spouse or to a contingent annuitant pursuant to the provisions of Section 4.06 on account of the Social Security Benefit shall not be made until such time as the Member is or would have, had he survived, upon proper application first been entitled to receive said Social Security Benefit.

4.04 Special Early Retirement Allowance

- (a) Eligibility - A Member who has not reached his Normal Retirement Date but who prior to his termination of employment (i) has reached the 55th anniversary of his birth and completed fifteen years of Eligibility Service or (ii) has reached the 50th anniversary of his birth but not the 55th anniversary of his birth and whose age plus years of Eligibility Service equals eighty or more, is eligible, in either case, to retire on a special early retirement allowance on the first day of the calendar month coincident with or next following termination of employment, which date shall be his Special Early Retirement Date.
- (b) Benefit - Except as hereinafter otherwise provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(c) the special early retirement allowance shall be an allowance deferred to commence on the Member's Normal Retirement Date and shall be equal to his Accrued Benefit earned up to the Member's Special Early Retirement Date, computed on the basis of his Final Average Compensation, Social Security Benefit and Benefit Service at his Special Early Retirement Date.

At or after his Special Early Retirement Date, however, the Member may elect to receive early payment of his Accrued Benefit commencing on the later of his Special Early

Retirement Date or the first day of any later calendar month prior to his Normal Retirement Date as specified in his request therefor.

In the event of early payment commencing on the first day of the month coincident with or following the 60th anniversary of a Member's birth, the special early retirement allowance, prior to any adjustment in accordance with Sections 4.06(a) and 4.07(c), payable prior to age 62 shall be equal to his Accrued Benefit earned up to the Member's Special Early Retirement Date prior to the reduction for the Social Security Benefit; such retirement allowance shall not be increased to reflect a commencement date later than the 60th anniversary of the Member's birth.

In the event of early payment commencing prior to the 60th anniversary of a Member's birth, the special early retirement allowance, prior to any adjustment in accordance with Sections 4.06(a) and 4.07(c), payable prior to age 62 shall be equal to his Accrued Benefit earned up to the Member's Special Early Retirement Date prior to the reduction for the Social Security Benefit but reduced by 5/12 of 1 percent per month for each month up to 60 months by which the commencement date of his special early retirement allowance precedes the first day of the calendar month coinciding with or next following the 60th anniversary of his birth.

The reduction to be made on account of the Social Security Benefit shall be determined on the assumption that the Member had no earnings after his Special Early Retirement Date and, with respect to the retirement allowance payable to a Member retiring prior to his 62nd birthday, shall be made at such time as the Member is or would upon proper application first be entitled to receive said Social Security Benefit. With respect to a Member who retires prior to attaining age 62, the reduction to be made to the retirement allowance payable to such Member or any benefit payable after his death to his spouse or to a

contingent annuitant pursuant to the provisions of Section 4.06 on account of the Social Security Benefit shall not be made until such time as the Member is or would have, if he had survived, upon proper application first been entitled to receive said Social Security Benefit.

4.05 Vested Benefit

- (a) Eligibility - A Member shall be vested in, and have a nonforfeitable right to, his Accrued Benefit upon completion of five years of Eligibility Service. If such Member's services are subsequently terminated for reasons other than death or early retirement prior to his Normal Retirement Date, he shall be entitled to a vested benefit under the provisions of this Section 4.05.
- (b) Benefit - Prior to adjustment in accordance with Sections 4.06(a) and 4.07(a), the vested benefit payable to a Member shall be a benefit deferred to commence on the former Member's Normal Retirement Date and shall be equal to his Accrued Benefit earned up to the date the Member's employment is terminated, computed on the basis of his Final Average Compensation, Social Security Benefit and Benefit Service at his date of termination, with the Social Security Benefit determined on the assumption that he continued in service to his Normal Retirement Date at his rate of Compensation in effect as of his date of termination. On or after the date on which the former Member shall have reached the 55th anniversary of his birth he may elect to receive a benefit commencing on the first day of any calendar month coincident with or next following the 55th anniversary of his birth and prior to his Normal Retirement Date as specified in his request therefor, after receipt by the Pension Administration Committee of written application therefor made by the former Member and filed with the Pension Administration Committee. Upon such

earlier payment, the vested benefit otherwise payable at the former Member's Normal Retirement Date will be reduced by 1/180th for each month up to 60 months by which the commencement date of such payments precedes his Normal Retirement Date and further reduced by 1/360th for each such month in excess of 60 months.

4.06 Forms of Benefit Payment after Retirement

(a) Automatic Forms of Payment

(i) Automatic Joint and Survivor Annuity - If a Member or former Member who is married on his Annuity Starting Date has not made an election of an optional form of payment as provided in Section 4.06(b), the retirement allowance or vested benefit payable to such Member or former Member shall automatically be adjusted as follows in order to provide that, after his death, a lifetime benefit as described below shall be payable to the spouse to whom he is married on his Annuity Starting Date:

- (1) 90/50 Spouse's Annuity - If such Member retires from active service under Section 4.01, Section 4.02, Section 4.03 or Section 4.04, the automatic joint and survivor annuity payable to the Member shall provide (A) a reduced retirement allowance payable to the Member during his life equal to 90% of the retirement allowance otherwise payable without optional modification to the Member under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, further adjusted, if necessary, as provided in the following sentence and (B) a benefit payable after his death to his surviving spouse equal to 50% of the retirement allowance otherwise payable without optional modification to the Member under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, and without further adjustment as provided in the following sentence. If such spouse is more than 5 years older

than the Member, the reduced retirement allowance payable to the Member shall be increased for each such additional full year in excess of 5 years, but for not more than 20 years, by one-half of 1% of the retirement allowance payable to the Member prior to optional modification. If such spouse is more than 5 years younger than the Member, the reduced retirement allowance payable to the Member shall be further reduced for each such additional full year in excess of 5 years by one-half of 1% of the retirement allowance payable to the Member prior to optional modification.

Notwithstanding the foregoing, the retirement allowance payable to the Member shall not be less than the retirement allowance otherwise payable without optional modification to the Member at retirement under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, multiplied by the appropriate factor contained in Table 3 of Appendix A.

- (2) Retired Spouse's Benefit - If such Member terminates service and is entitled to a vested benefit under Section 4.05, the joint and survivor annuity payable to the former Member shall provide (A) a reduced vested benefit payable to the former Member during his life equal to his vested benefit computed in accordance with Section 4.05 multiplied by the appropriate factor contained in Table 1 of Appendix A and (B) a benefit payable after his death to his surviving spouse equal to 50% of the reduced vested benefit payable to the former Member.
- (ii) Automatic Life Annuity - If a Member or former Member is not married on his Annuity Starting Date, the retirement allowance or vested benefit computed in accordance with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, shall be

paid to the Member or former Member in the form of a lifetime benefit payable during his own lifetime with no further benefit payable to anyone after his death, unless the Member or former Member is eligible for and makes an election of an optional form of payment under Section 4.06(b).

(b) Optional Forms of Payment

- (i) Life Annuity Option - Any Member or former Member who retires or terminates employment with the right to a retirement allowance or vested benefit may elect, in accordance with the provisions of Section 4.06(d), to provide that the retirement allowance payable to him under Section 4.01, 4.02, 4.03 or 4.04 or the vested benefit payable to him under Section 4.05 shall be in the form of a lifetime benefit payable during his own lifetime with no further benefit payable to anyone after his death.
- (ii) 80/80 Spouse's Annuity Option - Any Member who retires from active service under Section 4.01, 4.02, 4.03 or 4.04, who is married on his Annuity Starting Date, may elect, in accordance with the provisions of Section 4.06(d), to convert the retirement allowance otherwise payable to him without optional modification under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, into the following alternative benefit in order to provide that, after his death, a lifetime benefit shall be payable to the spouse to whom he is married on his Annuity Starting Date.

The Member shall receive a reduced retirement allowance payable during his life equal to 80% of the retirement allowance otherwise payable without optional modification to the Member at retirement under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, further adjusted, if necessary, as provided below. The Member's

surviving spouse shall receive a benefit payable after the Member's death equal to the Member's retirement allowance as reduced in this Section 4.06(b)(ii).

If such spouse is more than 5 years older than the Member, the reduced retirement allowance payable to the Member shall be increased for each such additional full year in excess of 5 years, but for not more than 20 years, by 1% of the retirement allowance payable to the Member prior to optional modification. If such spouse is more than 5 years younger than the Member, the reduced retirement allowance payable to the Member shall be further reduced for each such additional full year in excess of 5 years by 1% of the retirement allowance payable to the Member prior to optional modification.

Notwithstanding the foregoing, the retirement allowance payable to the Member and his surviving spouse shall not be less than the retirement allowance that would have been payable if the Member had elected Option 1 under Section 4.06(b)(iii).

- (iii) Contingent Annuity Option - Any Member who retires from active service under Section 4.01, 4.02, 4.03 or 4.04 may elect, in accordance with the provisions of Section 4.06(d), to convert the retirement allowance otherwise payable to him without optional modification under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, into one of the following alternative options in order to provide that after his death, a lifetime benefit shall be payable to the person who, when the option became effective, was designated by him to be his contingent annuitant. The optional benefit elected shall be the Equivalent Actuarial Value of the retirement allowance otherwise payable without optional modification under Section 4.01, 4.02, 4.03 or 4.04.

Option 1 - A reduced retirement allowance payable during the Member's life with the provisions that after his death a benefit equal to 100% of his reduced retirement allowance shall be paid during the life of, and to, his surviving contingent annuitant.

Option 2 - A reduced retirement allowance payable during the Member's life with the provision that after his death a benefit equal to 50% of his reduced retirement allowance shall be paid during the life of, and to, his surviving contingent annuitant.

- (c) Required Notice - No less than 30 days and no more than 90 days before his Annuity Starting Date, the Pension Administration Committee shall furnish to each Member or former Member a written explanation in non-technical language of the terms and conditions of the Automatic Joint and Survivor Annuity and the Automatic Life Annuity as described in Section 4.06(a) and the optional forms of benefits described in Section 4.06(b). Such explanation shall include (i) a general description of the eligibility conditions for, the material features of and the relative values of the optional forms of payment under the Plan, (ii) any rights the Member or former Member may have to defer commencement of his retirement allowance or vested benefit, (iii) the requirement for Spousal Consent as provided in Section 4.06(d) and (iv) the right of the Member or former Member, prior to his Annuity Starting Date to make and to revoke elections under Section 4.06.
- (d) Election of Options - A Member may, subject to the provisions of this Section 4.06(d), elect to receive his retirement allowance or vested benefit in the optional form of payment described in Section 4.06(b)(i) or, in the case of a Member who retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04, one of the optional forms of payment described in Section

4.06(b)(ii) or 4.06(b)(iii), in lieu of the automatic forms of payment described in Section 4.06(a). A married Member's or a married former Member's election of a Life Annuity form of payment under Section 4.06(b)(i) or any optional form of payment under Section 4.06(b)(ii) and Section 4.06(b)(iii), which does not provide for monthly payments to his spouse for life after the Member's or former Member's death, in an amount equal to at least 50% but not more than 100% of the monthly amount payable under that form of payment to the Member or former Member and which is not of Equivalent Actuarial Value to the Automatic Joint and Survivor Annuity described in Section 4.06(a)(i), shall be effective only with Spousal Consent; provided such Spousal Consent to the election has been received by the Pension Administration Committee.

Any election made under Section 4.06(a) or Section 4.06(b) shall be made on a form approved by the Pension Administration Committee and may be made during the 90-day period ending on the Member's Annuity Starting Date, but not prior to the date the Member or former Member receives the written explanation described in Section 4.06(c). Any such election shall become effective on the Member's or former Member's Annuity Starting Date, provided the appropriate form is filed with and received by the Pension Administration Committee and may not be modified or revoked after his Annuity Starting Date. Any election made under Section 4.06(a) or Section 4.06(b) after having been filed, may be revoked or changed by the Member or former Member only by written notice received by the Pension Administration Committee before his election becomes effective on his Annuity Starting Date. Any subsequent elections and revocations may be made at any time and from time to time during the 90-day period ending on the Member's or former Member's Annuity Starting Date. A revocation shall be effective when the completed notice is received by the Pension Administration Committee. A re-election shall be effective on

the Member's or former Member's Annuity Starting Date. If, however, the Member or the spouse or the contingent annuitant designated in the election dies before the election has become effective, the election shall thereby be revoked.

With respect to a Member who retires under the provisions of Section 4.03 or Section 4.04, the reduction on account of the Social Security Benefit to made to the benefit, if any, payable in accordance with Section 4.06(a) or Section 4.06(b) to his designated spouse or to his contingent annuitant shall not be made until such time as the Member would have, had he survived, upon proper application first been entitled to receive said Social Security Benefit.

If a Member dies after his Annuity Starting Date, any payment continuing on to his spouse or contingent annuitant shall be distributed at least as rapidly as under the method of distribution being used as of the Member's date of death.

4.07 Survivor's Benefit Applicable Before Retirement

The term "Beneficiary" for purposes of this Section 4.07 shall mean any person or any trust established by the Member or the Member's estate, named by the Member by written designation to receive benefits payable under the automatic Pre-Retirement Survivor's Benefit and under the optional Supplemental Pre-Retirement Survivor's Benefit; provided, however, that, for any married Member the term "Beneficiary" shall automatically mean the Member's spouse and any prior designation to the contrary will be cancelled, unless the Member, with Spousal Consent, designates otherwise. An election of a non-spouse Beneficiary by a married Member shall be effective only if accompanied by Spousal Consent and such Spousal Consent has been received by the Pension Administration Committee. If the Member dies without an effective designation of Beneficiary, the Member's

Beneficiary for purposes of this Section 4.07 shall automatically be the Member's spouse, if any, or his estate. If the Member elects the additional optional protection of the Supplemental Pre-Retirement Survivor's Benefit, the Member's Beneficiary thereunder shall automatically be the same as the Beneficiary under the Pre-Retirement Survivor's Benefit. The Pension Administration Committee shall resolve any questions arising hereunder as to the meaning of "Beneficiary" on a basis uniformly applicable to all Members similarly situated.

(a) Automatic Vested Spouse's Benefit

- (i) Automatic Vested Spouse's Benefit applicable before termination of employment - The surviving spouse of a Member who has completed 5 years of Eligibility Service but who has not yet completed 10 years of Eligibility Service and attained age 55 shall automatically receive a benefit payable under the Automatic Vested Spouse's Benefit of this Section 4.07(a)(i) in the event said Member should die after the effective date of coverage hereunder and before termination of employment. The benefit payable to the Member's spouse shall be equal to 50% of the benefit the Member would have received if he had terminated his employment on his date of death, survived to Normal Retirement Date, and on the day before he would have reached Normal Retirement Date had elected to begin receiving his vested benefit, or with respect to a Member who had met the eligibility requirements set forth in Section 4.04(a)(ii) and died in active employment prior to the 55th anniversary of his birth, his early retirement allowance accrued to his date of death in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a)(i). Such benefit shall be payable for the life of the spouse commencing on what would have been the

Member's Normal Retirement Date. However, the Member's spouse may elect, by written application filed with the Pension Administration Committee, to have payments begin as of the first day of any calendar month on or after the date the former Member would have reached the 55th anniversary of his birth provided, however, if the Member dies after having met the requirements set forth in Section 4.04(a)(ii) for a special early retirement allowance, the Member's spouse may elect to have payments begin under this Automatic Vested Spouse's Benefit as of the first day of any month following the Member's death.

If the Member's spouse elects to commence payment of the Automatic Vested Spouse's Benefit prior to what would have been the Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on (i) the reduced vested benefit to which the Member would have been entitled, had the Member elected to have payments commence to himself on such earlier date in accordance with the provisions of Section 4.05(b) or (ii) in the case of a Member who dies after having met the requirements for a special early retirement allowance as set forth Section 4.04(a)(ii), the reduced early retirement allowance to which the Member would have been entitled had he elected to have payments commence to himself on such earlier date in accordance with the provisions of Section 4.04(b).

Coverage hereunder shall be applicable to a married Member in active service who has satisfied the eligibility requirements for a vested benefit under Section 4.05 and shall become effective on the date the Member marries and shall cease on the earlier of (i) the date such active Member reaches the 55th anniversary of his birth and completes 10 years of Eligibility Service, (ii) the date such active Member reaches the 65th anniversary of his birth, (iii) the date such active Member's

marriage is legally dissolved by a divorce decree, or (iv) the date such active Member's spouse dies. Coverage under Section 4.07(b)(i) shall commence on the date a Member in active service reaches the earlier of (i) the 55th anniversary of his birth or, if later, the date he completes 10 years of Eligibility Service or (ii) the 65th anniversary of his birth.

- (ii) Automatic Vested Spouse's Benefit applicable upon termination of employment - In the case of a former Member who is married and entitled to a vested benefit under Section 4.05, the provisions of this Section 4.07(a)(ii) shall apply to the period between the date his services are terminated or the date, if later, the former Member is married and his Annuity Starting Date, or other cessation of coverage as later specified in this Section 4.07(a)(ii).

In the event of a married former Member's death during any period in which these provisions have not been waived or revoked by the former Member and his spouse, the benefit payable to the former Member's spouse shall be equal to 50% of the vested benefit the former Member would have received on his Normal Retirement Date if he had elected to receive such benefit in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a)(i).

The spouse's benefit shall be payable for the life of the spouse commencing on what would have been the former Member's Normal Retirement Date. However, the former Member's spouse may elect, by written application filed with the Pension Administration Committee, to have payments begin as of the first day of any calendar month on or after the date the former Member would have reached the 55th anniversary of his birth. If the former Member's spouse elects to commence payment of this Automatic Vested Spouse's Benefit prior to what would have been

the former Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on the reduced vested benefit to which the former Member would have been entitled, had the former Member elected to have payments commence to himself on such earlier date in accordance with the provisions of Section 4.05(b).

The vested benefit payable to a former Member whose spouse is covered under this Section 4.07(a)(ii) or, if applicable, the benefit payable to his spouse upon his death shall be reduced by the applicable percentages shown below. Such reduction shall commence on and after the first of the month coincident with or following the effective date of coverage hereunder and cease when coverage ceases; provided, however, no reduction shall be made with respect to any period before the later of (1) the date the Pension Administration Committee furnishes the Member the notice of his right to waive the Automatic Vested Spouse's Benefit or (2) the commencement of the election period specified below.

ANNUAL REDUCTION FOR SPOUSE'S COVERAGE
AFTER TERMINATION OF EMPLOYMENT

Age ---	Reduction -----
Less than 40	1/10 of 1% per year
40 but prior to 50	2/10 of 1% per year
50 but prior to 55	3/10 of 1% per year
55 but prior to 60	5/10 of 1% per year
60 but less than 65	1% per year

The Pension Administration Committee shall furnish to each former Member a written explanation which describes (1) the terms and conditions of the Automatic Vested Spouse's Benefit, (2) the former Member's right to make, and the effect of,

an election to waive the Automatic Vested Spouse's Benefit, (3) the rights of the former Member's spouse, and (4) the right to make, and the effect of, a revocation of such a waiver. Such written explanation shall be furnished to each former Member before the first anniversary of the date he terminated service and shall be furnished to such former Member even though he is not married.

The period during which the former Member may make an election to waive the Automatic Vested Spouse's Benefit provided under this Section 4.07(a)(ii) shall begin not later than the date his employment terminates and end on his Annuity Starting Date or, if earlier, his date of death. Any waiver, revocation or re-election of the Automatic Vested Spouse's benefit shall be made on a form provided by the Pension Administration Committee and shall require Spousal Consent. If, upon termination of employment, the former Member waives coverage hereunder in accordance with administrative procedures established by the Pension Administration Committee for all Members similarly situated, such waiver shall be effective as of the Member's Severance Date. Any later re-election or revocation shall be effective on the first day of the month coincident with or next following the date the completed form is received by the Pension Administration Committee. If a former Member dies during the period after a waiver or revocation is in effect there shall be no benefits payable under the provisions of this Section 4.07.

Except as described above in the event of a waiver or revocation, coverage under this Section 4.07(a)(ii) shall cease to be effective upon a former Member's Annuity Starting Date, or upon the date a former Member's marriage is legally dissolved by a divorce decree, or upon the death of the spouse, whichever event shall first occur.

(b) Automatic Pre-Retirement Survivor's Benefit

- (i) Automatic Pre-Retirement Survivor's Benefit applicable before a Member retires under the provisions of Section 4.01, Section 4.02, Section 4.03 or Section 4.04 - The Beneficiary of a Member who has reached the 65th anniversary of his birth or who has reached the 55th anniversary of his birth and completed 10 years of Eligibility Service, shall automatically receive a benefit payable under the Pre-Retirement Survivor's Benefit of this Section 4.07(b)(i) in the event said Member should die before he retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04 or reaches his Annuity Starting Date pursuant to the provisions of Section 4.02(d), if earlier. The benefit payable during the life of, and to, the Beneficiary shall be equal to one-half of the Member's Accrued Benefit, without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his death, adjusted to take into account the Member's Social Security Benefit. The Social Security Benefit shall be determined on the assumption that the Member had no earnings after his date of death and, if his death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. If the Beneficiary is more than 5 years younger than the Member, the benefit payable to the Beneficiary shall be reduced by one-half of 1% for each full year the Beneficiary is more than 5 years younger.

Coverage hereunder shall be effective on the first day of the calendar month coincident with or next following the date the Member reaches his 55th birthday and completes 10 years of Eligibility Service or, if earlier, his Normal Retirement Date. In the case of a married Member coverage under Section 4.07(a)(i) shall cease on

the date coverage under this Section 4.07(b)(i) is effective as set forth in the preceding sentence.

- (ii) Automatic Pre-Retirement Survivor's Benefit applicable between Standard Early or Special Early Retirement Date and the Member's Annuity Starting Date - In the case of a Member retired early under Section 4.03 or Section 4.04 of the Plan with the payment of the early retirement allowance deferred to commence at a date later than his Standard Early or Special Early Retirement Date, whichever is applicable, the provisions of this Section 4.07(b)(ii) shall apply to the period between his Standard Early or Special Early Retirement Date and his Annuity Starting Date. The Member shall, at his Standard Early or Special Early Retirement Date, complete such forms as are required under this Section 4.07(b)(ii) and coverage hereunder shall be effective as of his Standard Early or Special Early Retirement Date.

In the event of the Member's death during the period in which these provisions are in effect, the benefit payable during the life of, and to, the Beneficiary shall be equal to one-half of the Member's Accrued Benefit, without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his death, adjusted to take into account the Member's Social Security Benefit. If the Member's death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. If the Beneficiary is more than 5 years younger than the Member, the benefit payable to the Beneficiary shall be reduced by one-half of 1% for each full year the Beneficiary is more than 5 years younger.

The automatic Pre-Retirement Survivor's Benefit shall be payable for the life of the Beneficiary commencing on what would have been the Member's Normal Retirement Date or date of death, if later. However, if a Member dies prior to his Normal Retirement Date, the Beneficiary of the Member may elect, by written application filed with the Pension Administration Committee, to have such payments begin as of the first day of any calendar month following the Member's date of death and prior to what would have been the Member's Normal Retirement Date. If the Beneficiary elects to commence payment of the Automatic Pre-Retirement Survivor's Benefit prior to what would have been the Member's Normal Retirement Date the amount of such benefit shall be determined in accordance with Sections 4.07(b)(i) and (ii) above, as applicable, and without reduction for such early commencement. Notwithstanding the foregoing, in the event the Member's Beneficiary is someone other than his spouse, payment of the automatic Pre-Retirement Survivor's Benefit shall commence within one year of the Member's date of death and in the event such commencement date is prior to the 55th anniversary of the Member's birth, the benefit payable to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable to the Beneficiary on the date the Member would have attained age 55.

- (c) Optional Supplemental Pre-Retirement Survivor's Benefit
 - (i) Optional Supplemental Pre-Retirement Survivor's Benefit applicable before a Member retires under the provisions of Section 4.01, Section 4.02, Section 4.03 or Section 4.04 - A Member, who has reached the 65th anniversary of his birth or who has reached the 55th anniversary of his birth and completed 10 years of Eligibility Service, may elect to receive a reduced retirement allowance upon his retirement in order to provide that, if he should die after his election becomes effective but before

he retires under the provisions of Section 4.01, Section 4.02, 4.03 or 4.04 or reaches his Annuity Starting Date pursuant to the provisions of Section 4.02(d), a benefit shall be paid to the Beneficiary designated by him in accordance with the following terms and conditions.

The Member may elect to reduce the retirement allowance to which he would otherwise be entitled at retirement under Section 4.01, 4.02, 4.03 or 4.04 by one-half of 1% per year for each year between the date on which the election becomes effective and the earliest of the Member's Standard Early Retirement Date, Special Early Retirement Date, Annuity Starting Date, or the date the election is revoked as provided in Section 4.07(i).

If the Member makes such an election and dies before he retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04, the benefit payable during the life of, and to, the Beneficiary shall be equal to 25% of the Member's Accrued Benefit without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his death adjusted (1) to take into account the Member's Social Security Benefit and (2) as provided below. The Social Security Benefit shall be determined on the assumption that the Member had no earnings after his date of death and, if his death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. The benefit payable to the Beneficiary shall be reduced by one-half of 1% per year for each year between the date on which the election became effective and the date of the Member's death. If the Beneficiary is more than 5 years younger than the Member,

the benefit payable to the Beneficiary shall be further reduced by one-half of 1% for each full year the Beneficiary is more than 5 years younger.

If the Member makes an election under this Section 4.07(c)(i) at or prior to the time he is first eligible to do so, it shall become effective on the first day of the calendar month coincident with or next following the date the Member reaches his 55th birthday and completes 10 years of Eligibility Service or, if earlier, his Normal Retirement Date. A Member will be deemed to have waived coverage under this Section 4.07(c)(i) if he does not file the appropriate forms with the Pension Administration Committee when first eligible to do so. If the Member does not make such election until after he is first eligible to do so, it shall become effective one year after the first day of the calendar month coincident with or next following (1) the date the notice is received by the Pension Administration Committee or (2) the date specified in such notice, if later.

- (ii) Optional Supplemental Pre-Retirement Survivor's Benefit applicable between Standard Early or Special Early Retirement Date and the Member's Annuity Starting Date - In the case of a Member retired early under the provisions of Section 4.03 or Section 4.04 of the Plan with the payment of the early retirement allowance deferred to commence at a date later than his Standard Early or Special Early Retirement Date, the provisions of this Section 4.07(c)(ii) shall apply to the period between his Standard Early or Special Early Retirement Date and his Annuity Starting Date.

The Member may elect to reduce the early retirement allowance to which he would otherwise be entitled under Section 4.03 or Section 4.04 by one-half of 1% per year for each year between his Standard Early or Special Early Retirement Date and the

earlier of the date the election is revoked pursuant to Section 4.07(i) or his Annuity Starting Date.

If the Member makes such an election and dies during the period the election is in effect, the benefit payable during the life of, and to, his Beneficiary shall be equal to 25% of the Member's Accrued Benefit, without optional modification in accordance with the provisions of Section 4.06, accrued to his date of death, adjusted (1) to take into account the Member's Social Security Benefit and (2) as provided below. If the Member's death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. The benefit payable to the Beneficiary shall be reduced by one-half of 1% per year for each year between the date on which the election became effective and the date of the Member's death. If the Beneficiary is more than 5 years younger than the Member, the benefit payable to the Beneficiary shall be further reduced by one-half of 1% for each full year the Beneficiary is more than 5 years younger.

The Member shall, at his Standard Early or Special Early Retirement Date, complete such forms as are required under this Section 4.07(c)(ii) and, if he so elects, coverage hereunder shall be effective as of his Standard Early or Special Early Retirement Date. A Member will be deemed to have waived coverage under this Section 4.07(c)(ii) if he does not file the appropriate forms with the Pension Administration Committee at his Standard Early or Special Early Retirement Date. If the Member subsequently makes an election hereunder, it shall become effective one year after the first day of the calendar month coincident with or next following

(1) the date the notice is received by the Pension Administration Committee or (2) the date specified in such notice, if later.

The optional Supplemental Pre-Retirement Survivor's Benefit shall be payable for the life of the Beneficiary commencing on what would have been the Member's Normal Retirement Date or date of death, if later. However, if a Member dies prior to his Normal Retirement Date, the Beneficiary may elect, by written application filed with the Pension Administration Committee, to have such payments begin as of the first day of any calendar month coincident with or next following the Member's date of death and prior to what would have been the Member's Normal Retirement Date. If the Beneficiary elects to commence payment of the optional Supplemental Pre-Retirement Survivor's Benefit prior to what would have been the Member's Normal Retirement Date and after what would have been the 55th anniversary of the Member's birth, the amount of such benefit shall be determined in accordance with Section 4.07(c)(i) and (ii) above, as applicable and without reduction for such early commencement. If the Beneficiary elects to commence payment of the optional Supplemental Pre-Retirement Survivor's Benefit prior to what would have been the 55th anniversary of the Member's birth, the benefit payable to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable to Beneficiary on the date the Member would have attained age 55. Notwithstanding any foregoing provision to the contrary, payment of the optional Supplemental Pre-Retirement Survivor Benefit must commence as of the same date payment of the Automatic Pre-Retirement Survivor Benefit commences.

Notwithstanding the foregoing, in the event the Member's Beneficiary is someone other than his spouse, payment of the optional Supplemental Pre-Retirement Survivor's Benefit shall

commence within one year of the Member's date of death and in the event such commencement date is prior to the 55th anniversary of the Member's birth, the benefit payment to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable to the Beneficiary on the date the Member would have attained age 55.

- (d) Notwithstanding any provision of Section 4.07(b) or Section 4.07(c) to the contrary, in no event shall the sum of the Automatic Pre-Retirement Survivor's Benefit payable under the provisions of Section 4.07(b) and the optional Supplemental Pre-Retirement Survivor's Benefit payable under the provisions of Section 4.07(c) to the Beneficiary be less than the amount of benefit the spouse would have received if the retirement allowance to which the Member was entitled at his date of death (i) had commenced on the date the spouse elects to have such Pre-Retirement Survivor's Benefit payments commence, (ii) in the form of an Automatic Joint and Survivor Annuity under Section 4.06(a)(i), and (iii) the Member had died immediately thereafter. However, in lieu of the Automatic Joint and Survivor Annuity referred to in the preceding sentence, the 80/80 Spouse's Annuity Option described in Section 4.06(b)(ii) shall be used to compute the amount payable to the spouse if, within the 90 day period prior to his Annuity Starting Date, the Member elected such optional form of payment.
- (e) Benefits payable to an estate or trust - If a Member's Beneficiary under this Section 4.07 is his estate or a trust, the benefits otherwise payable under Section 4.07(b), and, if elected under Section 4.07(c) shall be commuted into a single lump sum amount, which amount shall be determined by multiplying the benefits otherwise payable by the appropriate factor in Tables 4 or 5 of Appendix A and calculated by assuming the Beneficiary had been a person of the same age as the Member at the Member's date of death. In no event shall the amount of the lump sum be less than the amount required by applicable law. The payment

of such single lump sum amount shall represent the full and total payment of all benefits due under the Plan. The Pension Administration Committee shall resolve any questions arising hereunder on a basis uniformly applicable to all Members similarly situated.

- (f) If the Member's Beneficiary dies during the period coverage is effective under Section 4.07(b) and Section 4.07(c), the Beneficiary designation shall thereby be cancelled. However, coverage under Section 4.07(b) and, if elected, under Section 4.07(c) shall nevertheless continue in full effect. The Member's Beneficiary thereafter shall be in accordance with his subsequent designation of a new Beneficiary or in accordance with the term "Beneficiary" as defined herein.

If the Member's Beneficiary is his spouse and if the Member's marriage to said spouse is legally dissolved by a divorce decree, the Beneficiary designation under Sections 4.07(b) and 4.07(c) shall remain in effect until a subsequent Beneficiary designation is submitted by the Participant to the Pension Administration Committee or until the Member remarries. Coverage under Section 4.07(b) and, if elected, under Section 4.07(c) shall continue in full effect.

A Member may change his Beneficiary designation at any time, subject to Spousal Consent. Any such change shall become effective on the first day of the calendar month coincident with or next following the (i) date the notice of change is received by the Pension Administration Committee or (ii) the date specified in such notice, if later, and the original designation shall remain in effect until such date.

- (g) The Pension Administration Committee shall furnish to each Member a written explanation in non-technical language which describes (i) the terms and conditions of the automatic Pre-

Retirement Survivor's Benefit and the optional Supplemental Pre-Retirement Survivor's Benefit, (ii) the Member's right to make an election to designate a Beneficiary other than his spouse and the effect of such election, (iii) the right to revoke, prior to the Annuity Starting Date, such designation and the effect of such revocation, and (iv) the rights of the Member's spouse, if any. The Pension Administration Committee shall furnish this written explanation to each Member during the period beginning one year prior to the earlier of (i) the date the Member retires pursuant to the provision of Section 4.04(a)(ii), (ii) the date the Member reaches the 55th anniversary of his birth and completes 10 years of Eligibility Service, or (iii) in the Member's Normal Retirement Date, and ending within one year after such date.

- (h) A Member may revoke an election made under Section 4.07(c) at any time prior to his Annuity Starting Date. There shall be no further reduction to the Member's retirement allowance for any period during which an election is not effective. The Member may make a new election at any time thereafter and any subsequent election shall become effective one year after the first day of the calendar month coincident with or next following the (i) date the notice is received by the Pension Administration Committee or (ii) the date specified in such notice, if later.

If the Member dies prior to the time an election under Section 4.07(c) becomes effective, the election shall thereby be cancelled.

Any designation of a Beneficiary and any election made under Section 4.07 (including any waiver or revocation of either of them) shall be made on a form approved by and filed with the Pension Administration Committee and in accordance with the term "Beneficiary" as defined in this Section 4.07.

4.08 Maximum benefits

- (a) The maximum annual postponed, normal, standard early or special early retirement allowance, death in service benefit, or vested benefit attributable to Company contributions, (collectively referred to in this Section as "retirement allowance") payable after adjustment for the Automatic Joint and Survivor Annuity or for any optional elections under Section 4.06(b)(ii) or Section 4.06(b)(iii) (provided the Member's spouse is the designated contingent annuitant), shall be equal to the lesser of:
- (i) \$90,000 adjusted in accordance with regulations issued under Section 415 of the Internal Revenue Code by the Secretary of the Treasury or his delegate; provided, however, that each year in which such an adjustment is made, it shall not become effective prior to January 1 of such year, or
 - (ii) the Member's average annual remuneration during the three consecutive years of Eligibility Service as a Member affording the highest such average or during all of the years of such Eligibility Service if less than three years;

provided that, if the Member has not been a Member of the Plan for at least 10 years, the maximum annual retirement allowance in subparagraph (i) above shall be multiplied by the ratio which the number of years of his membership bears to 10. If the Member has not completed 10 years of Eligibility Service such maximum annual retirement allowance provided in subparagraph (ii) shall be multiplied by the ratio which the number of years of his Eligibility Service bears to 10.

- (b) If the retirement allowance begins before the Member's Social Security Retirement Age but on or after his 62nd birthday, the maximum retirement allowance in subparagraph (i) of paragraph (a) shall be reduced by 5/9 of one percent for each of the first 36 months plus

5/12 of one percent for each additional month by which the Member is younger than the Social Security Retirement Age at the date his retirement allowance begins. If the retirement allowance begins before the Member's 62nd birthday, the maximum retirement allowance in subparagraph (i) of paragraph (a) shall be of Equivalent Actuarial Value to the maximum benefit payable to age 62 as determined in accordance with the preceding sentence.

If the retirement allowance begins after the Member's Social Security Retirement Age, the maximum retirement allowance in subparagraph (i) of paragraph (a) shall be of Equivalent Actuarial Value to that maximum benefit payable at the Social Security Retirement Age.

As of January 1 of each calendar year commencing on or after January 1, 1988, the dollar limitation as determined by the Commissioner of Internal Revenue for that calendar year shall become effective as the maximum permissible dollar amount of retirement allowance payable under the Plan during the calendar year, including any retirement allowance payable to Members who retired prior to that calendar year, in lieu of the dollar amount in sub-paragraph (i) of paragraph (a).

- (c) In the case of a Member who is participating in the Rayonier, Inc. Investment and Savings Plan for Salaried Employees or any other defined contribution plan or plans of the Company or Associated Company, the maximum benefit limitation shall not exceed the adjusted limitation computed as follows:
- (i) Determine the "defined contribution fraction" as set forth in sub-paragraph (i) of the following paragraph (d).
 - (ii) Subtract the result of (i) from one (1.0) with the result not to be less than zero.
 - (iii) Multiply the dollar amount in Section 4.08(a)(i) by 1.25.

- (iv) Multiply the amount described in Section 4.08(a)(ii) by 1.4.
 - (v) Multiply the lesser of the result of (iii) or the result of (iv) by the result of (ii) to determine the adjusted maximum benefit limitation applicable to the Member.
- (d) For purposes of this Section 4.08(d)
- (i) The "defined contribution fraction" for a Member who is participating in the Rayonier, Inc. Investment and Savings Plan for Salaried Employees or any other defined contribution plan or plans of the Company or an Associated Company shall be a fraction, the numerator of which is the sum of the following:
 - (1) the Company's and Associated Company's contributions credited to the Member's accounts under any defined contribution plan or plans, including the amount of any contribution made on a Member's behalf on a salary reduction basis under any such plan qualified under Section 401(k) of the Internal Revenue Code,
 - (2) any forfeitures allocated to his accounts under such plan or plans, but reduced by any amount permitted by regulations promulgated by the Commissioner of Internal Revenue; and the denominator of which is the lesser of the following amounts determined for each year of the Member's Eligibility Service:
 - (3) 1.25 multiplied by the maximum dollar amount allowed by law for that year; or
 - (4) 1.4 multiplied by 25% of the Member's remuneration for that year.
 - (ii) a "defined contribution plan" means a qualified pension plan which provides for an individual account for each participant and for benefits based solely upon the amount contributed to the participant's account, and any income, expenses, gains

and losses, and any forfeitures of accounts of other participants which may be allocated to that participant's accounts, subject to (iii) below;

- (iii) a "defined benefit plan" means any qualified pension plan which is not a defined contribution plan; however in the case of a defined benefit plan which provides a benefit which is based partly on the balance of the separate account of a participant, that plan shall be treated as a defined contribution plan to the extent benefits are based on the separate account of a participant and as a defined benefit plan with respect to the remaining portion of the benefits under the plan; and
- (iv) the term "remuneration" for purposes of this Section 4.08 with respect to any Member shall mean the wages, salaries and other amounts paid to such Member by the Company for personal services actually rendered, determined after any reduction for contributions made on his behalf on a salary reduction basis under any plan qualified under Section 401(k) of the Internal Revenue Code, and shall include, without being limited to, bonuses, overtime payments and commissions; and shall exclude deferred compensation, stock options and other distributions which receive special tax benefits under the Internal Revenue Code.

4.09 No duplication

Except as hereinafter provided, there shall be deducted from any retirement allowance or vested benefit payable under this Plan the part of any pension or comparable benefit, including any lump sum payment, provided by employer contributions which Rayonier, Inc., any Participating Unit, (including any former Participating Unit divested by Rayonier, Inc.), any Associated Company or any affiliate of the Company is obligated to pay or has paid to or under any pension plan or other agreement (except for any pension plan or other agreement

which provides for the payment of that portion of any benefits accrued under the Plan but not payable from the Plan on account of Section 4.08) with respect to any service which is Benefit Service for purposes of computation of benefits under this Plan.

4.10 Payment of benefits

- (a) Unless otherwise provided under an optional benefit elected pursuant to Section 4.06, the survivor's benefits available under Section 4.07, or the provisions of Section 4.10(e)(ii), all retirement allowances, vested benefits or other benefits payable under the Plan will be paid in monthly installments as of the end of each month beginning with (i) the month in which a Member has reached his Normal Retirement Date and has retired from active service, (ii) the month in which a Member has reached his Postponed Retirement Date and has retired from active service, (iii) the month in which a Member, upon proper application, has requested commencement of his vested benefit or early retirement allowance, or (iv) the month in which benefits under an optional benefit under Section 4.06 or the survivor's benefits under Section 4.07 become payable, whichever is applicable. Such monthly installments shall cease with the payment for the month in which the recipient dies. In no event shall a retirement allowance or vested benefit be payable to a Member who continues in or resumes active service with the Company or an Associated Company for any period between his Normal Retirement Date and Postponed Retirement Date, except as provided in Sections 4.02(d), and 4.10(e).
- (b) In any case, a lump sum payment equal to the vested benefit payable under Section 4.05 or the vested spouse's benefit payable under Section 4.07(a) multiplied by the appropriate factor contained in Table 4, 5 or 6 of Appendix A shall be made in lieu of any vested benefit

payable to a former Member or any vested spouse's benefit payable to a spouse of a Member or a former Member, if the lump sum present value of such benefit amounts to \$3,500 or less. In no event, however, shall that adjustment factor produce a lump sum that is less than the amount determined by using the interest rate assumption used by the Pension Benefit Guaranty Corporation for valuing benefits for determining lump sum payments under single employer plans that terminate on January 1 of the Plan Year in which the Annuity Starting Date occurs. The lump sum payment may be made at any time on or after the date the Member has terminated employment or died, but in any event prior to the date his benefit payment would have otherwise commenced.

In the event a Member is not entitled to any retirement allowance or vested benefit upon his termination of employment, he shall be deemed "cashed-out" under the provisions of this paragraph (b) as of the date he terminated service.

- (c) In the event that the Pension Administration Committee shall find that a person to whom benefits are payable is unable to care for his affairs because of illness or accident or is a minor or has died, then, unless claim shall have been made therefor by a legal representative, duly appointed by a court of competent jurisdiction, the Pension Administration Committee may direct that any benefit payment due him 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 made shall be a complete discharge of the liabilities of the Plan therefor.
- (d) Before any benefit shall be payable to a Member, a former Member, or other person who is or may become entitled to a benefit hereunder, such Member, former Member, or other

person shall file with the Pension Administration Committee such information as it shall require to establish his rights and benefits under the Plan.

- (e) (i) Except as otherwise provided in this Article 4, payment of a Member's retirement allowance or a former Member's vested benefit shall begin as soon as administratively practicable following the latest of (1) the Member's Normal Retirement Age or (2) the date he terminates service with the Company and all Associated Companies (but not more than 60 days after the close of the Plan Year in which the latest of (1) or (2) occurs).
- (ii) Notwithstanding anything contained in the Plan to the contrary, in the case of a Member who owns either (1) more than five percent of the outstanding stock of the Company or (2) stock possessing more than five percent of the total combined voting power of all stock of the Company, the Member's retirement allowance shall begin not later than the April 1 following the calendar year in which he attains age 70-1/2.

Payment of any other Member's retirement allowance or vested benefit shall begin not later than April 1 of the calendar year following the calendar year in which the Member attains age 70-1/2, provided that such commencement of benefit payments while in active service shall not be required with respect to a Member who attains age 70-1/2 prior to January 1, 1988 and who is not a five percent owner as described above.

- (f) Notwithstanding any other provision of this Article 4, all distributions from this Plan shall conform to the regulations issued under Section 401(a)(9) of the Code, including the

incidental death benefit provisions of Section 401(a)(9)(G) of the Code. Further, such regulations shall override any plan provision that is inconsistent with Section 401(a)(9) of the Code.

4.11 Reemployment of former Member or retired Member

- (a) Cessation of benefit payments. If a former Member or a retired Member entitled to or in receipt of a vested benefit or retirement allowance is reemployed by the Company or by an Associated Company as an Employee or as other than an Employee, any benefit payments he is receiving shall cease, except as otherwise provided in Section 4.02(d) and Section 4.10(e).
- (b) Optional forms of pension benefits
 - (i) If the Member is reemployed any previous election of an optional benefit under Section 4.06 or a survivor's benefit under Section 4.07 shall be revoked and the terms and conditions of subparagraph (ii) of this paragraph (b) shall apply.
 - (ii) Any Member who is at least age 55 with 10 or more years of Eligibility Service when he is reemployed shall, with respect to the vested benefit or retirement allowance earned prior to his reemployment and with respect to any additional benefits earned during reemployment, be covered by the provisions of Section 4.07(b) -- Pre-Retirement Survivor's Benefit and be eligible to elect coverage under Section 4.07(c) Supplemental Pre-Retirement Survivor's Benefit. Coverage under Section 4.07(b) shall be effective on the first day of the calendar month coincident with or next following the date of his reemployment and any previous election shall remain in effect until such date. If, within 30 days after reemployment, the Member elects

coverage under Section 4.07(c), such coverage shall be effective as of the first day of the calendar month coincident with or next following the date of his reemployment. If the Member does not make an election under Section 4.07(c) within 30 days after his reemployment or he waives such coverage, any later election shall become effective one year after the first day of the calendar month coincident with or next following the date notice is received by the Pension Administration Committee or on the date specified in such notice, if later.

Any Member or former Member with 5 or more years of Eligibility Service who is less than age 55 when he is reemployed shall be covered by the provisions of Sections 4.07(a)(i) -- Automatic Vested Spouse's Benefit until he attains age 55 and such coverage shall be effective on the first day of the calendar month coincident with or next following the date of his reemployment and any previous election shall remain in effect until such date. Such former Member and any other Member or former Member shall be covered by the provisions of Section 4.07(b) -- Pre-Retirement Survivor's Benefit and shall be eligible to elect coverage under Section 4.07(c) Supplemental Pre-Retirement Survivor's Benefit upon the later of the date he attains age 55, the date he completes 10 years of Eligibility Service, or his Normal Retirement Date, and such coverage shall be in accordance with the provisions of such Sections and shall apply with respect to his retirement allowance or vested benefit earned prior to his reemployment, as well as any additional benefits earned during reemployment.

- (c) Benefit payments at subsequent termination or retirement
- (i) In accordance with the procedure established by the Pension Administration Committee on a basis uniformly applicable to all Members similarly situated, upon the subsequent retirement of a Member in service after his Normal Retirement Date, payment of such Member's retirement allowance shall resume no later than the third month after the final month during the reemployment period in which he is credited with at least eight days of service.
 - (ii) Upon the subsequent retirement or termination of employment of a retired or former Member, the Pension Administration Committee shall, in accordance with rules uniformly applicable to all Members similarly situated, determine the amount of vested benefit or retirement allowance which shall be payable to such Member. Such vested benefit or retirement allowance shall not be less than the sum of (1) the original amount of vested benefit or retirement allowance previously earned by such Member in accordance with the terms of the Plan in effect during such previous employment adjusted to reflect the election of any survivor's benefits pursuant to Section 4.07(a)(ii) or 4.07(c) and reduced by an amount of Equivalent Actuarial Value to the benefits, if any, he received before the earlier of the date of his restoration to service or his Normal Retirement Date and (2) any additional vested benefit or retirement allowance earned during his period of reemployment, such amounts to be adjusted to reflect the election during reemployment of any survivor's benefits pursuant to Section 4.07(a)(ii) or 4.07(c). Notwithstanding anything to the contrary contained in this Plan, the vested benefit or retirement allowance for Benefit Service credited prior to the date of reemployment shall not be re-calculated or increased unless and until the Member, regardless of his vested status, has

satisfied the provisions of Section 2.01(f)(ii) with respect to bridging breaks in service and, in such event, the re-calculated vested benefit or retirement allowance, prior to any optional modification in accordance with the provisions of Section 4.06, shall be reduced by an amount determined by dividing the sum of any payments previously received by the former Member or retired Member before the earlier of his restoration to service or his Normal Retirement Date by the appropriate factor contained in Table 5 of Appendix A; provided that no such reduction shall reduce such retirement allowance or vested benefit below the amount determined pursuant to clause (1) of the preceding sentence.

- (d) Questions relating to reemployment of former Members or retired Members. If, at subsequent termination of employment or retirement, any question shall arise under this Section 4.11 as to the calculation or re-calculation of a reemployed former Member's or retired Member's vested benefit or retirement allowance or election of an optional form of benefit under the Plan, such question shall be resolved by the Pension Administration Committee on a basis uniformly applicable to all Members similarly situated.

4.12 Top-heavy provisions

- (a) The following definitions apply to the terms used in this Section:
- (i) "applicable determination date" means the last day of the preceding Plan Year;
 - (ii) "top-heavy ratio" means the ratio of (A) the present value of the cumulative Accrued Benefits under the Plan for key employees to (B) the present value of the cumulative Accrued Benefits under the Plan for all key employees and non-key employees; provided, however, that if a key employee has not performed services for

the Company at any time during the 5-year period ending on the applicable determination date, any Accrued Benefit for such individual (and any account balances of such individual) shall not be taken into account;

- (iii) "applicable valuation date" means the date within the preceding Plan Year as of which annual Plan costs are or would be computed for minimum funding purposes;
- (iv) "key employee" means an Employee determined to be a "key employee" in accordance with the provisions of Section 416(i)(1) and (5) of the Code and any regulations thereunder, and, where applicable, on the basis of the Employee's remuneration (defined as set forth in Section 4.08(d)(iv) of the Plan except that any pre-tax contributions under a "qualified cash or deferred arrangement as defined in Section 401(k) of the Code and its applicable regulations, or under a "cafeteria plan" as defined in Section 125 of the Code and its applicable regulations shall be included) from the Company or an Associated Company;
- (v) "non-key employee" means any employee who is not a key employee;
- (vi) "average remuneration" means the average annual remuneration of a Member for the five consecutive years of his Eligibility Service after December 31, 1983 during which he received the greatest aggregate remuneration from the Company or Associated Company, excluding any remuneration for service after the last Plan Year with respect to which the Plan is top-heavy;
- (vii) "required aggregation group" means each other qualified plan of the Company or an Associated Company (including plans that terminated within the five-year period ending on the determination date) in which there are members who are key employees or which enables the Plan to meet the requirements of Section 401(a)(4) or 410 of the Code; and

- (viii) "permissive aggregation group" means each plan in the required aggregation group and any other qualified plan(s) of the Company or an Associated Company in which all members are non-key employees, if the resulting aggregation group continues to meet the requirements of Sections 401(a)(4) and 410 of the Code.
- (b) For purposes of this Section 4.12, the Plan shall be "top-heavy" with respect to any Plan Year beginning on or after January 1, 1984 if, as of the applicable determination date, the top-heavy ratio exceeds 60 percent. The top-heavy ratio shall be determined as of the applicable valuation date in accordance with Section 416(g)(3) and (4)(B) of the Code on the basis of the same mortality and interest rate assumptions used to value the Plan. For purposes of determining whether the Plan is top-heavy, the present value of Accrued Benefits under the Plan will be combined with the present value of accrued benefits or account balances under each other plan in the required aggregation group, and, in the Company's discretion, may be combined with the present value of accrued benefits or account balances under any other qualified plan(s) in the permissive aggregation group. The Accrued Benefit of a non-key employee under the Plan or any other defined benefit plan in the aggregation group shall be (i) determined under the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Company or an Associated Company or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule described in Section 411(b)(i)(C) of the Code.
- (c) The following provisions shall be applicable to Members for any Plan Year with respect to which the Plan is top-heavy:

- (i) In lieu of the vesting requirements specified in Section 4.05, the following vesting schedule shall apply:

Years of Eligibility Service -----	Percentage Vested -----
Less than 2 years	0%
2 years	20
3 years	40
4 years	60
5 or more years	100

- (ii) The Accrued Benefit of a Member who is a non-key employee shall not be less than two percent of his "average remuneration" multiplied by the number of years of his Eligibility Service, not in excess of 10, during the Plan Years for which the Plan is top-heavy. Such minimum benefit shall be payable at a Member's Normal Retirement Date. If payments commence at a time other than the Member's Normal Retirement Date, the minimum Accrued Benefit shall be of Equivalent Actuarial Value to such minimum benefit, as determined on the basis of the actuarial assumptions stated in Section 4.14(b) above.
- (iii) The multiplier "1.25" in subsections (c)(iii) and (d)(i)(3) of Section 4.08 shall be reduced to "1.0", and the dollar amount "\$51,875" in Subsection (d)(i)(6) of Section 4.08 shall be reduced to "\$41,500."
- (d) If the Plan is top-heavy with respect to a Plan Year and ceases to be top-heavy for a subsequent Plan Year, the following provisions shall be applicable:
- (i) The Accrued Benefit in any such subsequent Plan Year shall not be less than the minimum Accrued Benefit provided in Section 4.12(c) (ii) above, computed as of the end of the most recent Plan Year for which the Plan was top-heavy.

- (ii) If a Member has completed three years of Eligibility Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy, the vesting schedule set forth in Section 4.12(c)(i) above shall continue to be applicable.
- (iii) If a Member has completed at least two, but less than three years of Eligibility Service on or before the last day of the most recent Plan Year for which the Plan is top-heavy, the vesting provisions of Section 4.05 shall again be applicable; provided, however, that in no event shall the vested percentage of a Member's accrued benefit be less than the percentage determined under Section 4.14(c)(i) above as of the last day of the most recent Plan Year for which the Plan was top-heavy.

4.13 Payment of Medical Benefits for Benefits for Certain Members who retire under the Plan

This Section 4.13 defines the basis of providing medical benefits to eligible Members or their eligible dependents as defined below for those expenses incurred by such Members or their eligible dependents on or after the date specified in Section 4.15(a).

- (a) In order to be eligible for the benefits provided hereunder, a person must be a Plan Member who retired under the Plan provisions during the period designated by the Pension Administration Committee and be currently eligible for post-retirement medical benefits under a plan maintained by the Company and hereinafter referred to as the "Medical Plan" or be an eligible dependent of such a Member. To the extent they are not otherwise reimbursed from Company assets, covered medical expenses incurred during the applicable period shown below by such a Member or his eligible dependents shall be reimbursed hereunder.

- (b) The level of medical benefits covered under the provisions of this Section 4.13 shall be the medical coverage in effect under the terms of the Medical Plan. Except as provided in Article 10, such medical coverage or benefit plan may be withdrawn or amended from time to time as the Company shall determine.
- (c) Except as provided in Section 4.13(e), all contributions made to the trust to provide medical benefits under this Section 4.13 shall be maintained in a separate account and such assets may not be used for or diverted to any purpose other than to provide said medical benefits; provided, however, none of the assets so set aside may be used to provide medical benefits for a Member, former Member or their dependents if the Member or former Member is a "key employee" as determined in accordance with the provisions of Section 416(i)(1) and (5) of the Internal Revenue Code. Similarly, none of the assets accumulated to provide the retirement allowances or vested benefits set forth in the foregoing provisions of this Article 4 may, prior to the termination of the Plan and satisfaction of all the liabilities for such retirement allowances or vested benefits, be used or diverted to provide medical benefits under this Section 4.13. The assets, if any, accumulated to provide medical benefits under this Section 4.13 may be invested pursuant to the provisions of Article 7.
- (d) It is the intention of the Company to continue providing medical benefits under this Section 4.13 and to make contributions to the Trustee to fund such medical benefits in such amounts as the Company shall deem necessary or appropriate. Any forfeitures of a Member's interest in the medical benefit accounts as provided hereunder prior to any discontinuance of medical benefits by the Board of Directors shall be applied to reduce any subsequent Company contributions made pursuant to this Section 4.13.

- (e) Except as provided in Article 10, the Board of Directors may discontinue providing medical benefits under this Section 4.13 for any reason at any time, in which event the assets allocated to provide medical benefits hereunder, if any remain, shall, to the extent they are not otherwise reimbursed from Company assets, be used to continue medical benefits to Members who are eligible for them prior to the discontinuance date as long as any assets remain. However, if, after the satisfaction of all medical benefits provided hereunder, there remain any assets, the program shall be deemed to be terminated and such remainder shall be returned to the Company, in accordance with Section 401(h)(5) of the Internal Revenue Code.

4.14 Transfers from Hourly Plans maintained by the Company or an Associated Company

At the discretion and direction of the Pension Administration Committee, the Plan may accept from a hourly pension plan maintained by the Company or an Associated Company which is qualified under Section 401(a) of the Code a transfer of (i) liabilities with respect to the accrued benefit under such hourly plan of a Member who has employment with the Company rendered otherwise than as an Employee recognized as Benefit Service pursuant to the provisions of Section 2.02(c) of the Plan and (ii) with respect to such liabilities, any assets determined by the Company to be applicable.

All such transfers shall be made in accordance with the provisions of the Code and the Employee Retirement Income Security Act of 1974, as amended.

4.15 Direct Rollover of Certain Distributions

Notwithstanding any other provision of this Plan, with respect to any distribution from this Plan which is (a) payable to a "distributee" and (b) determined by the Pension

Administration Committee to be an "eligible rollover distribution", such distributee may elect, at the time and in the manner prescribed by the Pension Administration Committee, to have the Plan make a "direct rollover" of all or part of such distribution to an "eligible retirement plan" which accepts such rollover. The following definitions apply to the terms used in this Section:

- (a) a "distributee" means a Member or former Member. In addition, the Member's or former Member's surviving spouse and the Member's or former Member's spouse or former spouse who is the alternate payee under a qualified domestic relations order as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse;
- (b) an "eligible rollover distribution" is any distribution of all or any portion of the retirement allowance or vested benefit owing to the credit of a distributee, except that the following distributions shall not be eligible rollover distributions: (i) any distribution that is one of a series of substantially equal periodic payments made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more, (ii) any distribution required under Section 401(a)(9) of the Code and (iii) the portion of a distribution not includible in gross income;
- (c) an "eligible retirement plan" is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code or a qualified trust described in Section 401(a) of the Code that accepts the eligible rollover distribution; however, in the case of an eligible rollover distribution to the

Member's surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity only; and

- (d) "direct rollover" means a payment by the Plan directly to the eligible retirement plan specified by the distributee.

In the event that the provisions of this Section 4.15 or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this Section 4.15 or applicable part thereof shall be ineffective without necessity of further amendment of the Plan.

ARTICLE 5 - ADMINISTRATION OF PLAN

- 5.01 The responsibility for carrying out all phases of the administration of the Plan and any Former Pension Plans (referred to collectively in this Article as the "Plan"), except those phases connected with the management of assets, shall be placed in a Pension Administration Committee of not less than three persons appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors may also designate alternate members to act in the absence of the regular members. The Board of Directors shall designate a Chairman of the Pension Administration Committee from among the regular members and a Secretary who may be, but need not be, one of its members. Any member of the Pension Administration Committee may resign by delivering his written resignation to the Board of Directors and the Secretary of the Pension Administration Committee.
- 5.02 The responsibility for the management of the assets of the Plan shall be placed in a Pension Fund Trust and Investment Committee of not less than three persons appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors may also designate alternate members to act in the absence of the regular members. The Board of Directors shall designate a Chairman of the Pension Fund Trust and Investment Committee from among the regular members and a Secretary who may be, but need not be, one of the members of the Pension Fund Trust and Investment Committee. Any member of the Pension Fund Trust and Investment Committee may resign by delivering his written resignation to the Board of Directors and the Secretary of the Pension Fund Trust and Investment Committee.

- 5.03 The Pension Administration Committee and the Pension Fund Trust and Investment Committee (hereinafter collectively referred to as the "Committees") are designated as named fiduciaries within the meaning of Section 402(a) of the Employee Retirement Income Security Act of 1974.
- 5.04 The Committees shall hold meetings upon such notice, at such place or places, and at such time or times as each may respectively determine. The action of at least a majority of the members, or alternate members, of a Committee expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of that Committee and shall have the same effect for all purposes as if assented to by all members of such Committee at the time in office. No member of either Committee shall receive any compensation for his service as such.
- 5.05 Each Committee may authorize one or more of its number or any agent to execute or deliver any instrument or make any payment on its behalf; may retain counsel, employ agents and such clerical, accounting and actuarial services as it may require in carrying out the provisions of the Plan for which it has responsibility; may allocate among its members or to other persons all or such portion of its duties hereunder as it, in its sole discretion, shall decide.
- 5.06 The Pension Fund Trust and Investment Committee shall be responsible for managing the assets under the Plan. If it deems such action to be advisable, the Committee, subject to the provisions of the trust instrument(s) adopted for use in implementing the Plan pursuant to Section 7.01 hereof, may:

- (a) provide direction to the trustee(s) thereunder, including, but not by way of limitation, the direction of investment of all or part of the Plan assets and the establishment of investment criteria, and
- (b) appoint and provide for use of investment advisors and investment managers.

In discharging its responsibility, the Committee shall evaluate and monitor the investment performance of the trustee(s) and investment manager, if any.

5.07 Subject to the limitations of the Plan, the Pension Administration Committee from time to time shall establish rules or regulations for the administration of the Plan and the transaction of its business. The Pension Administration Committee shall have full discretionary authority, except as to matters which the Board of Directors from time to time may reserve to itself, to interpret the Plan and to make factual determinations regarding any and all matters arising hereunder, including but not limited to, the right to determine eligibility for benefits and to construe the terms of the Plan including the right to remedy possible ambiguities, inequities, inconsistencies or omissions. The Pension Administration Committee shall also have the right to exercise powers otherwise exercisable by the Board of Directors hereunder to the extent that the exercise of such powers does not involve the management of Plan assets nor, in the judgment of the Pension Administration Committee, a substantial number of persons. In addition, where the number of persons is deemed to be substantial, the Pension Administration Committee shall have the further right to exercise such powers as may be delegated to the Pension Administration Committee by the Board of Directors.

Subject to applicable Federal and State Law, all interpretations, determinations and decisions of the Pension Administration Committee or the Board of Directors in respect of any matter hereunder shall be final, conclusive and binding on all parties affected thereby.

- 5.08 The members of the Committees shall use that degree of care, skill, prudence and diligence in carrying out their duties that a prudent man, acting in a like capacity and familiar with such matters, would use in his conduct of a similar situation. A member of either Committee shall not be liable for the breach of fiduciary responsibility of another fiduciary unless:
- (a) he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or
 - (b) by his failure to discharge his duties solely in the interest of the Members and other persons entitled to benefits under the Plan, for the exclusive purpose of providing benefits and defraying reasonable expenses of administering the Plan not met by the Company, he has enabled such other fiduciary to commit a breach; or
 - (c) he has knowledge of a breach by such other fiduciary and does not make reasonable efforts to remedy the breach; or
 - (d) if the Committee of which he is a member improperly allocates responsibilities among its members or to others and he fails to review prudently such allocation.
- 5.09 The Pension Administration Committee, the Pension Fund Trust and Investment Committee, and the Company shall be "named fiduciaries" within the meaning of Section 402(a) of ERISA.

ARTICLE 6 - CONTRIBUTIONS

6.01 It is the intention of the Company to continue the Plan and make regular contributions to the Trustee each year in such amounts as are necessary to maintain the Plan on a sound actuarial basis and to meet minimum funding standards as prescribed by any applicable law. However, subject to the provisions of Article 8, the Company may reduce or suspend its contributions for any reason at any time. Any forfeitures shall be used to reduce the Company contributions otherwise payable, and will not be applied to increase the benefits any Member or other person would otherwise receive under the Plan.

6.02

(a) If a contribution is conditioned on initial qualification of the Plan under Section 401(a) of the Code, and if the Commissioner of Internal Revenue, on timely application made after the establishment of the Plan, determines that the Plan is not initially so qualified, or refuses, in writing, to issue a determination as to whether the Plan is so qualified, said contribution shall be returned to the Company without interest. The return shall be made within one year after the date of the final determination of the denial of qualification. The provisions of this paragraph (a) shall apply only if the application for the determination is made by the time prescribed by law for filing the Company's return for the taxable year in which the Plan was adopted, or such later date as the Secretary of the Treasury may prescribe.

- (b) The Company's contributions to the Plan are conditioned upon their deductibility under Section 404 of the Code. In the event that all or part of the Company's deductions under Section 404 of the Code for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions to which such disallowance applies shall be returned to the Company without interest but reduced by any investment loss attributable to those contributions. Such return shall be made within one year after the disallowance of deduction.

ARTICLE 7 - MANAGEMENT OF FUNDS

- 7.01 All the funds of the Plan shall be held by a Trustee or Trustees including any member(s) of the Rayonier, Inc. Pension Fund Trust and Investment Committee, appointed from time to time by said Committee or Rayonier, in one or more trusts under a trust instrument or instruments approved or authorized by said Committee or Rayonier, Inc. for use in providing the benefits of the Plan and paying any expenses of the Plan not paid directly by the Company; provided, however, that the Pension Fund Trust and Investment Committee may, in its discretion, also enter into any type of contract with any insurance company or companies selected by it for providing benefits under the Plan.
- 7.02 Prior to the satisfaction of all liabilities with respect to persons entitled to benefits, except for the payment of expenses, no part of the corpus or income of the funds shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and other persons who are or may become entitled to benefits hereunder, under a Prior Salaried Plan or under a Former Pension Plan, or under any trust instrument or under any insurance contract made pursuant to this Plan.
- 7.03 Subject to applicable Federal and State law, no person shall have any interest in or right to any part of the corpus or income of the funds, except as and to the extent expressly provided in the Plan and in any trust instrument or under any insurance contract made pursuant to this Plan.

- 7.04 Subject to applicable Federal and State law, the Company shall have no liability for the payment of benefits under the Plan nor for the administration of the funds paid over to the Trustee(s) or insurer(s) except as expressly provided under this Plan.
- 7.05 Except to the extent permitted by applicable Federal law, no part of the corpus or income of the trust shall be invested in securities of the Company or of any Associated Company or in real property and related personal property which is leased to the Company or any Associated Company or in the securities of the Trust or Trustees or their subsidiary companies, if any.
- 7.06 Notwithstanding the foregoing, the Company may recover without interest the amount of its contributions to the Plan made on account of a mistake in fact, provided that such recovery is made within one year after the date of such contribution.
- 7.07 The Pension Fund Trust and Investment Committee may, in its discretion, appoint one or more investment managers (within the meaning of Section 3(38) of ERISA) to manage (including the power to acquire and dispose of) all or part of the assets of the Plan, as the Investment Committee shall designate. In that event, authority over and responsibility for the management of the assets so designated shall be the sole responsibility of that investment manager.

ARTICLE 8 - CERTAIN RIGHTS AND LIMITATIONS

The following provisions shall apply in all cases whenever a Member or any other person is affected thereby.

8.01 Termination of the Plan

- (a) The Board of Directors may terminate the Plan for any reason at any time. In case of termination of the Plan, the rights of Members to the benefits accrued under the Plan to the date of the termination, to the extent then funded or protected by law, if greater, shall be nonforfeitable. The funds of the Plan shall be used for the exclusive benefit of persons entitled to benefits under the Plan as of the date of termination, except as provided in Section 6.02. However, any funds not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial computation shall be returned to the Company except as otherwise in Section 8.06. The Pension Administration Committee shall determine on the basis of an actuarial valuation the share of the funds of the Plan allocable to each person entitled to benefits under the Plan in accordance with Section 4044 of ERISA or corresponding provision of any applicable law in effect at the time. In the event of a partial termination of the Plan, the provisions of this Section shall be applicable to the Members affected by that partial termination.
- (b) Plan Merger or Consolidation
- The Plan may not be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan unless each Member or other person entitled to a benefit

under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer, if the Plan had then terminated; provided that, subject to the provisions of Article 10 on or after the date of the first occurrence of a Change in Control Event, (i) no transfer of assets or liabilities, except as specifically permitted under Section 8.01(a), between the Plan and any Employee Benefit Plan, as hereinafter defined, (ii) no spin-off of Plan assets or Plan liabilities to any Employee Benefit Plan, (iii) no withdrawal of Plan assets, in the event such withdrawal is permitted under applicable law or (iv) no merger or consolidation of the Plan with any Employee Benefit Plan shall be permitted.

For purposes of this Section 8.01(b), Employee Benefit Plan has the same meaning as the term "employee benefit plan" has under Section 3(3) of the Employee Retirement Income Security Act of 1974.

8.02 Limitation Concerning Highly Compensated Employees
or Highly Compensated Former Employee

- (a) The provisions of this Section shall apply (i) in the event the Plan is terminated, to any Member who is a highly compensated employee or highly compensated former employee (as those terms are defined in Section 414(q) of the Code) of the Company or an Associated Company and (ii) in any other event, to any Member or former Member who is one of the 25 highly compensated employees or highly compensated former employees of the Company or Associated Company with the greatest compensation in any Plan Year. The amount of the annual payments to any one of the Members or former Member to whom this Section applies shall not be greater than an amount equal to the payments that

would be made on behalf of the Member or former Member under a single life annuity that is of Equivalent Actuarial Value to the sum of the Member's or former Member's Accrued Benefit and any other benefits payable to the Member and former Member under the Plan.

- (b) If, (i) after payment of an Accrued Benefit or other benefits to any one of the Members or to whom this Section applies, the value of Plan assets equals or exceeds 110 per cent of the value of current liabilities (as that term is defined in Section 412(1)(7) of the Code) of the Plan or (ii) the value of the Accrued Benefit and other benefits of any one of the Members or former Members to whom this Section applies is less than one percent of the value of current liabilities of the Plan or (iii) the value of the Accrued Benefit and other benefits of any one of the Members or former Members to whom this Section applies does not exceed \$3,500, the provisions of paragraph (a) above will not be applicable to the payment of benefits to the Member or former Member.
- (c) Notwithstanding paragraph (a) of this Section, in the event the Plan is terminated, the restriction of this Section shall not be applicable if the benefits payable to any highly compensated employee and any highly compensated former employee is limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Code.
- (d) If it should subsequently be determined by statute, court decision acquiesced in by the Commissioner of Internal Revenue, or ruling by the Commissioner of Internal Revenue, that the provisions of this Section are no longer necessary to qualify the Plan under the Code, this Section shall be ineffective without the necessity of further amendment to the Plan.

8.03 Conditions of Employment Not Affected by Plan

The establishment of the Plan shall not be construed as conferring any legal rights upon any Employee or other person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any Employee or other person and to treat him without regard to the effect which such treatment might have upon him under the Plan.

8.04 Offsets - Unless the Board of Directors otherwise provides under rules uniformly applicable to all Employees similarly situated, the Pension Administration Committee shall deduct from the amount of any retirement allowance or vested benefit under the Plan, any amount paid or payable to or on account of any Member under the provisions of any present or future law, pension or benefit scheme of any sovereign government, or any political subdivision thereof or any fund or organization or government agency or department on account of which contributions have been made or premiums or taxes paid by the Company, any Participating Unit, or any Associated Company with respect to any service which is Benefit Service for purposes of computation of benefits under the Plan; provided, however, that pensions payable for government service or benefits under Title II of the Social Security Act are not to be used to reduce the benefits otherwise provided under this Plan except as specifically provided herein.

8.05 Denial of Benefits - The Pension Administration Committee may prescribe rules on a basis uniformly applicable to all Employees similarly situated under which an Employee whose employment is terminated because of dishonesty, conviction of a felony or other conduct prejudicial to the Company may be denied any benefit or benefits for which he would otherwise be eligible under the Plan, except his retirement allowance pursuant to

Section 4.01 or his vested benefit pursuant to Section 4.05; provided, however, that such denial is not contrary to applicable law.

8.06 Change in Control - In the event of a Change in Control (as hereinafter defined) the following restrictions shall apply:

- (a) Notwithstanding any other provision of the Plan, in the event of a Change in Control, neither the Board of Directors, its designee, the Pension Administration Committee nor the Trustee may merge or consolidate the Plan with any other plan, transfer any Plan assets to any other retirement or welfare benefit plan, transfer any other welfare or retirement benefit plan's liabilities to the Plan, spin-off or split-off any part of the Plan or group of Members in the Plan, or reduce future Plan benefits, or cause or permit the Plan to acquire any security of the Company or any Associate Company, during the five-year period commencing on the date on which the Change in Control occurs.
- (b) Notwithstanding any other provision of the Plan, in the event of a Change in Control, neither the Board of Directors nor its designee may, during the five-year period commencing on the date on which the Change in Control occurs, designate any new Participating Units or designate any new groups of Employees as eligible to participate in the Plan.
- (c) Notwithstanding any other provision of the Plan, if at any time during the five-year period commencing on the date on which a Change in Control occurs, the Plan is terminated, any Member who was an Employee on the date of the Change in

Control shall, if not previously vested, become fully vested in all Plan benefits. If the Plan has surplus assets, all of the surplus assets shall be allocated to Plan Members who were Members as of the date on which a Change in Control occurs (including Members who terminated employment with entitlement to a retirement allowance and Members who are, on the date on which a Change in Control occurs, receiving a retirement allowance) on pro rata basis, to the benefits accrued prior to the date of Change in Control and none of this surplus may be recovered by the Company, any successor or any Associated Company. For purposes of this Section 8.06(c) the amount of surplus assets will be determined as part of the process to purchase non-participating group annuity contracts to be purchased in connection with the termination of the Plan. In purchasing such annuities, the Plan shall seek competitive bids from at least three unrelated insurance companies. In no event shall the increase in the Retirement Allowance payable pursuant to this paragraph cause the retirement allowance to exceed the limitations in Section 4.08 of the Plan.

- (d) Notwithstanding any other provision of the Plan, if at any time during the five-year period commencing on the date on which a Change in Control occurs (i) a substantial Reduction in Force (as hereinafter defined) occurs or (ii) any action prohibited by paragraph (a) or (b) of this Section 8.06 is taken, then any Member who was an Employee on the date of the Change in Control shall, if not previously vested, become fully vested in all Plan benefits. Furthermore, if, as of the date either of the events described in (i) or (ii) above occur, the fair market value of the Plan's assets exceeds the Plan's Current Liability pursuant to Section 412(1)(7) of the Code (based on the Plan's actuarial assumptions on the date the Change in

Control occurs except that the underlying interest rate shall be the greater of the interest rate in effect on the date of calculation) the amount of such excess assets shall be applied to increase, as described below, the Accrued Benefit of all Plan Members who were Members as of the date on which a Change in Control occurs. For purposes of determining the increase in Accrued Benefit under this Section 8.06(d) Plan Member includes both Members who are Employees as well as former Employees, or Beneficiaries of former Employees either entitled to future benefits or currently in receipt of Plan benefits. The Equivalent Actuarial Value of each Plan Member's Accrued Benefit shall be increased by the amount determined by multiplying (a) the Plan's excess assets as defined in this Section 8.06(d) by (b) the ratio that the Current Liability of each Plan Member bears to the sum of the Current Liability of all Plan Members such increased present value will be converted into an enhanced Accrued Benefit for each Plan Member. In no event, however, shall such increase cause a Plan Member's Accrued Benefit to exceed the limitation of Section 4.08 of the Plan.

- (e) In the event the Internal Revenue Service makes a final determination that the utilization of surplus assets of the Plan (or any portion thereof) in accordance with paragraph (c) or (d) of this Section 8.06 cannot be accomplished in any manner without disqualifying the Plan, the Company shall utilize such assets which cannot be so utilized to provide benefits to those Members who were Employees on the date of the Change in Control in any manner that the Company deems to be in the best interests of such Members and which would not disqualify the Plan. Such utilization may include the transfer of such assets to another employee benefit plan

of the Company, including a voluntary employees' beneficiary association as described in Section 501(c)(9) of the Code; provided, however, that in no event shall any such assets be transferred to any entity other than a trust devoted exclusively to providing benefits to employees and retirees who were Plan Members as of the date of the Change in Control.

- (f) For purposes of this Section 8.06, each of the following events shall constitute a "Change in Control Event":
- (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 (within the meaning of Section 13(d) of the Act), other than the Company or a subsidiary of the Company or any employee benefit plan sponsored by the Company or a subsidiary of the Company, is the beneficial owner directly or indirectly of twenty percent or more of the outstanding Common Stock of the Company;
 - (ii) any person (within the meaning of Section 13(d) of the Act), other than the Company or a subsidiary of the Company or any employee benefit plan sponsored by the Company or a subsidiary of the Company, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Common Stock of the Company (or securities convertible into such Common Stock), for cash, securities or any other consideration, provided that after consummation of the offer the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act) directly or indirectly of fifteen percent or more of the outstanding Common Stock (calculated as provided

in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Common Stock);

- (iii) the stockholders of the Company shall approve (1) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of Common Stock of the Company would be converted into cash, securities or other property, other than a merger of the Company in which holders of Common Stock of the Company immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (2) 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 a majority of the members of the Board of Directors of the Company within a 12-month period unless the election or nomination for election by the Company's stockholders of each new director during such 12-month period was approved by the vote of two-thirds of the directors then still in office who were directors at the beginning of such 12-month period.

8.07 Prevention of Escheat - If the Pension Administration Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Pension Administration Committee may, no earlier than three years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person as shown on the records of the Pension Administration Committee or the Company. If such

person has not made written claim therefor within three months of the date of the mailing, the Pension Administration Committee may, if it so elects and upon receiving advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be cancelled on the records of the Plan and the amount thereof applied to reduce the contributions of the Company. Upon such cancellation, the Plan shall have no further liability therefor except that, in the event such person or his beneficiary later notifies the Pension Administration Committee of his whereabouts and requests the payment or payments due to him under the Plan, the amount so applied shall be paid to him in accordance with the provisions of the Plan.

ARTICLE 9 - NONALIENATION OF BENEFITS

9.01

- (a) Subject to any applicable Federal and State law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge except any election to make a contribution necessary to provide post-retirement medical benefits under any Plan maintained by the Company and, any attempt so to do shall be void, except as specifically provided in the Plan, 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 the person entitled to such benefit.
- (b) Subject to applicable Federal and State law, in the event that the Pension Administration Committee shall find that any Member or other person who is or may become entitled to benefits hereunder has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any of his benefits under the Plan, except as specifically provided in the Plan, or if any garnishment, attachment, execution, levy or court order for payment of money has been issued against any of his benefits under the Plan, then such benefit shall cease and terminate. In such event the Pension Administration Committee shall hold or apply the payments to or for the benefit of such Member or other person who is or may become entitled to benefits hereunder, his spouse, children, parents or other blood relatives, or any of them.
- (c) Notwithstanding the foregoing provisions of the Plan, payment shall be made in accordance with the provisions of any judgment, decree, or, domestic relations order which:

- (i) creates for, or assigns to, a spouse, former spouse, child or other dependent of a Member the right to receive all or a portion of the Member's benefits under the Plan for the purpose of providing child support, alimony payments or marital property rights to that spouse, child or dependent,
- (ii) is made pursuant to the domestic relations law of any State (as such term is defined in Section 3(10) of the Employee Retirement Income Security Act of 1974, (ERISA)),
- (iii) does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan, and
- (iv) otherwise meets the requirements of Section 206(d) of ERISA (as amended) to be a "qualified domestic relations order" as determined by the Pension Administration Committee.

If the lump sum present value of any series of payments made under the criteria set forth in paragraphs (i) through (iv) above amounts to \$3,500 or less, then a lump sum payment of Equivalent Actuarial Value (determined in the manner described in Section 4.10) shall be made in lieu of the series of payments.

- (d) The Pension Administration Committee shall resolve any questions arising under this Article 9 on a basis uniformly applicable to all persons similarly situated.

ARTICLE 10 - AMENDMENTS

- 10.01 Subject to Section 10.02, the Board of Directors reserves the right at any time and from time to time and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan; provided that no such modification or amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of Members, spouses, or contingent annuitants or other persons who are or may become entitled to benefits hereunder prior to the satisfaction of all liabilities with respect to them; and that no modification or amendment shall be made which has the effect of decreasing the Accrued Benefit of any Member or of reducing the nonforfeitable percentage of the Accrued Benefit of a Member attributable to Company contributions below that nonforfeitable percentage thereof computed under the Plan as in effect on the later of the date on which the amendment is adopted or becomes effective.
- 10.02 Notwithstanding the above, on or after the date a Change in Control Event (as defined in Section 8.06) first occurs, Section 8.01, Section 8.06 and this Article 10, as they pertain to events occurring on or after the date such Change in Control Event occurs, may not be further amended by the Board of Directors without written consent of not less than three- quarters (3/4) of the Members and other persons entitled to benefits under the Plan.

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
20	*	0.8999	0.8928	0.8852	0.8774	0.8689	0.8600	0.8507	0.8409
21	*	0.9004	0.8932	0.8858	0.8778	0.8694	0.8605	0.8511	0.8414
22	*	0.9008	0.8938	0.8862	0.8784	0.8699	0.8610	0.8517	0.8418
23	*	0.9014	0.8943	0.8868	0.8789	0.8704	0.8615	0.8522	0.8425
24	*	0.9019	0.8949	0.8874	0.8794	0.8710	0.8622	0.8528	0.8431
25	*	0.9025	0.8955	0.8879	0.8801	0.8716	0.8628	0.8534	0.8437
26	*	0.9032	0.8961	0.8886	0.8808	0.8723	0.8634	0.8541	0.8444
27	*	0.9039	0.8968	0.8893	0.8815	0.8730	0.8642	0.8548	0.8451
28	*	0.9046	0.8975	0.8900	0.8822	0.8738	0.8649	0.8556	0.8458
29	*	0.9054	0.8983	0.8908	0.8830	0.8745	0.8657	0.8564	0.8467
30	*	0.9061	0.8991	0.8917	0.8839	0.8754	0.8666	0.8573	0.8476
31	*	0.9070	0.9000	0.8925	0.8847	0.8763	0.8675	0.8582	0.8485
32	*	0.9079	0.9009	0.8935	0.8857	0.8774	0.8685	0.8592	0.8496
33	*	0.9089	0.9019	0.8945	0.8867	0.8784	0.8695	0.8603	0.8506
34	*	0.9099	0.9030	0.8956	0.8878	0.8795	0.8706	0.8614	0.8517
35	*	0.9110	0.9041	0.8967	0.8890	0.8807	0.8719	0.8626	0.8530
AGE OF BEN	*	63	64	65	66	67	68	69	70
20	*	0.8307	0.8200	0.8089	0.7974	0.7856	0.7734	0.7608	0.7478
21	*	0.8312	0.8205	0.8094	0.7979	0.7861	0.7739	0.7614	0.7484
22	*	0.8317	0.8210	0.8099	0.7984	0.7867	0.7744	0.7619	0.7489
23	*	0.8322	0.8216	0.8105	0.7990	0.7872	0.7749	0.7624	0.7495
24	*	0.8329	0.8222	0.8111	0.7996	0.7878	0.7755	0.7631	0.7500
25	*	0.8335	0.8228	0.8117	0.8002	0.7885	0.7762	0.7637	0.7501
26	*	0.8342	0.8235	0.8124	0.8010	0.7892	0.7769	0.7644	0.7514
27	*	0.8349	0.8242	0.8131	0.8017	0.7899	0.7776	0.7651	0.7521
28	*	0.8357	0.8251	0.8139	0.8025	0.7907	0.7785	0.7659	0.7529
29	*	0.8365	0.8259	0.8148	0.8033	0.7916	0.7793	0.7668	0.7538
30	*	0.8374	0.8267	0.8157	0.8043	0.7925	0.7802	0.7677	0.7547
31	*	0.8384	0.8277	0.8167	0.8052	0.7934	0.7812	0.7687	0.7557
32	*	0.8394	0.8287	0.8177	0.8062	0.7945	0.7822	0.7697	0.7567
33	*	0.8405	0.8298	0.8188	0.8074	0.7956	0.7834	0.7709	0.7579
34	*	0.8417	0.8311	0.8200	0.8085	0.7968	0.7846	0.7720	0.7591
35	*	0.8429	0.8323	0.8212	0.8098	0.7981	0.7858	0.7733	0.7604

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
36	*	0.9121	0.9052	0.8979	0.8902	0.8818	0.8731	0.8639	0.8542
37	*	0.9133	0.9064	0.8992	0.8914	0.8832	0.8744	0.8653	0.8557
38	*	0.9145	0.9078	0.9004	0.8928	0.8845	0.8759	0.8667	0.8571
39	*	0.9159	0.9090	0.9018	0.8942	0.8860	0.8774	0.8682	0.8586
40	*	0.9172	0.9105	0.9033	0.8957	0.8875	0.8789	0.8698	0.8603
41	*	0.9187	0.9119	0.9048	0.8973	0.8891	0.8806	0.8715	0.8619
42	*	0.9201	0.9135	0.9064	0.8989	0.8908	0.8823	0.8733	0.8638
43	*	0.9217	0.9151	0.9081	0.9006	0.8926	0.8840	0.8751	0.8656
44	*	0.9233	0.9168	0.9098	0.9024	0.8944	0.8860	0.8771	0.8677
45	*	0.9249	0.9185	0.9116	0.9042	0.8963	0.8879	0.8791	0.8698
46	*	0.9267	0.9203	0.9135	0.9062	0.8984	0.8900	0.8812	0.8720
47	*	0.9285	0.9222	0.9154	0.9082	0.9004	0.8922	0.8834	0.8742
48	*	0.9303	0.9241	0.9173	0.9103	0.9026	0.8944	0.8658	0.8766
49	*	0.9322	0.9261	0.9194	0.9124	0.9048	0.8968	0.8882	0.8792
50	*	0.9341	0.9281	0.9216	0.9147	0.9072	0.8992	0.8907	0.8818
51	*	0.9361	0.9302	0.9238	0.9169	0.9095	0.9016	0.8933	0.8845
AGE OF BEN	*	63	64	65	66	67	68	69	70
36	*	0.8442	0.8336	0.8225	0.8112	0.7995	0.7872	0.7747	0.7617
37	*	0.8456	0.8350	0.8240	0.8126	0.8009	0.7887	0.7762	0.7632
38	*	0.8471	0.8365	0.8255	0.8141	0.8024	0.7902	0.7777	0.7648
39	*	0.8486	0.8381	0.8271	0.8158	0.8040	0.7918	0.7794	0.7665
40	*	0.8502	0.8398	0.8288	0.8175	0.8058	0.7936	0.7811	0.7682
41	*	0.8520	0.8415	0.8307	0.8193	0.8077	0.7955	0.7830	0.7701
42	*	0.8538	0.8435	0.8326	0.8212	0.8096	0.7975	0.7850	0.7721
43	*	0.8558	0.8454	0.8346	0.8233	0.8117	0.7995	0.7872	0.7742
44	*	0.8579	0.8475	0.8367	0.8255	0.8139	0.8018	0.7894	0.7765
45	*	0.8600	0.8497	0.8389	0.8277	0.8162	0.8042	0.7918	0.7790
46	*	0.8623	0.8520	0.8413	0.8302	0.8186	0.8067	0.7943	0.7815
47	*	0.8646	0.8544	0.8437	0.8326	0.8212	0.8093	0.7969	0.7842
48	*	0.8670	0.8570	0.8464	0.8353	0.8239	0.8120	0.7998	0.7870
49	*	0.8696	0.8596	0.8490	0.8381	0.8267	0.8149	0.8027	0.7900
50	*	0.8723	0.8624	0.8519	0.8410	0.8297	0.8180	0.8059	0.7932
51	*	0.8751	0.8652	0.8549	0.8441	0.8329	0.8211	0.8091	0.7965

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
52	*	0.9381	0.9323	0.9260	0.9193	0.9120	0.9042	0.8960	0.8873
53	*	0.9402	0.9345	0.9283	0.9218	0.9145	0.9069	0.8987	0.8901
54	*	0.9422	0.9367	0.9306	0.9242	0.9171	0.9096	0.9015	0.8931
55	*	0.9444	0.9389	0.9330	0.9267	0.9198	0.9124	0.9045	0.8961
56	*	0.9465	0.9412	0.9354	0.9292	0.9225	0.9152	0.9075	0.8992
57	*	0.9486	0.9435	0.9378	0.9318	0.9252	0.9181	0.9105	0.9024
58	*	0.9508	0.9458	0.9403	0.9344	0.9280	0.9210	0.9135	0.9057
59	*	0.9530	0.9481	0.9428	0.9370	0.9308	0.9240	0.9167	0.9090
60	*	0.9551	0.9504	0.9452	0.9397	0.9335	0.9270	0.9198	0.9123
61	*	0.9572	0.9527	0.9477	0.9423	0.9364	0.9299	0.9231	0.9157
62	*	0.9593	0.9549	0.9501	0.9449	0.9392	0.9330	0.9262	0.9191
63	*	0.9614	0.9572	0.9526	0.9475	0.9420	0.9360	0.9295	0.9225
64	*	0.9635	0.9594	0.9549	0.9501	0.9447	0.9390	0.9326	0.9259
65	*	0.9654	0.9615	0.9573	0.9527	0.9476	0.9419	0.9358	0.9293
66	*	0.9674	0.9637	0.9596	0.9552	0.9502	0.9449	0.9390	0.9326
67	*	0.9693	0.9658	0.9619	0.9577	0.9529	0.9478	0.9421	0.9360
AGE OF BEN	*	63	64	65	66	67	68	69	70
52	*	0.8780	0.8682	0.8579	0.8473	0.8361	0.8245	0.8124	0.8000
53	*	0.8810	0.8713	0.8611	0.8505	0.8396	0.8280	0.8161	0.8037
54	*	0.8841	0.8745	0.8645	0.8539	0.8431	0.8316	0.8197	0.8074
55	*	0.8873	0.8778	0.8679	0.8575	0.8467	0.8354	0.8237	0.8115
56	*	0.8905	0.8813	0.8714	0.8612	0.8505	0.8393	0.8277	0.8155
57	*	0.8938	0.8847	0.8751	0.8650	0.8544	0.8433	0.8319	0.8198
58	*	0.8973	0.8883	0.8788	0.8689	0.8585	0.8476	0.8362	0.8243
59	*	0.9007	0.8920	0.8826	0.8728	0.8626	0.8511	0.8407	0.8289
60	*	0.9042	0.8957	0.8865	0.8769	0.8668	0.8562	0.8452	0.8336
61	*	0.9079	0.8994	0.8905	0.8810	0.8711	0.8607	0.8499	0.8385
62	*	0.9114	0.9032	0.8945	0.8852	0.8756	0.8653	0.8547	0.8434
63	*	0.9151	0.9070	0.8985	0.8895	0.8800	0.8700	0.8595	0.8485
64	*	0.9187	0.9109	0.9026	0.8937	0.8846	0.8747	0.8645	0.8536
65	*	0.9223	0.9148	0.9066	0.8981	0.8890	0.8795	0.8694	0.8589
66	*	0.9259	0.9185	0.9107	0.9024	0.8936	0.8842	0.8745	0.8641
67	*	0.9295	0.9224	0.9148	0.9067	0.8982	0.8891	0.8796	0.8694

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
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P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
68	*	0.9712	0.9678	0.9641	0.9601	0.9555	0.9506	0.9451	0.9393
69	*	0.9730	0.9698	0.9663	0.9624	0.9581	0.9533	0.9481	0.9425
70	*	0.9747	0.9717	0.9684	0.9647	0.9605	0.9560	0.9511	0.9457
71	*	0.9763	0.9735	0.9703	0.9669	0.9630	0.9587	0.9540	0.9489
72	*	0.9780	0.9752	0.9723	0.9691	0.9653	0.9613	0.9567	0.9519
73	*	0.9795	0.9770	0.9741	0.9711	0.9676	0.9637	0.9595	0.9548
74	*	0.9810	0.9786	0.9760	0.9730	0.9697	0.9661	0.9620	0.9577
75	*	0.9824	0.9802	0.9777	0.9749	0.9718	0.9684	0.9645	0.9604
76	*	0.9837	0.9816	0.9793	0.9768	0.9738	0.9705	0.9670	0.9630
77	*	0.9850	0.9830	0.9808	0.9785	0.9757	0.9727	0.9693	0.9656
78	*	0.9861	0.9844	0.9823	0.9801	0.9775	0.9747	0.9715	0.9681
79	*	0.9872	0.9856	0.9836	0.9816	0.9793	0.9765	0.9736	0.9704
80	*	0.9883	0.9867	0.9850	0.9831	0.9808	0.9784	0.9756	0.9725
81	*	0.9892	0.9878	0.9862	0.9844	0.9824	0.9801	0.9775	0.9747
82	*	0.9902	0.9888	0.9874	0.9857	0.9838	0.9817	0.9792	0.9766
83	*	0.9910	0.9897	0.9884	0.9870	0.9852	0.9832	0.9809	0.9785
AGE OF BEN	*	63	64	65	66	67	68	69	70
68	*	0.9330	0.9262	0.9188	0.9110	0.9027	0.8939	0.8846	0.8747
69	*	0.9365	0.9299	0.9228	0.9152	0.9073	0.8987	0.8897	0.8801
70	*	0.9399	0.9336	0.9268	0.9195	0.9118	0.9035	0.8947	0.8855
71	*	0.9433	0.9372	0.9306	0.9236	0.9162	0.9082	0.8998	0.8907
72	*	0.9465	0.9407	0.9345	0.9278	0.9206	0.9129	0.9047	0.8961
73	*	0.9497	0.9442	0.9382	0.9317	0.9249	0.9175	0.9097	0.9013
74	*	0.9529	0.9475	0.9419	0.9356	0.9292	0.9221	0.9145	0.9064
75	*	0.9559	0.9509	0.9454	0.9395	0.9333	0.9265	0.9193	0.9115
76	*	0.9587	0.9540	0.9489	0.9432	0.9373	0.9308	0.9239	0.9165
77	*	0.9616	0.9570	0.9522	0.9468	0.9413	0.9350	0.9285	0.9214
78	*	0.9642	0.9600	0.9553	0.9503	0.9450	0.9392	0.9329	0.9261
79	*	0.9668	0.9628	0.9584	0.9536	0.9486	0.9430	0.9372	0.9307
80	*	0.9692	0.9654	0.9614	0.9569	0.9521	0.9469	0.9412	0.9351
81	*	0.9716	0.9680	0.9641	0.9599	0.9554	0.9505	0.9452	0.9394
82	*	0.9737	0.9704	0.9668	0.9629	0.9586	0.9539	0.9490	0.9435
83	*	0.9757	0.9727	0.9693	0.9656	0.9616	0.9572	0.9526	0.9475

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
84	*	0.9918	0.9907	0.9894	0.9880	0.9865	0.9846	0.9825	0.9802
85	*	0.9925	0.9915	0.9904	0.9891	0.9875	0.9859	0.9840	0.9819
86	*	0.9932	0.9922	0.9912	0.9901	0.9886	0.9871	0.9853	0.9834
87	*	0.9938	0.9930	0.9920	0.9910	0.9897	0.9882	0.9867	0.9848
88	*	0.9944	0.9936	0.9928	0.9919	0.9906	0.9893	0.9878	0.9862
89	*	0.9950	0.9942	0.9935	0.9927	0.9915	0.9904	0.9889	0.9874
90	*	0.9954	0.9948	0.9940	0.9933	0.9923	0.9913	0.9900	0.9886
AGE OF BEN	*	63	64	65	66	67	68	69	70
84	*	0.9777	0.9749	0.9717	0.9682	0.9645	0.9604	0.9560	0.9511
85	*	0.9795	0.9769	0.9740	0.9707	0.9672	0.9634	0.9593	0.9547
86	*	0.9812	0.9787	0.9761	0.9730	0.9699	0.9663	0.9625	0.9582
87	*	0.9829	0.9806	0.9780	0.9753	0.9724	0.9690	0.9654	0.9614
88	*	0.9844	0.9823	0.9799	0.9774	0.9747	0.9715	0.9683	0.9645
89	*	0.9858	0.9838	0.9817	0.9793	0.9768	0.9739	0.9709	0.9674
90	*	0.9871	0.9854	0.9834	0.9811	0.9789	0.9763	0.9734	0.9702

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
20	*	0.7346	0.7210	0.7071	0.6928	0.6783	0.6633	0.6481	0.6328
21	*	0.7352	0.7215	0.7076	0.6932	0.6787	0.6638	0.6486	0.6332
22	*	0.7357	0.7220	0.7081	0.6938	0.6792	0.6643	0.6491	0.6337
23	*	0.7363	0.7226	0.7087	0.6944	0.6798	0.6648	0.6496	0.6342
24	*	0.7368	0.7232	0.7093	0.6949	0.6804	0.6655	0.6503	0.6349
25	*	0.7375	0.7239	0.7099	0.6956	0.6810	0.6660	0.6509	0.6354
26	*	0.7382	0.7245	0.7106	0.6962	0.6816	0.6667	0.6515	0.6361
27	*	0.7390	0.7252	0.7113	0.6969	0.6824	0.6674	0.6522	0.6368
28	*	0.7397	0.7261	0.7121	0.6977	0.6831	0.6682	0.6530	0.6375
29	*	0.7406	0.7269	0.7130	0.6986	0.6840	0.6691	0.6538	0.6384
30	*	0.7415	0.7278	0.7138	0.6995	0.6849	0.6700	0.6547	0.6393
31	*	0.7424	0.7288	0.7149	0.7005	0.6859	0.6709	0.6556	0.6402
32	*	0.7436	0.7299	0.7159	0.7015	0.6869	0.6729	0.6567	0.6412
33	*	0.7447	0.7310	0.7170	0.7027	0.6880	0.6730	0.6578	0.6423
34	*	0.7459	0.7322	0.7183	0.7038	0.6892	0.6743	0.6590	0.6435
35	*	0.7472	0.7334	0.7195	0.7051	0.6905	0.6756	0.6602	0.6448
AGE OF BEN	*	79	80	81	82	83	84	85	
20	*	0.6172	0.6017	0.5861	0.5704	0.5549	0.5395	0.5245	
21	*	0.6177	0.6021	0.5865	0.5709	0.5553	0.5400	0.5249	
22	*	0.6182	0.6026	0.5870	0.5713	0.5558	0.5404	0.5253	
23	*	0.6187	0.6031	0.5875	0.5718	0.5563	0.5409	0.5258	
24	*	0.6193	0.6037	0.5880	0.5724	0.5568	0.5414	0.5263	
25	*	0.6199	0.6043	0.5886	0.5730	0.5574	0.5420	0.5269	
26	*	0.6206	0.6049	0.5893	0.5736	0.5580	0.5426	0.5275	
27	*	0.6212	0.6056	0.5899	0.5743	0.5587	0.5433	0.5281	
28	*	0.6220	0.6064	0.5907	0.5750	0.5594	0.5440	0.5288	
29	*	0.6228	0.6072	0.5915	0.5758	0.5601	0.5447	0.5295	
30	*	0.6237	0.6081	0.5923	0.5766	0.5610	0.5455	0.5303	
31	*	0.6246	0.6089	0.5932	0.5775	0.5619	0.5464	0.5312	
32	*	0.6256	0.6100	0.5942	0.5784	0.5628	0.5473	0.5322	
33	*	0.6267	0.6110	0.5953	0.5795	0.5639	0.5483	0.5332	
34	*	0.6279	0.6122	0.5965	0.5806	0.5650	0.5494	0.5342	
35	*	0.6291	0.6134	0.5977	0.5818	0.5661	0.5506	0.5354	

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
36	*	0.7485	0.7349	0.7209	0.7065	0.6919	0.6769	0.6616	0.6461
37	*	0.7500	0.7364	0.7223	0.7079	0.6933	0.6784	0.6630	0.6475
38	*	0.7516	0.7379	0.7239	0.7096	0.6950	0.6799	0.6646	0.6491
39	*	0.7533	0.7396	0.7256	0.7112	0.6966	0.6816	0.6663	0.6507
40	*	0.7551	0.7414	0.7275	0.7130	0.6984	0.6834	0.6681	0.6525
41	*	0.7570	0.7433	0.7294	0.7150	0.7003	0.6853	0.6700	0.6544
42	*	0.7590	0.7454	0.7314	0.7170	0.7023	0.6874	0.6720	0.6564
43	*	0.7611	0.7475	0.7336	0.7192	0.7045	0.6895	0.6742	0.6586
44	*	0.7635	0.7498	0.7359	0.7215	0.7069	0.6919	0.6765	0.6609
45	*	0.7658	0.7522	0.7383	0.7239	0.7093	0.6943	0.6790	0.6634
46	*	0.7684	0.7548	0.7410	0.7266	0.7119	0.6970	0.6815	0.6660
47	*	0.7712	0.7576	0.7437	0.7294	0.7147	0.6997	0.6844	0.6688
48	*	0.7741	0.7605	0.7467	0.7323	0.7177	0.7027	0.6874	0.6717
49	*	0.7771	0.7635	0.7497	0.7354	0.7209	0.7059	0.6905	0.6749
50	*	0.7802	0.7668	0.7530	0.7388	0.7242	0.7092	0.6939	0.6783
51	*	0.7836	0.7702	0.7564	0.7423	0.7278	0.7128	0.6975	0.6818
AGE OF BEN	*	79	80	81	82	83	84	85	
36	*	0.6304	0.6147	0.5990	0.5831	0.5674	0.5519	0.5366	
37	*	0.6318	0.6162	0.6004	0.5845	0.5688	0.5532	0.5380	
38	*	0.6334	0.6177	0.6019	0.5860	0.5702	0.5547	0.5394	
39	*	0.6351	0.6193	0.6035	0.5876	0.5718	0.5562	0.5409	
40	*	0.6368	0.6211	0.6052	0.5893	0.5735	0.5579	0.5425	
41	*	0.6387	0.6229	0.6071	0.5911	0.5753	0.5597	0.5443	
42	*	0.6407	0.6249	0.6090	0.5931	0.5773	0.5616	0.5462	
43	*	0.6428	0.6271	0.6111	0.5952	0.5793	0.5637	0.5482	
44	*	0.6452	0.6293	0.6134	0.5974	0.5815	0.5658	0.5504	
45	*	0.6476	0.6318	0.6158	0.5998	0.5840	0.5682	0.5527	
46	*	0.6502	0.6344	0.6184	0.6024	0.5865	0.5707	0.5551	
47	*	0.6530	0.6371	0.6212	0.6051	0.5892	0.5733	0.5578	
48	*	0.6560	0.6401	0.6241	0.6081	0.5921	0.5762	0.5606	
49	*	0.6591	0.6432	0.6272	0.6111	0.5952	0.5793	0.5637	
50	*	0.6625	0.6466	0.6306	0.6145	0.5984	0.5826	0.5669	
51	*	0.6660	0.6502	0.6341	0.6180	0.6020	0.5860	0.5704	

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
52	*	0.7872	0.7738	0.7601	0.7459	0.7314	0.7165	0.7012	0.6856
53	*	0.7909	0.7776	0.7640	0.7498	0.7354	0.7205	0.7052	0.6896
54	*	0.7948	0.7816	0.7680	0.7539	0.7395	0.7246	0.7094	0.6938
55	*	0.7989	0.7857	0.7722	0.7582	0.7439	0.7290	0.7138	0.6983
56	*	0.8031	0.7901	0.7766	0.7627	0.7484	0.7337	0.7185	0.7030
57	*	0.8075	0.7945	0.7812	0.7673	0.7532	0.7385	0.7234	0.7080
58	*	0.8121	0.7992	0.7860	0.7723	0.7582	0.7435	0.7285	0.7131
59	*	0.8168	0.8041	0.7910	0.7773	0.7633	0.7488	0.7338	0.7185
60	*	0.8216	0.8091	0.7961	0.7826	0.7687	0.7543	0.7393	0.7241
61	*	0.8267	0.8142	0.8014	0.7880	0.7742	0.7599	0.7451	0.7300
62	*	0.8318	0.8196	0.8069	0.7936	0.7800	0.7658	0.7511	0.7360
63	*	0.8370	0.8250	0.8125	0.7993	0.7859	0.7718	0.7573	0.7423
64	*	0.8424	0.8306	0.8182	0.8052	0.7920	0.7781	0.7637	0.7488
65	*	0.8479	0.8362	0.8241	0.8113	0.7981	0.7844	0.7702	0.7555
66	*	0.8533	0.8419	0.8300	0.8175	0.8045	0.7909	0.7769	0.7623
67	*	0.8588	0.8477	0.8360	0.8237	0.8110	0.7976	0.7837	0.7694
AGE OF BEN	*	79	80	81	82	83	84	85	
52	*	0.6698	0.6540	0.6379	0.6217	0.6057	0.5898	0.5741	
53	*	0.6738	0.6580	0.6419	0.6258	0.6097	0.5937	0.5779	
54	*	0.6781	0.6622	0.6461	0.6300	0.6139	0.5979	0.5822	
55	*	0.6826	0.6667	0.6507	0.6344	0.6184	0.6024	0.5865	
56	*	0.6873	0.6784	0.6554	0.6392	0.6231	0.6071	0.5913	
57	*	0.6923	0.6764	0.6604	0.6442	0.6281	0.6120	0.5962	
58	*	0.6974	0.6816	0.6657	0.6495	0.6333	0.6173	0.6015	
59	*	0.7029	0.6871	0.6711	0.6550	0.6389	0.6228	0.6069	
60	*	0.7086	0.6929	0.6770	0.6608	0.6447	0.6286	0.6128	
61	*	0.7145	0.6989	0.6830	0.6668	0.6508	0.6347	0.6189	
62	*	0.7207	0.7051	0.6893	0.6732	0.6572	0.6411	0.6253	
63	*	0.7271	0.7116	0.6958	0.6798	0.6638	0.6478	0.6319	
64	*	0.7337	0.7183	0.7026	0.6866	0.6707	0.6547	0.6388	
65	*	0.7405	0.7252	0.7096	0.6937	0.6778	0.6619	0.6461	
66	*	0.7474	0.7323	0.7168	0.7011	0.6852	0.6693	0.6536	
67	*	0.7546	0.7397	0.7243	0.7086	0.6929	0.6771	0.6614	

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
68	*	0.8645	0.8535	0.8421	0.8300	0.8176	0.8044	0.7907	0.7766
69	*	0.8701	0.8594	0.8482	0.8364	0.8242	0.8113	0.7978	0.7839
70	*	0.8757	0.8653	0.8544	0.8428	0.8308	0.8182	0.8050	0.7913
71	*	0.8813	0.8713	0.8606	0.8494	0.8376	0.8252	0.8122	0.7988
72	*	0.8869	0.8771	0.8668	0.8558	0.8444	0.8324	0.8196	0.8064
73	*	0.8924	0.8829	0.8730	0.8623	0.8512	0.8394	0.8271	0.8141
74	*	0.8979	0.8888	0.8791	0.8688	0.8579	0.8465	0.8344	0.8218
75	*	0.9033	0.8945	0.8852	0.8752	0.8647	0.8536	0.8418	0.8295
76	*	0.9086	0.9001	0.8912	0.8816	0.8714	0.8606	0.8492	0.8372
77	*	0.9139	0.9057	0.8971	0.8878	0.8780	0.8676	0.8566	0.8448
78	*	0.9190	0.9112	0.9028	0.8939	0.8846	0.8744	0.8638	0.8525
79	*	0.9239	0.9164	0.9086	0.9000	0.8909	0.8812	0.8709	0.8600
80	*	0.9286	0.9216	0.9140	0.9058	0.8972	0.8879	0.8779	0.8674
81	*	0.9333	0.9265	0.9193	0.9115	0.9032	0.8943	0.8848	0.8746
82	*	0.9377	0.9313	0.9244	0.9171	0.9091	0.9006	0.8915	0.8818
83	*	0.9420	0.9359	0.9295	0.9223	0.9148	0.9067	0.8980	0.8887
AGE OF BEN	*	79	80	81	82	83	84	85	
68	*	0.7620	0.7471	0.7320	0.7164	0.7007	0.6850	0.6694	
69	*	0.7695	0.7548	0.7398	0.7243	0.7088	0.6932	0.6777	
70	*	0.7771	0.7627	0.7478	0.7326	0.7171	0.7016	0.6862	
71	*	0.7848	0.7706	0.7559	0.7409	0.7256	0.7103	0.6949	
72	*	0.7927	0.7787	0.7642	0.7494	0.7343	0.7190	0.7039	
73	*	0.8006	0.7868	0.7726	0.7580	0.7431	0.7280	0.7131	
74	*	0.8087	0.7951	0.7812	0.7668	0.7521	0.7373	0.7224	
75	*	0.8167	0.8034	0.7898	0.7755	0.7611	0.7465	0.7318	
76	*	0.8247	0.8118	0.7984	0.7845	0.7703	0.7559	0.7415	
77	*	0.8327	0.8201	0.8070	0.7934	0.7795	0.7654	0.7512	
78	*	0.8407	0.8285	0.8157	0.8024	0.7888	0.7749	0.7610	
79	*	0.8485	0.8367	0.8242	0.8113	0.7980	0.7845	0.7709	
80	*	0.8563	0.8448	0.8328	0.8202	0.8072	0.7940	0.7807	
81	*	0.8640	0.8529	0.8413	0.8289	0.8164	0.8035	0.7905	
82	*	0.8715	0.8608	0.8495	0.8376	0.8255	0.8129	0.8002	
83	*	0.8788	0.8686	0.8577	0.8463	0.8345	0.8223	0.8098	

APPENDIX A
TABLE 1
50% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
84	*	0.9460	0.9403	0.9342	0.9275	0.9205	0.9127	0.9044	0.8954
85	*	0.9499	0.9445	0.9388	0.9325	0.9258	0.9184	0.9105	0.9020
86	*	0.9537	0.9486	0.9432	0.9373	0.9309	0.9239	0.9165	0.9084
87	*	0.9573	0.9525	0.9474	0.9418	0.9359	0.9293	0.9221	0.9146
88	*	0.9606	0.9562	0.9514	0.9462	0.9406	0.9344	0.9277	0.9204
89	*	0.9637	0.9596	0.9553	0.9503	0.9452	0.9394	0.9329	0.9262
90	*	0.9669	0.9631	0.9590	0.9543	0.9494	0.9441	0.9381	0.9317

AGE OF BEN	*	79	80	81	82	83	84	85
84	*	0.8860	0.8761	0.8657	0.8546	0.8432	0.8314	0.8195
85	*	0.8930	0.8835	0.8735	0.8629	0.8519	0.8404	0.8289
86	*	0.8997	0.8907	0.8811	0.8709	0.8603	0.8494	0.8381
87	*	0.9063	0.8977	0.8885	0.8788	0.8686	0.8580	0.8473
88	*	0.9127	0.9045	0.8959	0.8865	0.8767	0.8667	0.8563
89	*	0.9189	0.9111	0.9029	0.8940	0.8846	0.8751	0.8651
90	*	0.9248	0.9175	0.9097	0.9012	0.8925	0.8833	0.8738

APPENDIX A
TABLE 2
100% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
20	*	0.8180	0.8064	0.7941	0.7815	0.7681	0.7543	0.7401	0.7254
21	*	0.8128	0.8071	0.7949	0.7822	0.7689	0.7551	0.7408	0.7261
22	*	0.8196	0.8079	0.7958	0.7830	0.7697	0.7559	0.7416	0.7269
23	*	0.8205	0.8088	0.7966	0.7839	0.7706	0.7568	0.7425	0.7278
24	*	0.8214	0.8098	0.7976	0.7848	0.7715	0.7577	0.7434	0.7287
25	*	0.8224	0.8107	0.7985	0.7858	0.7725	0.7587	0.7443	0.7296
26	*	0.8235	0.8118	0.7996	0.7869	0.7735	0.7597	0.7454	0.7307
27	*	0.8246	0.8130	0.8007	0.7880	0.7746	0.7608	0.7465	0.7317
28	*	0.8258	0.8141	0.8019	0.7892	0.7758	0.7620	0.7477	0.7329
29	*	0.8271	0.8154	0.8032	0.7905	0.7771	0.7632	0.7489	0.7341
30	*	0.8284	0.8168	0.8046	0.7918	0.7785	0.7646	0.7503	0.7355
31	*	0.8299	0.8182	0.8060	0.7933	0.7799	0.7661	0.7517	0.7369
32	*	0.8314	0.8197	0.8075	0.7948	0.7814	0.7676	0.7532	0.7385
33	*	0.8330	0.8214	0.8092	0.7964	0.7831	0.7692	0.7549	0.7400
34	*	0.8347	0.8231	0.8109	0.7982	0.7849	0.7710	0.7566	0.7418
35	*	0.8365	0.8249	0.8127	0.8001	0.7867	0.7728	0.7585	0.7437
AGE OF BEN	*	63	64	65	66	67	68	69	70
20	*	0.7104	0.6949	0.6791	0.6631	0.6469	0.6305	0.6140	0.5973
21	*	0.7111	0.6956	0.6798	0.6638	0.6476	0.6311	0.6146	0.5979
22	*	0.7119	0.6964	0.6806	0.6645	0.6483	0.6319	0.6153	0.5986
23	*	0.7127	0.6972	0.6814	0.6653	0.6491	0.6326	0.6161	0.5993
24	*	0.7136	0.6981	0.6822	0.6661	0.6499	0.6334	0.6168	0.6001
25	*	0.7145	0.6990	0.6831	0.6670	0.6508	0.6343	0.6177	0.6009
26	*	0.7155	0.7000	0.6841	0.6680	0.6517	0.6352	0.6186	0.6018
27	*	0.7166	0.7010	0.6851	0.6690	0.6527	0.6362	0.6196	0.6028
28	*	0.7178	0.7021	0.6863	0.6701	0.6538	0.6373	0.6206	0.6038
29	*	0.7190	0.7034	0.6875	0.6713	0.6550	0.6384	0.6217	0.6049
30	*	0.7203	0.7047	0.6888	0.6726	0.6562	0.6396	0.6229	0.6061
31	*	0.7217	0.7061	0.6901	0.6739	0.6576	0.6410	0.6242	0.6073
32	*	0.7232	0.7076	0.6916	0.6754	0.6590	0.6424	0.6256	0.6087
33	*	0.7249	0.7092	0.6932	0.6770	0.6605	0.6439	0.6270	0.6101
34	*	0.7265	0.7109	0.6949	0.6786	0.6622	0.6455	0.6287	0.6117
35	*	0.7284	0.7127	0.6967	0.6804	0.6640	0.6473	0.6304	0.6134

APPENDIX A
TABLE 2
100% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
36	*	0.8385	0.8269	0.8147	0.8020	0.7887	0.7748	0.7604	0.7456
37	*	0.8405	0.8289	0.8168	0.8041	0.7907	0.7769	0.7625	0.7477
38	*	0.8426	0.8311	0.8190	0.8063	0.7930	0.7791	0.7648	0.7499
39	*	0.8448	0.8333	0.8212	0.8086	0.7953	0.7815	0.7671	0.7523
40	*	0.8471	0.8357	0.8236	0.8110	0.7977	0.7839	0.7696	0.7548
41	*	0.8495	0.8382	0.8262	0.8136	0.8003	0.7866	0.7722	0.7574
42	*	0.8521	0.8408	0.8288	0.8163	0.8031	0.7893	0.7750	0.7602
43	*	0.8548	0.8435	0.8316	0.8191	0.8060	0.7922	0.7780	0.7632
44	*	0.8575	0.8464	0.8345	0.8221	0.8090	0.7953	0.7810	0.7663
45	*	0.8604	0.8493	0.8375	0.8252	0.8121	0.7985	0.7843	0.7696
46	*	0.8634	0.8524	0.8407	0.8284	0.8154	0.8018	0.7877	0.7730
47	*	0.8666	0.8556	0.8440	0.8318	0.8189	0.8053	0.7912	0.7766
48	*	0.8697	0.8589	0.8474	0.8353	0.8224	0.8090	0.7949	0.7804
49	*	0.8731	0.8623	0.8509	0.8389	0.8262	0.8129	0.7988	0.7843
50	*	0.8764	0.8659	0.8546	0.8427	0.8301	0.8168	0.8029	0.7885
51	*	0.8799	0.8695	0.8584	0.8466	0.8341	0.8209	0.8071	0.7928
AGE OF BEN	*	63	64	65	66	67	68	69	70
36	*	0.7303	0.7147	0.6986	0.6823	0.6659	0.6491	0.6323	0.6152
37	*	0.7325	0.7168	0.7007	0.6844	0.6679	0.6511	0.6342	0.6171
38	*	0.7347	0.7190	0.7029	0.6865	0.6700	0.6532	0.6363	0.6191
39	*	0.7370	0.7213	0.7052	0.6889	0.6723	0.6555	0.6385	0.6214
40	*	0.7395	0.7238	0.7077	0.6914	0.6747	0.6579	0.6409	0.6237
41	*	0.7422	0.7264	0.7104	0.6940	0.6773	0.6605	0.6434	0.6262
42	*	0.7450	0.7292	0.7132	0.6967	0.6801	0.6632	0.6461	0.6289
43	*	0.7479	0.7322	0.7161	0.6997	0.6830	0.6661	0.6490	0.6317
44	*	0.7511	0.7353	0.7192	0.7028	0.6861	0.6692	0.6521	0.6348
45	*	0.7544	0.7386	0.7225	0.7061	0.6895	0.6724	0.6553	0.6379
46	*	0.7578	0.7421	0.7260	0.7096	0.6929	0.6759	0.6587	0.6414
47	*	0.7614	0.7458	0.7297	0.7133	0.6966	0.6796	0.6624	0.6450
48	*	0.7653	0.7497	0.7336	0.7172	0.7006	0.6835	0.6663	0.6488
49	*	0.7693	0.7537	0.7377	0.7213	0.7047	0.6876	0.6704	0.6529
50	*	0.7735	0.7580	0.7420	0.7256	0.7090	0.6920	0.6748	0.6573
51	*	0.7779	0.7625	0.7465	0.7302	0.7136	0.6966	0.6793	0.6618

APPENDIX A
TABLE 2
100% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
52	*	0.8835	0.8732	0.8622	0.8506	0.8382	0.8252	0.8115	0.7973
53	*	0.8872	0.8771	0.8662	0.8548	0.8425	0.8296	0.8161	0.8020
54	*	0.8909	0.8810	0.8703	0.8590	0.8470	0.8342	0.8208	0.8068
55	*	0.8947	0.8849	0.8745	0.8633	0.8514	0.8389	0.8257	0.8118
56	*	0.8985	0.8889	0.8787	0.8678	0.8561	0.8437	0.8306	0.8169
57	*	0.9024	0.8930	0.8830	0.8723	0.8608	0.8486	0.8357	0.8222
58	*	0.9063	0.8972	0.8874	0.8769	0.8656	0.8536	0.8409	0.8277
59	*	0.9101	0.9013	0.8917	0.8815	0.8704	0.8587	0.8463	0.8332
60	*	0.9140	0.9054	0.8961	0.8862	0.8754	0.8639	0.8517	0.8388
61	*	0.9180	0.9097	0.9006	0.8909	0.8803	0.8691	0.8571	0.8445
62	*	0.9218	0.9138	0.9050	0.8956	0.8853	0.8743	0.8627	0.8503
63	*	0.9257	0.9179	0.9095	0.9003	0.8903	0.8797	0.8682	0.8561
64	*	0.9295	0.9220	0.9138	0.9050	0.8953	0.8849	0.8738	0.8620
65	*	0.9333	0.9260	0.9182	0.9096	0.9003	0.8902	0.8794	0.8679
66	*	0.9369	0.9300	0.9224	0.9142	0.9051	0.8954	0.8850	0.8739
67	*	0.9405	0.9339	0.9266	0.9187	0.9100	0.9006	0.8905	0.8797
AGE OF BEN	*	63	64	65	66	67	68	69	70
52	*	0.7825	0.7671	0.7512	0.7349	0.7184	0.7014	0.6842	0.6667
53	*	0.7872	0.7719	0.7561	0.7399	0.7234	0.7064	0.6892	0.6717
54	*	0.7922	0.7770	0.7613	0.7451	0.7287	0.7117	0.6946	0.6771
55	*	0.7973	0.7823	0.7666	0.7506	0.7342	0.7173	0.7002	0.6827
56	*	0.8026	0.7877	0.7722	0.7562	0.7399	0.7231	0.7061	0.6886
57	*	0.8080	0.7933	0.7779	0.7621	0.7459	0.7291	0.7121	0.6947
58	*	0.8137	0.7990	0.7839	0.7681	0.7520	0.7354	0.7185	0.7011
59	*	0.8194	0.8049	0.7899	0.7743	0.7584	0.7419	0.7250	0.7078
60	*	0.8252	0.8110	0.7961	0.7808	0.7650	0.7486	0.7319	0.7147
61	*	0.8312	0.8172	0.8026	0.7874	0.7717	0.7555	0.7389	0.7219
62	*	0.8372	0.8235	0.8091	0.7941	0.7787	0.7626	0.7461	0.7293
63	*	0.8434	0.8299	0.8157	0.8010	0.7857	0.7699	0.7536	0.7369
64	*	0.8495	0.8363	0.8225	0.8079	0.7929	0.7773	0.7612	0.7446
65	*	0.8558	0.8428	0.8292	0.8150	0.8002	0.7849	0.7690	0.7526
66	*	0.8620	0.8493	0.8361	0.8221	0.8077	0.7925	0.7770	0.7607
67	*	0.8682	0.8559	0.8429	0.8294	0.8151	0.8003	0.7850	0.7690

APPENDIX A
TABLE 2
100% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
68	*	0.9439	0.9377	0.9307	0.9232	0.9148	0.9058	0.8960	0.8856
69	*	0.9474	0.9414	0.9347	0.9276	0.9195	0.9108	0.9014	0.8913
70	*	0.9507	0.9450	0.9387	0.9318	0.9241	0.9157	0.9067	0.8970
71	*	0.9538	0.9485	0.9424	0.9359	0.9286	0.9206	0.9120	0.9026
72	*	0.9569	0.9518	0.9461	0.9399	0.9330	0.9253	0.9171	0.9081
73	*	0.9599	0.9550	0.9496	0.9438	0.9372	0.9299	0.9221	0.9135
74	*	0.9627	0.9581	0.9530	0.9475	0.9413	0.9344	0.9269	0.9187
75	*	0.9653	0.9611	0.9563	0.9511	0.9452	0.9387	0.9316	0.9238
76	*	0.9679	0.9640	0.9595	0.9546	0.9490	0.9428	0.9361	0.9287
77	*	0.9704	0.9666	0.9624	0.9579	0.9526	0.9468	0.9404	0.9335
78	*	0.9726	0.9692	0.9652	0.9610	0.9560	0.9507	0.9446	0.9380
79	*	0.9748	0.9716	0.9679	0.9640	0.9593	0.9542	0.9486	0.9424
80	*	0.9768	0.9739	0.9705	0.9667	0.9624	0.9576	0.9524	0.9465
81	*	0.9787	0.9760	0.9728	0.9694	0.9653	0.9609	0.9560	0.9505
82	*	0.9805	0.9779	0.9751	0.9718	0.9681	0.9639	0.9594	0.9543
83	*	0.9822	0.9798	0.9771	0.9742	0.9708	0.9668	0.9626	0.9579
AGE OF BEN	*	63	64	65	66	67	68	69	70
68	*	0.8744	0.8625	0.8498	0.8366	0.8227	0.8081	0.7931	0.7774
69	*	0.8806	0.8689	0.8567	0.8438	0.8303	0.8161	0.8013	0.7859
70	*	0.8866	0.8755	0.8635	0.8510	0.8379	0.8240	0.8095	0.7945
71	*	0.8926	0.8818	0.8703	0.8582	0.8454	0.8319	0.8178	0.8030
72	*	0.8985	0.8881	0.8770	0.8653	0.8529	0.8398	0.8261	0.8117
73	*	0.9042	0.8943	0.8837	0.8723	0.8604	0.8476	0.8343	0.8203
74	*	0.9099	0.9004	0.8901	0.8792	0.8677	0.8554	0.8425	0.8289
75	*	0.9154	0.9063	0.8964	0.8860	0.8749	0.8631	0.8506	0.8375
76	*	0.9207	0.9120	0.9027	0.8926	0.8820	0.8706	0.8586	0.8459
77	*	0.9259	0.9177	0.9087	0.8991	0.8889	0.8780	0.8665	0.8542
78	*	0.9309	0.9230	0.9146	0.9054	0.8957	0.8852	0.8742	0.8624
79	*	0.9356	0.9282	0.9202	0.9115	0.9022	0.8922	0.8817	0.8703
80	*	0.9402	0.9332	0.9256	0.9173	0.9086	0.8990	0.8890	0.8781
81	*	0.9446	0.9379	0.9307	0.9230	0.9147	0.9057	0.8961	0.8857
82	*	0.9487	0.9425	0.9358	0.9284	0.9205	0.9119	0.9029	0.8930
83	*	0.9526	0.9468	0.9404	0.9336	0.9262	0.9181	0.9095	0.9001

APPENDIX A
TABLE 2
100% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
84	*	0.9837	0.9816	0.9791	0.9764	0.9732	0.9696	0.9656	0.9613
85	*	0.9851	0.9831	0.9809	0.9784	0.9755	0.9722	0.9685	0.9643
86	*	0.9864	0.9846	0.9826	0.9803	0.9776	0.9746	0.9711	0.9674
87	*	0.9877	0.9861	0.9841	0.9821	0.9796	0.9768	0.9737	0.9701
88	*	0.9889	0.9874	0.9856	0.9838	0.9814	0.9789	0.9760	0.9727
89	*	0.9899	0.9886	0.9870	0.9853	0.9832	0.9808	0.9782	0.9752
90	*	0.9909	0.9896	0.9882	0.9867	0.9848	0.9827	0.9802	0.9776
AGE OF BEN	*	63	64	65	66	67	68	69	70
84	*	0.9563	0.9509	0.9449	0.9384	0.9315	0.9239	0.9157	0.9069
85	*	0.9598	0.9548	0.9492	0.9431	0.9367	0.9295	0.9219	0.9135
86	*	0.9631	0.9585	0.9532	0.9476	0.9415	0.9348	0.9276	0.9197
87	*	0.9663	0.9619	0.9571	0.9518	0.9461	0.9398	0.9332	0.9258
88	*	0.9692	0.9651	0.9607	0.9558	0.9506	0.9447	0.9384	0.9315
89	*	0.9720	0.9682	0.9640	0.9596	0.9546	0.9492	0.9434	0.9369
90	*	0.9745	0.9710	0.9672	0.9631	0.9586	0.9536	0.9482	0.9422

APPENDIX A
TABLE 2
100% JOINT AND SURVISORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
20	*	0.5806	0.5638	0.5469	0.5300	0.5131	0.4962	0.4794	0.4628
21	*	0.5812	0.5644	0.5475	0.5305	0.5137	0.4968	0.4800	0.4633
22	*	0.5819	0.5650	0.5481	0.5312	0.5142	0.4973	0.4805	0.4638
23	*	0.5826	0.5657	0.5488	0.5318	0.5149	0.4980	0.4811	0.4644
24	*	0.5833	0.5664	0.5495	0.5325	0.5156	0.4986	0.4817	0.4650
25	*	0.5842	0.5672	0.5503	0.5332	0.5163	0.4993	0.4824	0.4657
26	*	0.5850	0.5680	0.5511	0.5340	0.5170	0.5001	0.4831	0.4664
27	*	0.5860	0.5690	0.5520	0.5349	0.5179	0.5009	0.4840	0.4671
28	*	0.5869	0.5699	0.5529	0.5358	0.5183	0.5017	0.4848	0.4680
29	*	0.5880	0.5710	0.5539	0.5368	0.5198	0.5027	0.4857	0.4689
30	*	0.5892	0.5721	0.5550	0.5379	0.5208	0.5037	0.4867	0.4698
31	*	0.5904	0.5733	0.5562	0.5390	0.5219	0.5048	0.4877	0.4708
32	*	0.5918	0.5746	0.5575	0.5403	0.5231	0.5059	0.4889	0.4719
33	*	0.5932	0.5760	0.5588	0.5416	0.5244	0.5072	0.4901	0.4731
34	*	0.5947	0.5775	0.5603	0.5430	0.5258	0.5085	0.4914	0.4744
35	*	0.5964	0.5791	0.5619	0.5446	0.5273	0.5100	0.4928	0.4757
AGE OF BEN	*	79	80	81	82	83	84	85	
20	*	0.4464	0.4303	0.4145	0.3990	0.3840	0.3694	0.3554	
21	*	0.4469	0.4307	0.4149	0.3994	0.3844	0.3698	0.3558	
22	*	0.4474	0.4313	0.4154	0.3999	0.3849	0.3702	0.3562	
23	*	0.4480	0.4318	0.4159	0.4004	0.3853	0.3707	0.3567	
24	*	0.4486	0.4324	0.4165	0.4009	0.3858	0.3712	0.3571	
25	*	0.4492	0.4330	0.4171	0.4015	0.3864	0.3717	0.3576	
26	*	0.4499	0.4336	0.4177	0.4021	0.3870	0.3723	0.3582	
27	*	0.4506	0.4344	0.4184	0.4028	0.3876	0.3729	0.3588	
28	*	0.4514	0.4351	0.4191	0.4035	0.3883	0.3736	0.3594	
29	*	0.4522	0.4359	0.4199	0.4043	0.3890	0.3743	0.3601	
30	*	0.4532	0.4368	0.4208	0.4051	0.3898	0.3751	0.3609	
31	*	0.4541	0.4378	0.4217	0.4060	0.3907	0.3759	0.3616	
32	*	0.4552	0.4388	0.4227	0.4069	0.3916	0.3768	0.3625	
33	*	0.4564	0.4399	0.4238	0.4079	0.3926	0.3778	0.3634	
34	*	0.4576	0.4411	0.4249	0.4091	0.3937	0.3788	0.3644	
35	*	0.4589	0.4424	0.4262	0.4103	0.3948	0.3799	0.3655	

APPENDIX A
TABLE 2
100% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
36	*	0.5981	0.5809	0.5636	0.5462	0.5289	0.5116	0.4943	0.4772
37	*	0.6000	0.5827	0.5654	0.5480	0.5306	0.5132	0.4959	0.4788
38	*	0.6020	0.5847	0.5673	0.5499	0.5325	0.5150	0.4977	0.4805
39	*	0.6042	0.5868	0.5694	0.5519	0.5345	0.5170	0.4996	0.4823
40	*	0.6065	0.5890	0.5716	0.5541	0.5366	0.5190	0.5016	0.4843
41	*	0.6089	0.5915	0.5740	0.5564	0.5388	0.5213	0.5037	0.4863
42	*	0.6116	0.5940	0.5765	0.5589	0.5413	0.5236	0.5060	0.4886
43	*	0.6143	0.5968	0.5792	0.5615	0.5438	0.5262	0.5085	0.4910
44	*	0.6174	0.5997	0.5821	0.5643	0.5466	0.5288	0.5111	0.4936
45	*	0.6205	0.6029	0.5852	0.5674	0.5496	0.5317	0.5139	0.4963
46	*	0.6239	0.6062	0.5885	0.5706	0.5527	0.5348	0.5170	0.4992
47	*	0.6275	0.6098	0.5919	0.5740	0.5561	0.5381	0.5202	0.5024
48	*	0.6313	0.6135	0.5957	0.5777	0.5597	0.5417	0.5237	0.5057
49	*	0.6354	0.6176	0.5997	0.5816	0.5636	0.5454	0.5273	0.5094
50	*	0.6397	0.6218	0.6039	0.5857	0.5676	0.5494	0.5312	0.5132
51	*	0.6442	0.6263	0.6083	0.5902	0.5720	0.5537	0.5354	0.5173
AGE OF BEN	*	79	80	81	82	83	84	85	
36	*	0.4603	0.4438	0.4275	0.4116	0.3961	0.3811	0.3667	
37	*	0.4619	0.4452	0.4289	0.4129	0.3974	0.3824	0.3679	
38	*	0.4635	0.4468	0.4305	0.4144	0.3989	0.3838	0.3693	
39	*	0.4653	0.4485	0.4321	0.4160	0.4004	0.3853	0.3707	
40	*	0.4672	0.4504	0.4339	0.4178	0.4021	0.3869	0.3722	
41	*	0.4692	0.4524	0.4358	0.4196	0.4039	0.3886	0.3739	
42	*	0.4714	0.4544	0.4378	0.4216	0.4058	0.3905	0.3757	
43	*	0.4737	0.4567	0.4401	0.4237	0.4078	0.3924	0.3776	
44	*	0.4762	0.4592	0.4424	0.4260	0.4100	0.3945	0.3797	
45	*	0.4789	0.4617	0.4449	0.4284	0.4124	0.3968	0.3819	
46	*	0.4817	0.4645	0.4476	0.4310	0.4149	0.3993	0.3842	
47	*	0.4848	0.4675	0.4505	0.4338	0.4176	0.4019	0.3868	
48	*	0.4881	0.4707	0.4536	0.4368	0.4205	0.4047	0.3895	
49	*	0.4916	0.4741	0.4569	0.4401	0.4237	0.4078	0.3924	
50	*	0.4953	0.4777	0.4605	0.4435	0.4270	0.4110	0.3956	
51	*	0.4993	0.4817	0.4643	0.4472	0.4306	0.4145	0.3990	

APPENDIX A
TABLE 2
100% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
52	*	0.6490	0.6311	0.6130	0.5948	0.5766	0.5582	0.5399	0.5216
53	*	0.6541	0.6361	0.6181	0.5998	0.5815	0.5630	0.5446	0.5263
54	*	0.6595	0.6415	0.6234	0.6050	0.5867	0.5682	0.5497	0.5312
55	*	0.6651	0.6471	0.6289	0.6106	0.5921	0.5736	0.5550	0.5365
56	*	0.6710	0.6530	0.6348	0.6164	0.5980	0.5793	0.5607	0.5421
57	*	0.6772	0.6592	0.6410	0.6226	0.6040	0.5854	0.5667	0.5480
58	*	0.6836	0.6656	0.6475	0.6290	0.6105	0.5918	0.5729	0.5541
59	*	0.6903	0.6724	0.6542	0.6358	0.6172	0.5984	0.5795	0.5607
60	*	0.6973	0.6794	0.6613	0.6429	0.6242	0.6054	0.5865	0.5676
61	*	0.7045	0.6867	0.6686	0.6502	0.6316	0.6128	0.5938	0.5748
62	*	0.7120	0.6943	0.6763	0.6579	0.6393	0.6204	0.6015	0.5824
63	*	0.7197	0.7021	0.6842	0.6658	0.6472	0.6284	0.6094	0.5903
64	*	0.7277	0.7102	0.6923	0.6740	0.6555	0.6367	0.6177	0.5985
65	*	0.7358	0.7184	0.7007	0.6825	0.6641	0.6453	0.6263	0.6071
66	*	0.7442	0.7269	0.7094	0.6913	0.6730	0.6542	0.6352	0.6160
67	*	0.7526	0.7356	0.7183	0.7003	0.6820	0.6634	0.6444	0.6253
AGE OF BEN	*	79	80	81	82	83	84	85	
52	*	0.5036	0.4858	0.4683	0.4511	0.4344	0.4182	0.4025	
53	*	0.5082	0.4903	0.4727	0.4554	0.4385	0.4222	0.4064	
54	*	0.5130	0.4950	0.4773	0.4599	0.4429	0.4265	0.4106	
55	*	0.5181	0.5000	0.4822	0.4646	0.4476	0.4310	0.4150	
56	*	0.5236	0.5054	0.4874	0.4697	0.4525	0.4358	0.4197	
57	*	0.5294	0.5110	0.4930	0.4752	0.4579	0.4410	0.4247	
58	*	0.5355	0.5170	0.4989	0.4809	0.4634	0.4464	0.4300	
59	*	0.5419	0.5234	0.5051	0.4870	0.4694	0.4523	0.4357	
60	*	0.5487	0.5301	0.5117	0.4935	0.4757	0.4584	0.4417	
61	*	0.5558	0.5371	0.5186	0.5002	0.4824	0.4649	0.4480	
62	*	0.5634	0.5445	0.5258	0.5074	0.4894	0.4718	0.4548	
63	*	0.5712	0.5523	0.5335	0.5150	0.4968	0.4791	0.4619	
64	*	0.5794	0.5604	0.5415	0.5228	0.5045	0.4867	0.4693	
65	*	0.5879	0.5688	0.5499	0.5311	0.5127	0.4946	0.4772	
66	*	0.5968	0.5777	0.5587	0.5397	0.5212	0.5030	0.4854	
67	*	0.6060	0.5868	0.5677	0.5488	0.5301	0.5118	0.4940	

APPENDIX A
TABLE 2
100% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
68	*	0.7613	0.7445	0.7272	0.7095	0.6914	0.6728	0.6539	0.6347
69	*	0.7700	0.7535	0.7365	0.7189	0.7009	0.6825	0.6637	0.6446
70	*	0.7789	0.7626	0.7459	0.7284	0.7106	0.6924	0.6737	0.6547
71	*	0.7878	0.7718	0.7553	0.7381	0.7206	0.7024	0.6839	0.6650
72	*	0.7968	0.7811	0.7649	0.7480	0.7307	0.7128	0.6944	0.6757
73	*	0.8058	0.7905	0.7746	0.7580	0.7409	0.7232	0.7050	0.6865
74	*	0.8148	0.7998	0.7843	0.7680	0.7513	0.7338	0.7159	0.6975
75	*	0.8237	0.8092	0.7940	0.7781	0.7617	0.7445	0.7269	0.7087
76	*	0.8325	0.8185	0.8037	0.7882	0.7721	0.7554	0.7379	0.7200
77	*	0.8413	0.8277	0.8133	0.7982	0.7825	0.7661	0.7490	0.7315
78	*	0.8500	0.8367	0.8229	0.8082	0.7929	0.7769	0.7602	0.7430
79	*	0.8584	0.8457	0.8323	0.8181	0.8032	0.7877	0.7713	0.7544
80	*	0.8668	0.8545	0.8416	0.8279	0.8135	0.7983	0.7824	0.7659
81	*	0.8749	0.8631	0.8507	0.8374	0.8235	0.8089	0.7934	0.7773
82	*	0.8827	0.8714	0.8595	0.8468	0.8334	0.8192	0.8042	0.7886
83	*	0.8902	0.8796	0.8681	0.8560	0.8431	0.8294	0.8149	0.7997
AGE OF BEN	*	79	80	81	82	83	84	85	
68	*	0.6155	0.5963	0.5772	0.5581	0.5394	0.5209	0.5031	
69	*	0.6254	0.6062	0.5870	0.5679	0.5490	0.5305	0.5124	
70	*	0.6355	0.6163	0.5971	0.5779	0.5590	0.5404	0.5222	
71	*	0.6460	0.6268	0.6076	0.5884	0.5694	0.5507	0.5324	
72	*	0.6567	0.6376	0.6184	0.5992	0.5802	0.5614	0.5430	
73	*	0.6676	0.6486	0.6295	0.6103	0.5913	0.5724	0.5540	
74	*	0.6788	0.6599	0.6409	0.6217	0.6027	0.5838	0.5653	
75	*	0.6902	0.6715	0.6525	0.6334	0.6144	0.5956	0.5770	
76	*	0.7017	0.6832	0.6644	0.6454	0.6265	0.6076	0.5891	
77	*	0.7134	0.6951	0.6765	0.6576	0.6388	0.6200	0.6015	
78	*	0.7252	0.7071	0.6887	0.6700	0.6513	0.6327	0.6142	
79	*	0.7370	0.7192	0.7010	0.6826	0.6640	0.6455	0.6271	
80	*	0.7489	0.7314	0.7135	0.6952	0.6769	0.6585	0.6402	
81	*	0.7606	0.7435	0.7260	0.7079	0.6898	0.6716	0.6535	
82	*	0.7723	0.7555	0.7384	0.7207	0.7028	0.6849	0.6669	
83	*	0.7839	0.7676	0.7508	0.7334	0.7159	0.6982	0.6804	

APPENDIX A
TABLE 2
100% JOINT AND SURVIVORSHIP
OPTION FACTORS
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
84	*	0.8975	0.8874	0.8765	0.8649	0.8526	0.8393	0.8254	0.8108
85	*	0.9046	0.8950	0.8846	0.8735	0.8618	0.8491	0.8356	0.8215
86	*	0.9114	0.9023	0.8925	0.8819	0.8707	0.8587	0.8458	0.8321
87	*	0.9179	0.9093	0.9000	0.8901	0.8793	0.8678	0.8556	0.8424
88	*	0.9241	0.9160	0.9074	0.8979	0.8878	0.8768	0.8652	0.8526
89	*	0.9301	0.9225	0.9144	0.9054	0.8959	0.8855	0.8744	0.8625
90	*	0.9358	0.9287	0.9211	0.9127	0.9037	0.8940	0.8835	0.8722
AGE OF BEN	*	79	80	81	82	83	84	85	
84	*	0.7954	0.7796	0.7631	0.7462	0.7289	0.7115	0.6941	
85	*	0.8067	0.7914	0.7753	0.7588	0.7420	0.7249	0.7077	
86	*	0.8179	0.8029	0.7874	0.7714	0.7549	0.7382	0.7213	
87	*	0.8287	0.8144	0.7995	0.7837	0.7678	0.7515	0.7350	
88	*	0.8394	0.8256	0.8112	0.7961	0.7806	0.7648	0.7487	
89	*	0.8499	0.8367	0.8228	0.8083	0.7933	0.7779	0.7623	
90	*	0.8602	0.8477	0.8343	0.8202	0.8058	0.7909	0.7759	

APPENDIX A
TABLE 3
50% UNREDUCED BENEFIT
TO THE BENEFICIARY
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
20	*	0.8888	0.8799	0.8704	0.8602	0.8491	0.8372	0.8244	0.8107
21	*	0.8894	0.8805	0.8710	0.8608	0.8497	0.8378	0.8251	0.8114
22	*	0.8900	0.8812	0.8716	0.8615	0.8504	0.8386	0.8258	0.8122
23	*	0.8906	0.8818	0.8723	0.8622	0.8511	0.8393	0.8266	0.8130
24	*	0.8913	0.8825	0.8731	0.8629	0.8519	0.8401	0.8274	0.8138
25	*	0.8920	0.8833	0.8738	0.8637	0.8527	0.8409	0.8283	0.8147
26	*	0.8928	0.8840	0.8746	0.8646	0.8536	0.8419	0.8292	0.8156
27	*	0.8936	0.8850	0.8755	0.8655	0.8545	0.8428	0.8301	0.8167
28	*	0.8945	0.8859	0.8764	0.8665	0.8555	0.8438	0.8312	0.8178
29	*	0.8954	0.8868	0.8775	0.8675	0.8566	0.8449	0.8323	0.8190
30	*	0.8964	0.8878	0.8785	0.8686	0.8577	0.8461	0.8336	0.8202
31	*	0.8975	0.8889	0.8796	0.8697	0.8589	0.8473	0.8348	0.8215
32	*	0.8986	0.8901	0.8808	0.8709	0.8602	0.8486	0.8362	0.8229
33	*	0.8998	0.8913	0.8821	0.8722	0.8615	0.8500	0.8376	0.8243
34	*	0.9010	0.8925	0.8834	0.8736	0.8629	0.8514	0.8391	0.8260
35	*	0.9023	0.8939	0.8848	0.8751	0.8645	0.8530	0.8408	0.8277
AGE OF BEN	*	63	64	65	66	67	68	69	70
20	*	0.7961	0.7805	0.7638	0.7460	0.7271	0.7069	0.6856	0.6629
21	*	0.7968	0.7812	0.7645	0.7467	0.7279	0.7078	0.6865	0.6638
22	*	0.7976	0.7820	0.7653	0.7476	0.7288	0.7087	0.6874	0.6647
23	*	0.7985	0.7828	0.7662	0.7485	0.7297	0.7096	0.6884	0.6657
24	*	0.7993	0.7837	0.7671	0.7494	0.7306	0.7106	0.6894	0.6668
25	*	0.8002	0.7847	0.7680	0.7504	0.7317	0.7117	0.6905	0.6679
26	*	0.8012	0.7857	0.7691	0.7515	0.7328	0.7128	0.6917	0.6692
27	*	0.8023	0.7868	0.7702	0.7526	0.7340	0.7141	0.6930	0.6705
28	*	0.8034	0.7880	0.7715	0.7539	0.7353	0.7154	0.6943	0.6719
29	*	0.8045	0.7891	0.7727	0.7552	0.7366	0.7168	0.6958	0.6734
30	*	0.8058	0.7905	0.7741	0.7566	0.7381	0.7183	0.6973	0.6750
31	*	0.8072	0.7919	0.7755	0.7581	0.7396	0.7199	0.6990	0.6767
32	*	0.8087	0.7934	0.7771	0.7597	0.7413	0.7216	0.7008	0.6786
33	*	0.8102	0.7950	0.7787	0.7614	0.7431	0.7234	0.7026	0.6805
34	*	0.8119	0.7966	0.7805	0.7633	0.7449	0.7254	0.7047	0.6826
35	*	0.8135	0.7985	0.7824	0.7652	0.7470	0.7275	0.7068	0.6848

APPENDIX A
TABLE 3
50% UNREDUCED BENEFIT
TO THE BENEFICIARY
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
36	*	0.9036	0.8953	0.8863	0.8766	0.8660	0.8547	0.8425	0.8294
37	*	0.9051	0.8968	0.8879	0.8782	0.8677	0.8564	0.8443	0.8313
38	*	0.9066	0.8984	0.8895	0.8799	0.8694	0.8582	0.8462	0.8333
39	*	0.9081	0.9000	0.8911	0.8817	0.8713	0.8602	0.8482	0.8353
40	*	0.9098	0.9017	0.8929	0.8836	0.8732	0.8622	0.8503	0.8376
41	*	0.9114	0.9035	0.8948	0.8854	0.8752	0.8643	0.8525	0.8399
42	*	0.9132	0.9053	0.8967	0.8875	0.8774	0.8666	0.8548	0.8423
43	*	0.9151	0.9072	0.8988	0.8896	0.8796	0.8688	0.8573	0.8448
44	*	0.9169	0.9092	0.9008	0.8918	0.8819	0.8713	0.8598	0.8475
45	*	0.9189	0.9183	0.9030	0.8941	0.8843	0.8738	0.8624	0.8503
46	*	0.9209	0.9134	0.9052	0.8965	0.8869	0.8764	0.8652	0.8531
47	*	0.9230	0.9156	0.9076	0.8989	0.8894	0.8791	0.8681	0.8561
48	*	0.9251	0.9178	0.9099	0.9014	0.8921	0.8819	0.8710	0.8593
49	*	0.9272	0.9201	0.9124	0.9040	0.8948	0.8848	0.8741	0.8625
50	*	0.9295	0.9225	0.9149	0.9067	0.8976	0.8879	0.8772	0.8659
51	*	0.9318	0.9249	0.9175	0.9094	0.9005	0.8910	0.8805	0.8693
AGE OF BEN	*	63	64	65	66	67	68	69	70
36	*	0.8154	0.8004	0.7844	0.7672	0.7491	0.7297	0.7091	0.6872
37	*	0.8173	0.8024	0.7864	0.7694	0.7514	0.7321	0.7116	0.6898
38	*	0.8194	0.8046	0.7886	0.7717	0.7538	0.7345	0.7142	0.6925
39	*	0.8216	0.8068	0.7910	0.7741	0.7563	0.7372	0.7169	0.6953
40	*	0.8239	0.8092	0.7935	0.7768	0.7589	0.7400	0.7199	0.6984
41	*	0.8263	0.8117	0.7961	0.7795	0.7618	0.7429	0.7229	0.7015
42	*	0.8288	0.8144	0.7989	0.7824	0.7648	0.7461	0.7262	0.7049
43	*	0.8315	0.8172	0.8017	0.7854	0.7680	0.7493	0.7296	0.7085
44	*	0.8342	0.8200	0.8048	0.7885	0.7713	0.7528	0.7332	0.7122
45	*	0.8372	0.8231	0.8080	0.7919	0.7748	0.7565	0.7370	0.7163
46	*	0.8402	0.8263	0.8113	0.7953	0.7785	0.7603	0.7410	0.7204
47	*	0.8434	0.8296	0.8148	0.7990	0.7823	0.7643	0.7452	0.7248
48	*	0.8467	0.8330	0.8184	0.8029	0.7862	0.7685	0.7496	0.7294
49	*	0.8501	0.8366	0.8222	0.8069	0.7904	0.7729	0.7542	0.7342
50	*	0.8536	0.8403	0.8261	0.8109	0.7948	0.7774	0.7590	0.7393
51	*	0.8572	0.8443	0.8303	0.8152	0.7993	0.7822	0.7640	0.7446

APPENDIX A
TABLE 3
50% UNREDUCED BENEFIT
TO THE BENEFICIARY
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
52	*	0.9341	0.9274	0.9201	0.9123	0.9035	0.8941	0.8839	0.8729
53	*	0.9363	0.9299	0.9227	0.9151	0.9066	0.8974	0.8873	0.8765
54	*	0.9388	0.9324	0.9254	0.9179	0.9097	0.9006	0.8908	0.8803
55	*	0.9411	0.9350	0.9282	0.9209	0.9128	0.9040	0.8944	0.8840
56	*	0.9435	0.9375	0.9309	0.9239	0.9159	0.9074	0.8980	0.8879
57	*	0.9459	0.9401	0.9338	0.9268	0.9191	0.9108	0.9017	0.8919
58	*	0.9483	0.9427	0.9365	0.9298	0.9224	0.9143	0.9054	0.8958
59	*	0.9506	0.9452	0.9393	0.9328	0.9256	0.9177	0.9092	0.8999
60	*	0.9530	0.9478	0.9421	0.9358	0.9288	0.9212	0.9129	0.9039
61	*	0.9553	0.9503	0.9448	0.9388	0.9320	0.9247	0.9166	0.9079
62	*	0.9576	0.9528	0.9475	0.9417	0.9352	0.9282	0.9204	0.9120
63	*	0.9599	0.9553	0.9502	0.9446	0.9384	0.9316	0.9242	0.9160
64	*	0.9621	0.9577	0.9528	0.9475	0.9416	0.9350	0.9278	0.9200
65	*	0.9642	0.9600	0.9554	0.9503	0.9446	0.9384	0.9314	0.9239
66	*	0.9663	0.9623	0.9579	0.9531	0.9476	0.9417	0.9350	0.9278
67	*	0.9684	0.9646	0.9604	0.9558	0.9506	0.9449	0.9385	0.9316
AGE OF BEN	*	63	64	65	66	67	68	69	70
52	*	0.8610	0.8482	0.8344	0.8196	0.8040	0.7871	0.7692	0.7500
53	*	0.8649	0.8523	0.8386	0.8243	0.8008	0.7922	0.7746	0.7557
54	*	0.8689	0.8566	0.8432	0.8290	0.8139	0.7975	0.7801	0.7616
55	*	0.8729	0.8608	0.8478	0.8338	0.8189	0.8030	0.7859	0.7676
56	*	0.8770	0.8652	0.8525	0.8388	0.8242	0.8085	0.7918	0.7739
57	*	0.8813	0.8697	0.8572	0.8439	0.8296	0.8142	0.7979	0.7803
58	*	0.8855	0.8742	0.8621	0.8490	0.8352	0.8201	0.8041	0.7869
59	*	0.8898	0.8788	0.8670	0.8543	0.8408	0.8260	0.8104	0.7936
60	*	0.8941	0.8835	0.8719	0.8596	0.8464	0.8321	0.8168	0.8004
61	*	0.8985	0.8881	0.8770	0.8650	0.8521	0.8362	0.8234	0.8073
62	*	0.9028	0.8929	0.8820	0.8703	0.8579	0.8444	0.8299	0.8143
63	*	0.9071	0.8975	0.8870	0.8757	0.8637	0.8505	0.8365	0.8214
64	*	0.9115	0.9021	0.8920	0.8812	0.8694	0.8568	0.8432	0.8286
65	*	0.9157	0.9067	0.8970	0.8865	0.8752	0.8629	0.8499	0.8356
66	*	0.9200	0.9114	0.9019	0.8918	0.8810	0.8691	0.8564	0.8427
67	*	0.9241	0.9159	0.9068	0.8971	0.8866	0.8753	0.8630	0.8498

APPENDIX A
TABLE 3
50% UNREDUCED BENEFIT
TO THE BENEFICIARY
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
68	*	0.9704	0.9668	0.9628	0.9584	0.9534	0.9479	0.9420	0.9354
69	*	0.9722	0.9688	0.9651	0.9610	0.9562	0.9510	0.9453	0.9391
70	*	0.9741	0.9708	0.9673	0.9634	0.9589	0.9540	0.9486	0.9426
71	*	0.9758	0.9728	0.9695	0.9658	0.9616	0.9569	0.9517	0.9461
72	*	0.9775	0.9747	0.9715	0.9681	0.9641	0.9596	0.9547	0.9494
73	*	0.9791	0.9764	0.9735	0.9702	0.9665	0.9623	0.9577	0.9527
74	*	0.9806	0.9781	0.9753	0.9723	0.9688	0.9649	0.9605	0.9558
75	*	0.9820	0.9798	0.9771	0.9743	0.9711	0.9673	0.9633	0.9588
76	*	0.9834	0.9813	0.9788	0.9762	0.9731	0.9697	0.9658	0.9617
77	*	0.9847	0.9827	0.9804	0.9780	0.9751	0.9719	0.9683	0.9643
78	*	0.9859	0.9841	0.9820	0.9797	0.9770	0.9741	0.9707	0.9670
79	*	0.9871	0.9853	0.9835	0.9814	0.9788	0.9760	0.9729	0.9695
80	*	0.9881	0.9865	0.9843	0.9828	0.9804	0.9779	0.9750	0.9718
81	*	0.9891	0.9877	0.9860	0.9843	0.9820	0.9797	0.9770	0.9740
82	*	0.9901	0.9887	0.9872	0.9855	0.9836	0.9813	0.9788	0.9760
83	*	0.9909	0.9896	0.9882	0.9868	0.9850	0.9829	0.9805	0.9780
AGE OF BEN	*	63	64	65	66	67	68	69	70
68	*	0.9282	0.9202	0.9116	0.9023	0.8923	0.8813	0.8695	0.8568
69	*	0.9322	0.9247	0.9163	0.9074	0.8978	0.8872	0.8760	0.8637
70	*	0.9361	0.9288	0.9210	0.9124	0.9032	0.8931	0.8824	0.8706
71	*	0.9399	0.9330	0.9255	0.9173	0.9086	0.8989	0.8886	0.8773
72	*	0.9435	0.9370	0.9298	0.9221	0.9138	0.9046	0.8947	0.8840
73	*	0.9470	0.9409	0.9342	0.9267	0.9189	0.9101	0.9007	0.8904
74	*	0.9505	0.9447	0.9383	0.9313	0.9238	0.9155	0.9065	0.8968
75	*	0.9538	0.9483	0.9423	0.9356	0.9285	0.9207	0.9122	0.9030
76	*	0.9570	0.9518	0.9461	0.9398	0.9331	0.9257	0.9177	0.9089
77	*	0.9601	0.9552	0.9498	0.9439	0.9375	0.9305	0.9229	0.9147
78	*	0.9629	0.9584	0.9532	0.9478	0.9418	0.9351	0.9281	0.9202
79	*	0.9657	0.9614	0.9566	0.9514	0.9459	0.9396	0.9329	0.9255
80	*	0.9682	0.9642	0.9598	0.9549	0.9497	0.9439	0.9376	0.9306
81	*	0.9707	0.9669	0.9627	0.9583	0.9534	0.9479	0.9420	0.9355
82	*	0.9730	0.9696	0.9656	0.9614	0.9568	0.9517	0.9462	0.9401
83	*	0.9752	0.9719	0.9683	0.9644	0.9602	0.9554	0.9502	0.9445

APPENDIX A
TABLE 3
50% UNREDUCED BENEFIT
TO THE BENEFICIARY
P E N S I O N E R

AGE OF BEN	*	55	56	57	58	59	60	61	62
84	*	0.9917	0.9906	0.9893	0.9879	0.9863	0.9843	0.9822	0.9798
85	*	0.9924	0.9915	0.9903	0.9890	0.9874	0.9857	0.9837	0.9815
86	*	0.9932	0.9922	0.9911	0.9900	0.9885	0.9869	0.9851	0.9832
87	*	0.9937	0.9929	0.9919	0.9909	0.9895	0.9881	0.9865	0.9846
88	*	0.9944	0.9936	0.9927	0.9918	0.9905	0.9892	0.9877	0.9860
89	*	0.9949	0.9942	0.9934	0.9926	0.9914	0.9903	0.9888	0.9873
90	*	0.9954	0.9948	0.9940	0.9932	0.9922	0.9912	0.9899	0.9885

AGE OF BEN	*	63	64	65	66	67	68	69	70
84	*	0.9772	0.9742	0.9708	0.9672	0.9633	0.9588	0.9540	0.9487
85	*	0.9791	0.9764	0.9732	0.9698	0.9662	0.9620	0.9576	0.9527
86	*	0.9809	0.9783	0.9755	0.9724	0.9689	0.9651	0.9609	0.9564
87	*	0.9826	0.9803	0.9776	0.9747	0.9716	0.9680	0.9641	0.9599
88	*	0.9841	0.9820	0.9795	0.9768	0.9740	0.9707	0.9672	0.9633
89	*	0.9856	0.9836	0.9813	0.9789	0.9763	0.9733	0.9700	0.9663
90	*	0.9870	0.9851	0.9830	0.9808	0.9785	0.9757	0.9727	0.9693

APPENDIX A
TABLE 3
50% UNREDUCED BENEFIT
TO THE BENEFICIARY
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
20	*	0.6368	0.6131	0.5857	0.5566	0.5255	0.4924	0.4571	0.4197
21	*	0.6397	0.6141	0.5867	0.5576	0.5266	0.4915	0.4583	0.4206
22	*	0.6407	0.6150	0.5878	0.5586	0.5277	0.4947	0.4595	0.4221
23	*	0.6418	0.6162	0.5889	0.5598	0.5289	0.4959	0.4607	0.4234
24	*	0.6428	0.6173	0.5901	0.5611	0.5302	0.4972	0.4621	0.4248
25	*	0.6441	0.6185	0.5913	0.5624	0.5315	0.4986	0.4636	0.4264
26	*	0.6453	0.6198	0.5927	0.5638	0.5330	0.5001	0.4652	0.4280
27	*	0.6466	0.6212	0.5942	0.5653	0.5346	0.5017	0.4668	0.4297
28	*	0.6481	0.6227	0.5957	0.5669	0.5362	0.5035	0.4686	0.4316
29	*	0.6496	0.6243	0.5974	0.5686	0.5380	0.5053	0.4706	0.4336
30	*	0.6514	0.6261	0.5992	0.5705	0.5399	0.5073	0.4726	0.4357
31	*	0.6531	0.6279	0.6011	0.5724	0.5420	0.5094	0.4748	0.4381
32	*	0.6550	0.6298	0.6031	0.5745	0.5442	0.5118	0.4772	0.4405
33	*	0.6571	0.6320	0.6053	0.5768	0.5465	0.5142	0.4798	0.4432
34	*	0.6592	0.6342	0.6077	0.5793	0.5491	0.5168	0.4825	0.4460
35	*	0.6615	0.6366	0.6102	0.5818	0.5517	0.5196	0.4854	0.4490
AGE OF BEN	*	79	80	81	82	83	84	85	
20	*	0.3799	0.3379	0.2936	0.2469	0.1979	0.1466	0.0930	
21	*	0.3811	0.3392	0.2949	0.2483	0.1993	0.1481	0.0946	
22	*	0.3824	0.3406	0.2963	0.2497	0.2009	0.1497	0.0963	
23	*	0.3838	0.3420	0.2978	0.2513	0.2025	0.1514	0.0960	
24	*	0.3853	0.3436	0.2994	0.2530	0.2042	0.1532	0.0999	
25	*	0.3869	0.3452	0.3011	0.2547	0.2061	0.1551	0.1019	
26	*	0.3886	0.3469	0.3030	0.2566	0.2080	0.1572	0.1040	
27	*	0.3904	0.3488	0.3049	0.2587	0.2102	0.1594	0.1063	
28	*	0.3923	0.3508	0.3070	0.2609	0.2124	0.1617	0.1086	
29	*	0.3944	0.3590	0.3093	0.2632	0.2149	0.1643	0.1114	
30	*	0.3967	0.3553	0.3117	0.2657	0.2175	0.1670	0.1143	
31	*	0.3990	0.3578	0.3143	0.2684	0.2203	0.1699	0.1174	
32	*	0.4016	0.3605	0.3171	0.2713	0.2233	0.1731	0.1206	
33	*	0.4044	0.3634	0.3201	0.2745	0.2266	0.1765	0.1242	
34	*	0.4073	0.3665	0.3233	0.2778	0.2301	0.1801	0.1279	
35	*	0.4105	0.3697	0.3267	0.2814	0.2338	0.1840	0.1320	

APPENDIX A
TABLE 3
50% UNREDUCED BENEFIT
TO THE BENEFICIARY
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
36	*	0.6640	0.6392	0.6128	0.5846	0.5546	0.5226	0.4885	0.4523
37	*	0.6666	0.6419	0.6156	0.5876	0.5577	0.5258	0.4918	0.4557
38	*	0.6695	0.6448	0.6187	0.5907	0.5610	0.5292	0.4954	0.4594
39	*	0.6724	0.6479	0.6219	0.5940	0.5644	0.5328	0.4991	0.4633
40	*	0.6756	0.6512	0.6253	0.5976	0.5681	0.5367	0.5031	0.4675
41	*	0.6789	0.6546	0.6289	0.6013	0.5720	0.5408	0.5074	0.4720
42	*	0.6824	0.6583	0.6327	0.6053	0.5762	0.5451	0.5119	0.4767
43	*	0.6861	0.6622	0.6368	0.6096	0.5806	0.5497	0.5167	0.4817
44	*	0.6901	0.6663	0.6411	0.6140	0.5853	0.5545	0.5218	0.4870
45	*	0.6942	0.6707	0.6456	0.6188	0.5902	0.5597	0.5272	0.4926
46	*	0.6986	0.6752	0.6503	0.6237	0.5954	0.5651	0.5328	0.4985
47	*	0.7032	0.6800	0.6554	0.6290	0.6009	0.5709	0.5388	0.5048
48	*	0.7080	0.6851	0.6606	0.6345	0.6067	0.5769	0.5452	0.5114
49	*	0.7130	0.6903	0.6662	0.6403	0.6127	0.5833	0.5518	0.5184
50	*	0.7184	0.6959	0.6720	0.6464	0.6191	0.5899	0.5588	0.5257
51	*	0.7239	0.7017	0.6781	0.6528	0.6258	0.5970	0.5662	0.5335
AGE OF BEN	*	79	80	81	82	83	84	85	
36	*	0.4139	0.3732	0.3304	0.2852	0.2378	0.1881	0.1363	
37	*	0.4175	0.3770	0.3343	0.2893	0.2420	0.1925	0.1409	
38	*	0.4213	0.3810	0.3385	0.2936	0.2465	0.1973	0.1458	
39	*	0.4254	0.3853	0.3429	0.2982	0.2514	0.2023	0.1511	
40	*	0.4297	0.3898	0.3476	0.3032	0.2565	0.2077	0.1567	
41	*	0.4344	0.3947	0.3527	0.3084	0.2620	0.2134	0.1627	
42	*	0.4393	0.3998	0.3580	0.3140	0.2678	0.2195	0.1690	
43	*	0.4445	0.4052	0.3637	0.3199	0.2740	0.2260	0.1758	
44	*	0.4500	0.4110	0.3697	0.3263	0.2806	0.2328	0.1829	
45	*	0.4559	0.4171	0.3761	0.3329	0.2876	0.2401	0.1905	
46	*	0.4621	0.4236	0.3829	0.3400	0.2950	0.2478	0.1986	
47	*	0.4687	0.4305	0.3901	0.3475	0.3028	0.2560	0.2072	
48	*	0.4756	0.4377	0.3977	0.3554	0.3111	0.2647	0.2162	
49	*	0.4829	0.4453	0.4057	0.3638	0.3199	0.2739	0.2258	
50	*	0.4906	0.4534	0.4141	0.3727	0.3291	0.2835	0.2359	
51	*	0.4987	0.4619	0.4230	0.3820	0.3389	0.2937	0.2466	

APPENDIX A
TABLE 3
50% UNREDUCED BENEFIT
TO THE BENEFICIARY
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
52	*	0.7296	0.7077	0.6844	0.6595	0.6328	0.6043	0.5739	0.5415
53	*	0.7356	0.7140	0.6910	0.6664	0.6401	0.6120	0.5820	0.5500
54	*	0.7418	0.7205	0.6979	0.6736	0.6478	0.6200	0.5904	0.5588
55	*	0.7482	0.7273	0.7051	0.6811	0.6556	0.6283	0.5991	0.5680
56	*	0.7548	0.7343	0.7124	0.6889	0.6638	0.6369	0.6082	0.5776
57	*	0.7616	0.7415	0.7200	0.6969	0.6723	0.6458	0.6176	0.5875
58	*	0.7686	0.7489	0.7278	0.7051	0.6809	0.6550	0.6273	0.5977
59	*	0.7757	0.7564	0.7357	0.7135	0.6899	0.6645	0.6373	0.6083
60	*	0.7830	0.7640	0.7439	0.7222	0.6990	0.6741	0.6475	0.6190
61	*	0.7903	0.7719	0.7522	0.7310	0.7084	0.6840	0.6580	0.6301
62	*	0.7978	0.7798	0.7606	0.7400	0.7179	0.6941	0.6687	0.6414
63	*	0.8053	0.7879	0.7692	0.7491	0.7275	0.7043	0.6795	0.6530
64	*	0.8129	0.7960	0.7778	0.7582	0.7373	0.7147	0.6905	0.6646
65	*	0.8205	0.8040	0.7864	0.7674	0.7471	0.7252	0.7016	0.6764
66	*	0.8281	0.8122	0.7952	0.7767	0.7570	0.7357	0.7128	0.6883
67	*	0.8357	0.8203	0.8038	0.7860	0.7669	0.7463	0.7240	0.7002
AGE OF BEN	*	79	80	81	82	83	84	85	
52	*	0.5072	0.4708	0.4323	0.3918	0.3491	0.3045	0.2578	
53	*	0.5160	0.4801	0.4421	0.4020	0.3599	0.3157	0.2697	
54	*	0.5254	0.4899	0.4524	0.4127	0.3712	0.3275	0.2820	
55	*	0.5350	0.5000	0.4631	0.4240	0.3829	0.3399	0.2950	
56	*	0.5451	0.5106	0.4742	0.4357	0.3952	0.3528	0.3085	
57	*	0.5555	0.5216	0.4857	0.4478	0.4080	0.3662	0.3226	
58	*	0.5663	0.5329	0.4977	0.4604	0.4212	0.3801	0.3372	
59	*	0.5774	0.5447	0.5100	0.4734	0.4349	0.3945	0.3523	
60	*	0.5888	0.5567	0.5227	0.4868	0.4490	0.4093	0.3679	
61	*	0.6005	0.5691	0.5358	0.5005	0.4635	0.4246	0.3840	
62	*	0.6125	0.5817	0.5492	0.5147	0.4784	0.4403	0.4005	
63	*	0.6246	0.5946	0.5628	0.5290	0.4936	0.4563	0.4174	
64	*	0.6370	0.6077	0.5766	0.5437	0.5090	0.4726	0.4346	
65	*	0.6496	0.6210	0.5907	0.5586	0.5248	0.4893	0.4521	
66	*	0.6622	0.6345	0.6049	0.5736	0.5407	0.5061	0.4699	
67	*	0.6750	0.6479	0.6193	0.5889	0.5568	0.5231	0.4878	

APPENDIX A
TABLE 3
50% UNREDUCED BENEFIT
TO THE BENEFICIARY
P E N S I O N E R

AGE OF BEN	*	71	72	73	74	75	76	77	78
68	*	0.8432	0.8284	0.8125	0.7952	0.7768	0.7568	0.7353	0.7123
69	*	0.8507	0.8365	0.8211	0.8045	0.7866	0.7673	0.7466	0.7243
70	*	0.8581	0.8444	0.8296	0.8136	0.7964	0.7778	0.7577	0.7363
71	*	0.8654	0.8522	0.8380	0.8227	0.8061	0.7883	0.7989	0.7481
72	*	0.8725	0.8599	0.8464	0.8316	0.8157	0.7985	0.7799	0.7600
73	*	0.8795	0.8675	0.8544	0.8403	0.8252	0.8087	0.7908	0.7716
74	*	0.8864	0.8749	0.8625	0.8490	0.8344	0.8187	0.8016	0.7831
75	*	0.8930	0.8820	0.8703	0.8574	0.8436	0.8285	0.8121	0.7945
76	*	0.8995	0.8891	0.8778	0.8656	0.8525	0.8381	0.8224	0.8056
77	*	0.9057	0.8959	0.8853	0.8736	0.8611	0.8474	0.8324	0.8165
78	*	0.9117	0.9025	0.8924	0.8814	0.8694	0.8564	0.8423	0.8270
79	*	0.9176	0.9068	0.8993	0.8866	0.8776	0.8652	0.8518	0.8372
80	*	0.9232	0.9149	0.9058	0.8961	0.8854	0.8737	0.8609	0.8471
81	*	0.9285	0.9207	0.9122	0.9029	0.8929	0.8818	0.8698	0.8567
82	*	0.9335	0.9262	0.9184	0.9096	0.9001	0.8896	0.8783	0.8659
83	*	0.9384	0.9316	0.9241	0.9158	0.9070	0.8972	0.8865	0.8747
AGE OF BEN	*	79	80	81	82	83	84	85	
68	*	0.6877	0.6615	0.6337	0.6041	0.5730	0.5402	0.5060	
69	*	0.7005	0.6751	0.6482	0.6195	0.5893	0.5575	0.5242	
70	*	0.7132	0.6887	0.6627	0.6348	0.6056	0.5748	0.5425	
71	*	0.7260	0.7023	0.6771	0.6502	0.6219	0.5921	0.5608	
72	*	0.7386	0.7158	0.6914	0.6655	0.6382	0.6094	0.5792	
73	*	0.7510	0.7292	0.7057	0.6807	0.6544	0.6265	0.5974	
74	*	0.7634	0.7424	0.7198	0.6958	0.6704	0.6436	0.6156	
75	*	0.7756	0.7553	0.7337	0.7107	0.6863	0.6605	0.6336	
76	*	0.7875	0.7681	0.7475	0.7254	0.7019	0.6772	0.6513	
77	*	0.7992	0.7807	0.7609	0.7397	0.7173	0.6935	0.6688	
78	*	0.8105	0.7930	0.7740	0.7537	0.7323	0.7096	0.6859	
79	*	0.8215	0.8048	0.7869	0.7674	0.7470	0.7253	0.7027	
80	*	0.8323	0.8163	0.7992	0.7807	0.7613	0.7406	0.7190	
81	*	0.8427	0.8275	0.8112	0.7938	0.7752	0.7556	0.7349	
82	*	0.8526	0.8382	0.8228	0.8062	0.7885	0.7699	0.7503	
83	*	0.8622	0.8486	0.8340	0.8183	0.8016	0.7838	0.7651	

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AGE OF BEN	*	71	72	73	74	75	76	77	78
84	*	0.9429	0.9365	0.9296	0.9218	0.9136	0.9044	0.8942	0.8832
85	*	0.9473	0.9413	0.9348	0.9276	0.9198	0.9111	0.9017	0.8914
86	*	0.9514	0.9459	0.9397	0.9330	0.9258	0.9177	0.9088	0.8991
87	*	0.9553	0.9501	0.9444	0.9382	0.9315	0.9239	0.9156	0.9066
88	*	0.9590	0.9542	0.9489	0.9431	0.9368	0.9299	0.9220	0.9136
89	*	0.9625	0.9580	0.9532	0.9478	0.9419	0.9353	0.9281	0.9202
90	*	0.9658	0.9617	0.9571	0.9522	0.9468	0.9408	0.9341	0.9267

AGE OF BEN	*	79	80	81	82	83	84	85
84	*	0.8714	0.8585	0.8448	0.8299	0.8141	0.7972	0.7796
85	*	0.8801	0.8682	0.8552	0.8411	0.8262	0.8102	0.7935
86	*	0.8886	0.8773	0.8651	0.8518	0.8376	0.8227	0.8069
87	*	0.8966	0.8861	0.8745	0.8620	0.8488	0.8346	0.8198
88	*	0.9043	0.8945	0.8837	0.8719	0.8595	0.8462	0.8320
89	*	0.9117	0.9024	0.8924	0.8814	0.8697	0.8572	0.8440
90	*	0.9187	0.9102	0.9007	0.8905	0.8796	0.8678	0.8555

INFORMATION STATEMENT

RAYONIER INC.

DISTRIBUTION OF APPROXIMATELY 29,567,000 COMMON SHARES

This Information Statement is being furnished to stockholders of ITT Corporation in connection with the distribution (the "Distribution") by ITT to holders of its Common Stock, par value \$1.00 per share ("ITT Common Stock"), and Cumulative Preferred Stock, without par value, \$2.25 Convertible Series N ("ITT Series N Preferred Stock"), of approximately 29,567,000 Common Shares ("Rayonier Common Stock"), of its wholly owned subsidiary, Rayonier Inc. (as ITT Rayonier Incorporated will be renamed in connection with the Distribution). As used herein, "ITT" refers to ITT Corporation and its subsidiaries excluding, unless the context otherwise requires, Rayonier. "Rayonier" or the "Company" refers to Rayonier Inc. and its subsidiaries.

The Distribution will be made on February 28, 1994 (11:59 p.m., New York time) (the "Distribution Date"), to holders of record of ITT Common Stock and ITT Series N Preferred Stock as of the close of business (5:00 p.m., New York time) on February 24, 1994 (the "Record Date") on the basis of one share of Rayonier Common Stock for every four shares of ITT Common Stock held and, in accordance with the terms of the Restated Certificate of Incorporation of ITT, one share of Rayonier Common Stock for every 3.1595 shares of ITT Series N Preferred Stock held. No consideration will be required to be paid by stockholders of ITT for the shares of Rayonier Common Stock to be received in the Distribution, and stockholders will not be required to surrender or exchange their shares of ITT Common Stock or ITT Series N Preferred Stock in order to receive Rayonier Common Stock. No fractional shares of Rayonier Common Stock will be delivered in the Distribution. Instead, all fractional shares will be aggregated by the Distribution Agent (as defined herein) and sold by the Transfer Agent (as defined herein). A pro-rata cash payment will be made to holders of ITT Common Stock and ITT Series N Preferred Stock otherwise entitled to a fractional share of Rayonier Common Stock as a result of the Distribution. There has not been a trading market in Rayonier Common Stock. The Rayonier Common Stock will be listed and traded on the New York Stock Exchange ("NYSE") under the symbol "RYN".

Investors should understand that Rayonier Common Stock is a different security from Class A Limited Partnership Units of Rayonier Timberlands, L.P. ("RTLPL"), a minority share (25.3%) of which trade on the NYSE under the symbol "LOG". RTLPL is a publicly traded master limited partnership of which Rayonier and a wholly owned subsidiary are general partners and of which Rayonier has retained the remaining ownership.

In reviewing this Information Statement, you should carefully consider the matters described under the caption "SPECIAL FACTORS". Neither ITT nor Rayonier will receive any cash or other proceeds from the Distribution.

 THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS INFORMATION STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO VOTE OF STOCKHOLDERS IS REQUIRED IN CONNECTION WITH THIS DISTRIBUTION. WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

The date of this Information Statement

is February 4, 1994.

AVAILABLE INFORMATION

ITT and Rayonier are subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Commission. The reports, proxy statements and other information filed by ITT and Rayonier with the Commission may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the Regional Offices of the Commission at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661 and 14th Floor, Seven World Trade Center, New York, NY 10048. Copies of such information may also be obtained by mail at prescribed rates from the Public Reference Branch of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549.

Rayonier will furnish holders of Rayonier Common Stock with annual reports containing consolidated financial statements prepared in accordance with United States generally accepted accounting principles and audited and reported on with an opinion expressed by an independent public accounting firm, as well as quarterly reports for the first three quarters of each fiscal year containing unaudited financial information.

Rayonier has filed with the Commission a Registration Statement on Form 8-A (as amended, the "Registration Statement") under the Exchange Act covering the Rayonier Common Stock. In addition, Rayonier has filed with the Commission its Annual Report on Form 10-K for the year ended December 31, 1992, and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 1993, June 30, 1993 and September 30, 1993 and will file its Annual Report on Form 10-K for the year ended December 31, 1993. As a wholly owned subsidiary of ITT which only had debt securities registered under the Exchange Act, Rayonier has met the conditions for filing its reports in a reduced disclosure format and files its reports in such format. After the Distribution, Rayonier will no longer be eligible to file its reports in such format, and Rayonier's filings will include additional information relating to Rayonier's business, properties, selected financial data, directors and executive officers, management compensation and security ownership of Rayonier as well as a more complete Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Information Statement does not contain all the information in the Registration Statement, Rayonier's other filings with the Commission and the related exhibits. Statements in this Information Statement as to the contents of any contract, agreement or other document are summaries only and are not necessarily complete. For complete information as to these matters, refer to the applicable exhibit to the Registration Statement or to Rayonier's other filings with the Commission. The Registration Statement, such other filings and the related exhibits filed by Rayonier with the Commission may be inspected at the public reference facilities of the Commission listed above.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS INFORMATION STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. NEITHER THE DELIVERY OF THIS INFORMATION STATEMENT NOR ANY DISTRIBUTION OF SECURITIES MADE HEREUNDER SHALL IMPLY THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN OR IN THE AFFAIRS OF RAYONIER SINCE THE DATE HEREOF.

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SUMMARY

This is a Summary. It is qualified by the more detailed information (including financial information and related notes) in this Information Statement, which should be read in its entirety. Capitalized terms in this Summary are defined elsewhere in this Information Statement.

DISTRIBUTING COMPANY SHARES TO BE DISTRIBUTED	ITT Corporation, a Delaware corporation. Approximately 29,567,000 shares of Rayonier Common Stock, representing all the Rayonier Common Stock outstanding on the Record Date, based on 117,538,893 shares of ITT Common Stock and 577,608 shares of ITT Series N Preferred Stock outstanding as of January 31, 1994, and a Distribution Ratio of one share of Rayonier Common Stock for every four shares of ITT Common Stock and, in accordance with the terms of the Restated Certificate of Incorporation of ITT, one share of Rayonier Common Stock for every 3.1595 shares of ITT Series N Preferred Stock. See "THE DISTRIBUTION" and "DESCRIPTION OF RAYONIER CAPITAL STOCK".
BUSINESS OF RAYONIER	Rayonier 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. 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 NYSE. In 1968, Rayonier became a wholly owned subsidiary of ITT. Rayonier owns, leases or controls approximately 1.5 million acres of timberland in the United States and New Zealand and two lumber manufacturing operations and owns and operates three pulp mills. With customers in over 60 countries, more than half of Rayonier's approximately \$1 billion in sales are destined for foreign markets, with Asian and Western European countries representing 35% and 15% of sales in 1992, respectively. See "BUSINESS OF RAYONIER".
RAYONIER TIMBERLANDS, L.P.	Investors should understand that Rayonier Common Stock is a different security from Class A Limited Partnership Units of RTLP, a minority share (25.3%) of which trade on the NYSE under the symbol "LOG". RTLP is a master limited partnership of which Rayonier and a wholly owned subsidiary are general partners. Rayonier also owns the remaining 74.7% of the Class A Limited Partnership Units. 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 is reported in Rayonier's financial statements as a consolidated entity.
DISTRIBUTION RATIOS	One share of Rayonier Common Stock for every four shares of ITT Common Stock and one share of Rayonier Common Stock for every 3.1595 shares of ITT Series N Preferred Stock in accordance with the terms of the Restated Certificate of Incorporation of ITT.
FRACTIONAL SHARES OF RAYONIER COMMON STOCK	No fractional shares of Rayonier Common Stock will be delivered in the Distribution. Instead, all fractional shares will be aggregated by the

Distribution Agent and sold by the Transfer Agent. A pro-rata cash payment will be made to holders of ITT Common Stock and ITT Series N Preferred Stock otherwise entitled to a fractional share of Rayonier Common Stock as a result of the Distribution. The amount of such payment will depend upon the prices at which the aggregated fractional shares are sold by the Transfer Agent in the open market shortly after the Distribution Date. See "THE DISTRIBUTION -- Manner of Effecting the Distribution".

SPECIAL FACTORS Stockholders should consider certain factors relating to cyclical operating results, strategic prospects for the specialty pulp facilities, environmental regulation, Rayonier dividend policy, the absence of a trading market for Rayonier Common Stock and changes in the trading prices of ITT Common Stock as discussed under "SPECIAL FACTORS".

RECORD DATE Close of business (5:00 p.m., New York time) on February 24, 1994.

DISTRIBUTION DATE February 28, 1994 (11:59 p.m., New York time). On March 1, 1994, the Distribution Agent will begin delivering Rayonier Common Stock certificates to holders of record (as of the Record Date) of ITT Common Stock and ITT Series N Preferred Stock in accordance with the terms of the Restated Certificate of Incorporation of ITT. ITT stockholders will not be required to make any payment or to take any other action to receive their Rayonier Common Stock. See "THE DISTRIBUTION -- Manner of Effecting the Distribution".

DISTRIBUTION AGENT ITT, through its Corporate Stock Services Department, will be the Distribution Agent (the "Distribution Agent").

TRANSFER AGENT AND REGISTRAR The Bank of New York will be the Transfer Agent (the "Transfer Agent") and Registrar.

FEDERAL INCOME TAX CONSIDERATIONS ITT and Rayonier have received an opinion of counsel to the effect that for Federal income tax purposes the receipt of shares of Rayonier Common Stock by ITT stockholders will be tax-free. Such opinion is subject to certain factual representations and assumptions. No ruling has been or will be sought from the Internal Revenue Service with respect to the Federal income tax consequences of the Distribution. See "THE DISTRIBUTION -- Federal Income Tax Consequences of the Distribution."

REASONS FOR THE DISTRIBUTION ITT believes that the Distribution will accomplish its basic business objective of consolidating the ITT group around businesses that advance ITT's corporate policies and goals. Rayonier's management believes that Rayonier can fit its own activities to meet its unique financial and operating characteristics and, in the course of business, source its capital and personnel requirements in a manner more befitting a forest products company. Management of ITT therefore believes that the Distribution will be beneficial to both ITT and Rayonier. See "THE DISTRIBUTION -- Reasons for the Distribution".

LIMITED RELATIONSHIP BETWEEN ITT AND RAYONIER AFTER THE DISTRIBUTION After the Distribution, ITT will not have any ownership interest in Rayonier, and Rayonier will be an independent public company. Rayonier and ITT will enter into certain agreements governing their relationship subsequent to the Distribution. The agreements will provide for each party to make certain administrative services available to the other party, for employee benefit services to be provided to Rayonier by ITT and for allocation of tax and certain other liabilities and obligations arising from periods prior to the Distribution. In addition, two directors of ITT will serve on the Board of

Directors of Rayonier. See "RELATIONSHIP BETWEEN ITT AND RAYONIER AFTER THE DISTRIBUTION".

RAYONIER COMMON STOCK LISTING Application has been made to list the Rayonier Common Stock on the NYSE under the symbol "RYN".

RAYONIER DIVIDEND POLICY The payment and level of cash dividends by Rayonier after the Distribution will be subject to the discretion of the Rayonier Board of Directors. The Board initially expects to declare quarterly dividends of \$0.18 per share. Dividend decisions will be based on a number of factors, including the operating results and financial requirements of Rayonier on a stand-alone basis, and although there can be no assurance that dividends will be paid, management believes that its cash flows are sufficiently strong that, barring unforeseen circumstances, the initial dividend rate can be maintained for the foreseeable future.

RAYONIER PAYMENTS TO ITT Pursuant to a previously planned recapitalization program, Rayonier paid a dividend to ITT in the fourth quarter of 1993 of \$90 million in addition to the normal dividends on earnings. In addition, Rayonier made in the fourth quarter, and will make prior to the Distribution Date, payments to ITT aggregating approximately \$21 million in settlement of certain intercompany account items. As a result, the Company's short-term debt will increase during this period by \$111 million, with the proceeds used to finance such payments. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Liquidity and Capital Resources."

SUMMARY FINANCIAL INFORMATION

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	(\$ IN MILLIONS EXCEPT PER SHARE AMOUNTS)				
INCOME STATEMENT DATA					
Sales.....	\$ 699	\$ 733	\$ 974	\$ 979	\$1,104
Operating Income Before Provision for Dispositions.....	110	87	102	97	190
Provision for Dispositions.....	--	--	(189)(1)	--	--
Operating Income (Loss).....	110	87	(87)	97	190
Income (Loss) from Continuing Operations.....	49	33	(82)	44	109
Provision for Discontinued Operations....	--	--	--	--	(43)(3)
Cumulative Effect of Accounting Changes.....	--	(22)(2)	(22)(2)	--	--
Net Income (Loss).....	49	11	(104)	44	66
Earnings Per Share(4).....	1.67	0.39	(3.50)	1.50	2.23
Dividends(5).....					

	AS OF SEPTEMBER 30,		AS OF DECEMBER 31,		
	1993	1992	1992	1991	1990
BALANCE SHEET DATA					
Total Assets.....	\$1,518	\$1,580	\$1,476	\$1,372	\$1,353
Long-Term Debt.....	318	312	302	193	141

(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 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 before tax) is included in net income (loss) in 1992.

- (3) Represents an adjustment for reserves of discontinued operations which, net of taxes, was \$43 million in 1990.
- (4) Earnings Per Share have been calculated by dividing net income (loss) by the approximate number of shares of Rayonier Common Stock expected to be distributed (29,567,000). This does not include any potential dilutive effect of options to purchase Rayonier Common Stock which may be outstanding as of the Distribution Date.
- (5) Pursuant to a previously planned recapitalization program, Rayonier paid a dividend to ITT in the fourth quarter of 1993 of \$90 million in addition to the normal dividends on earnings through the Distribution Date. Dividends paid by Rayonier to ITT are not indicative of future dividends to be paid after the Distribution. Dividends paid by Rayonier to ITT amounted to \$30 million and \$18 million for the nine months ended September 30, 1993 and 1992, respectively, and amounted to \$18 million, \$20 million and \$61 million in 1992, 1991 and 1990, respectively.

RAYONIER

Rayonier 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. 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 NYSE. In 1968, Rayonier became a wholly owned subsidiary of ITT. Rayonier owns, leases or controls approximately 1.5 million acres of timberland in the United States and New Zealand and two lumber manufacturing operations and owns and operates three pulp mills.

With customers in over 60 countries, more than half of Rayonier's approximately \$1 billion in sales are destined for foreign markets, with Asian and Western European countries representing 35% and 15% of sales in 1992, respectively. See "BUSINESS OF RAYONIER".

TIMBER AND WOOD PRODUCTS

Rayonier buys and harvests timber stumpage, as well as purchases delivered logs, in North America and New Zealand and subsequently sells logs 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.

In the United States, Rayonier manages timberlands and sells timber stumpage directly through RTLP, a master limited partnership. Rayonier and Rayonier Forest Resources Company ("RFR"), a wholly owned subsidiary, are the general partners of RTLP, and Rayonier owns all the limited partnership interests except for 25.3% of the Class A Limited Partnership Units, which are publicly traded. For a description of RTLP, see "BUSINESS OF RAYONIER -- Rayonier Timberlands, L.P."

SPECIALTY PULP PRODUCTS

Rayonier is a leading 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 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. Rayonier believes that it is one of the world's largest manufacturers of high grade chemical cellulose.

Rayonier is a North Carolina corporation with its principal executive offices at 1177 Summer Street, Stamford, CT 06904, and its telephone number is (203) 348-7000.

THE DISTRIBUTION

GENERAL

On December 7, 1993, the Board of Directors (the "ITT Board") of ITT Corporation, a Delaware corporation, approved a plan to distribute all the outstanding shares of Rayonier Common Stock in the Distribution to all holders of outstanding ITT Common Stock and ITT Series N Preferred Stock. The ITT Board declared a dividend (subject to final action by an ITT Board committee setting the Record Date), payable to each holder of record on the Record Date, of one share of Rayonier Common Stock for every four shares of ITT Common Stock and one share of Rayonier Common Stock for every 3.1595 shares of ITT Series N Preferred Stock (the "Distribution Ratios") held by such holder on the Record Date. Pursuant to the Restated Certificate of Incorporation of ITT, the Distribution to holders of ITT Common Stock will be carried out in such a manner that holders of ITT Series N Preferred Stock participate in the Distribution to the same extent as such holders would have been entitled to participate had such holders converted their shares of ITT Series N Preferred Stock into shares of ITT Common Stock prior to the Record Date.

REASONS FOR THE DISTRIBUTION

The Board of Directors and management of ITT have determined, primarily for the reasons set forth below, to separate Rayonier's forest products business from ITT's other businesses. The ITT Board believes that the Distribution will be beneficial to both ITT and Rayonier.

ITT believes that the Distribution will further its basic business objective of consolidating the ITT group around businesses that advance ITT's corporate policies and goals. ITT recognizes that Rayonier's financial and operational profile and, in particular, capital expenditure requirements, depart substantially from that framework. ITT also believes that removing Rayonier from ITT's overall consolidated results will benefit ITT in its attempts to reduce its overall leverage and debt service and Rayonier by eliminating restrictions imposed by ITT on Rayonier's access to debt financing.

Rayonier's management believes that as a separate, publicly traded company, Rayonier will be able to establish different strategies and objectives than ITT's current umbrella strategy which covers businesses unlike Rayonier. Rayonier can then fit its own activities to meet its unique financial and operating characteristics and, in the course of business, source its capital and personnel requirements in a manner more befitting a forest products company. Rayonier expects to have greater flexibility in its capital structure, leverage capability and acceptable performance criteria than when restricted by the limitations imposed by ITT's consolidated financial policies.

Rayonier's management also believes that incentive compensation of key employees of the Company should be tied to the equity value of the Company along narrower business lines and, thus, its own business performance. This will be more likely achievable if key employees can have direct ownership of stock in the Company as a publicly held corporation.

MANNER OF EFFECTING THE DISTRIBUTION

The general terms and conditions relating to the Distribution will be set forth in the Distribution Agreement between Rayonier and ITT (the "Distribution Agreement"). See "RELATIONSHIP BETWEEN ITT AND RAYONIER AFTER THE DISTRIBUTION -- Distribution Agreement".

Pursuant to the terms and conditions of the Distribution Agreement, on the Distribution Date, ITT will effect the Distribution by providing for the delivery of all outstanding shares of Rayonier Common Stock to the Distribution Agent for the transfer and distribution to the holders of ITT Common Stock and ITT Series N Preferred Stock on the Record Date. The Distribution will be made on the basis of one share of Rayonier Common Stock for every four shares of ITT Common Stock and one share of Rayonier Common Stock for every 3.1595 shares of ITT Series N Preferred Stock held on the Record Date. No certificates representing fractional shares of Rayonier Common Stock will be issued to ITT stockholders as part of the Distribution. The Distribution Agent will aggregate fractional shares into whole shares of Rayonier Common Stock and the Transfer Agent will sell them in the open market at prevailing prices on behalf of holders who otherwise would be entitled to receive fractional share interests. Such persons will instead receive a cash payment for the amount of their allocable share of the total sale proceeds. Such sales are expected to be made as soon as practicable after the mailing of the Rayonier Common Stock certificates to ITT stockholders. ITT will bear the cost of any commissions incurred in connection with such sales. See "Federal Income Tax Consequences of the Distribution" below.

Certificates representing shares of Rayonier Common Stock will be mailed or delivered by the Distribution Agent beginning on the business day next following the Distribution Date. The shares of Rayonier Common Stock will be fully paid and nonassessable and the holders thereof will not be entitled to preemptive rights. See "DESCRIPTION OF RAYONIER CAPITAL STOCK".

Holders of ITT Common Stock and ITT Series N Preferred Stock on the Record Date will not be required to pay cash or any other consideration for the Rayonier Common Stock received in the Distribution or to surrender or exchange certificates representing shares of ITT Common Stock and ITT Series N Preferred Stock in order to receive Rayonier Common Stock. Holders of ITT Common Stock and ITT Series N Preferred Stock will continue to own their shares of ITT Common Stock and ITT Series N Preferred

Stock and, if such stockholders were stockholders of record on the Record Date, they will also receive shares of Rayonier Common Stock. The Distribution will not change the number of outstanding shares of ITT Common Stock or ITT Series N Preferred Stock.

The ITT Board may amend, modify or abandon the Distribution at any time prior to the Distribution Date.

Stockholders of ITT having inquiries relating to the Distribution prior to the Distribution Date should write to the Director of Investor Relations, ITT Corporation, 1330 Avenue of the Americas, New York, NY 10019-5490, or contact the Distribution Agent, ITT's Corporate Stock Services Department, at the following telephone number: 1-800 DIAL-ITT (342-5488). Questions relating to transfers of Rayonier Common Stock after the Distribution Date should be addressed to: Annette Cruz-Hogan, Associate Manager -- Investor Relations; telephone (203) 964-4467.

FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION

ITT and Rayonier have received an opinion of Cravath, Swaine & Moore, counsel to ITT, to the effect that for Federal income tax purposes:

1. The Distribution will qualify as a tax-free spin-off under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code").

2. No gain or loss will be recognized by ITT upon the Distribution.

3. No gain or loss will be recognized by holders of the ITT Common Stock or ITT Series N Preferred Stock solely as a result of their receipt of the Rayonier Common Stock in the Distribution.

4. The tax basis of the ITT Common Stock or ITT Series N Preferred Stock, as the case may be, and the Rayonier Common Stock held immediately after the Distribution by any holder will equal such holder's tax basis in its ITT Common Stock or ITT Series N Preferred Stock, as the case may be, immediately before the Distribution, allocated in proportion to the relative fair market values of the ITT Common Stock or ITT Series N Preferred Stock, as the case may be, and the Rayonier Common Stock at the time of the Distribution.

5. The holding period of the Rayonier Common Stock received in the Distribution will include the holding period of the ITT Common Stock or ITT Series N Preferred Stock, as the case may be, with respect to which the Rayonier Common Stock was distributed, provided that such ITT Common Stock or ITT Series N Preferred Stock was held as a capital asset on the Distribution Date.

Such opinion of counsel is subject to certain assumptions and the accuracy of factual representations made by ITT and Rayonier. ITT is not aware of any present facts or circumstances that would cause such representations and assumptions to be untrue. ITT and Rayonier will also agree to certain restrictions on their future actions to provide further assurances that the Distribution will qualify as tax-free. See "RELATIONSHIP BETWEEN ITT AND RAYONIER AFTER THE DISTRIBUTION -- Distribution Agreement". No ruling has been or will be sought from the Internal Revenue Service with respect to the Federal income tax consequences of the Distribution, and there can be no assurance that the Internal Revenue Service will not take a position contrary to that expressed in Cravath, Swaine & Moore's opinion.

If the Distribution were not to qualify under Section 355 of the Code, then (i) ITT would recognize capital gain equal to the excess of (x) the fair market value of the Rayonier Common Stock on the Distribution Date over (y) its adjusted tax basis in the Rayonier Common Stock, and (ii) each holder of ITT Common Stock or ITT Series N Preferred Stock who receives shares of Rayonier Common Stock in the Distribution would be treated as if such stockholder received a taxable distribution in an amount equal to the fair market value of such shares of Rayonier Common Stock on the Distribution Date, taxed first as a dividend to the extent of such stockholder's pro rata share of ITT's current and accumulated earnings and profits, and then as a nontaxable return of capital to the extent of such stockholder's basis in the ITT Common Stock or ITT Series N Preferred Stock, as the case may be (with any remaining amount being taxed as capital gain).

ITT and Rayonier will each be severally liable to the Internal Revenue Service for the full amount of the Federal capital gains tax described in (i) above that is not paid by the other. Pursuant to the Distribution Agreement, ITT and Rayonier will indemnify each other for any liabilities resulting from any breach of their respective representations made to Cravath, Swaine & Moore in connection with its opinion. Neither ITT nor Rayonier will indemnify any holder of ITT Common Stock or ITT Series N Preferred Stock who receives shares of Rayonier Common Stock in the Distribution for any tax liabilities.

In any case, cash received by a holder of ITT Common Stock or ITT Series N Preferred Stock in lieu of a fractional share of Rayonier Common Stock will be treated as received in exchange for such fractional share and the holder will recognize gain or loss for Federal income tax purposes measured by the difference between the amount of cash received and the holder's tax basis in the fractional share. Such gain or loss will be capital gain or loss to the holder if the ITT Common Stock or ITT Series N Preferred Stock to which the fractional share pertains has been held as a capital asset, which will be long-term capital gain or loss if such ITT Common Stock or ITT Series N Preferred Stock has been held for more than one year.

The foregoing discussion of the anticipated Federal income tax consequences of the Distribution is for general information only and may not be applicable to stockholders who received their ITT Common Stock or ITT Series N Preferred Stock pursuant to the exercise of an incentive stock option within the meaning of Section 422 of the Code. ITT stockholders should consult their own advisers as to the specific tax consequences of the Distribution, including the effects of foreign, state and local tax laws and the effect of possible changes in tax laws.

LISTING AND TRADING OF RAYONIER COMMON STOCK

Application has been made to list the Rayonier Common Stock on the NYSE under the symbol "RYN".

It is estimated that Rayonier will initially have approximately 50,000 stockholders of record, which does not include an indeterminable number of stockholders who hold shares through nominees. The Transfer Agent and Registrar for the Rayonier Common Stock will be The Bank of New York.

Shares of Rayonier Common Stock issued in the Distribution will be freely transferable, except for securities received by persons who may be deemed to be affiliates of Rayonier ("Affiliates") under the Securities Act of 1933 (the "Securities Act"). Affiliates would generally include individuals or entities that control, are controlled by, or are under common control with Rayonier and may include certain officers and directors of Rayonier as well as any substantial stockholders of Rayonier. Persons who are Affiliates of Rayonier will be permitted to sell their shares of Rayonier Common Stock only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as the limited exemption afforded by Section 4(2) of the Securities Act and Rule 144 thereunder.

Investors should understand that Rayonier Common Stock is a different security from Class A Limited Partnership Units of RTLP, a minority share (25.3%) of which is traded on the NYSE under the symbol "LOG". For a description of RTLP, see "BUSINESS OF RAYONIER -- Rayonier Timberlands, L.P.".

SPECIAL FACTORS

Certain factors, including those described below, could adversely affect the value of Rayonier Common Stock. Neither ITT nor Rayonier makes, nor is any other person authorized to make, any representation as to the future market value of the Rayonier Common Stock.

CYCLICAL OPERATING RESULTS

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 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 the first nine months of 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 (as described below), which resulted in a net loss in 1992 of \$(104) million.

Pulp product operating results in 1993 have continued to decline from prior year levels as a result of an extended period of slow economic growth and overcapacity in the industry. Operating results in this business segment declined in the fourth quarter of 1993, and the Company expects that this business segment will continue to be under pressure in 1994.

STRATEGIC PROSPECTS FOR SPECIALTY PULP FACILITIES

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 terminated operations at its Grays Harbor pulp mill, its Vanillin plant, and its joint venture with International Paper Co., the Grays Harbor Paper Company (collectively, 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 other 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, and 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 to running these facilities, including sale of the facilities, restructuring the operations to make alternative products, temporary mothball, joint-venture arrangements or possible closure and termination of operations. The net plant and equipment invested in the Port Angeles and Fernandina pulp facilities were \$102 million and \$141 million, respectively, at September 30, 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 effect 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 and for the first nine months of 1993.

LIQUIDITY AND CAPITAL RESOURCES

Pursuant to a previously planned recapitalization program, Rayonier paid a dividend to ITT in the fourth quarter of 1993 of \$90 million in addition to the normal dividends on earnings. In addition, Rayonier made in the fourth quarter, and will make prior to the Distribution Date, payments to ITT aggregating approximately \$21 million in settlement of certain intercompany account items. The Company's short-term debt will increase during this period by \$111 million, with the proceeds used to finance such payments. As a result of funding the \$90 million dividend to ITT and intercompany settlements related to the Distribution with short-term debt, it is anticipated that the Company will have negative working capital at December 31, 1993 and possibly at March 31, 1994. The Company has commenced discussions with its lenders to refinance a portion of its short-term debt with long-term funding sufficient to return to a positive working capital position. Based on these recent conversations with its lenders, the Company remains confident of its ability to obtain such refinancing. The impact on net income for the additional debt of \$111 million would be approximately \$5 million on an annual basis, assuming an average incremental borrowing rate of 6.75%.

ENVIRONMENTAL REGULATION

Rayonier 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. Recently proposed federal environmental regulations governing air and water discharges may require further expenditures and, if finally enacted in their proposed form, may prevent the Company from manufacturing some of its high purity cellulose products. 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 such effect until the regulations are issued in final form. In addition, legislation, litigation and pressure from various preservationist groups have restricted regional timber availability, a development which in turn has increased wood costs at Rayonier's Port Angeles, Washington, facility. Finally, 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. Since 1986, the Company had to periodically increase its estimates of future expenditures in connection with SWP, as a result of actual experience and new regulatory demands. See Notes to Consolidated Financial Statements -- Discontinued Operations and Units Held for Disposition.

See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Environmental Regulation," "BUSINESS OF RAYONIER -- Environmental Matters" and "Dispositions/Discontinued Operations."

RAYONIER DIVIDEND POLICY

The payment and level of cash dividends by Rayonier after the Distribution will be subject to the discretion of the Rayonier Board. The Board initially expects to declare quarterly dividends of \$0.18 per share. Dividend decisions will be based on a number of factors, including the operating results and financial requirements of Rayonier on a stand-alone basis, and although there can be no assurance that dividends will be paid, management believes that its cash flows are sufficiently strong that, barring unforeseen circumstances, the initial dividend rate can be maintained for the foreseeable future.

ABSENCE OF TRADING MARKET FOR RAYONIER COMMON STOCK

There has not been any established public trading market for Rayonier Common Stock since Rayonier was acquired by ITT in 1968. The Rayonier Common Stock will be listed for trading on the NYSE under the symbol "RYN". Trading in the Rayonier Common Stock to be distributed may commence on a "when issued" basis prior to the Distribution Date. There can be no assurance as to the prices at which the Rayonier Common Stock will trade before, on, or after the Distribution Date. Until the Rayonier Common Stock is fully distributed and an orderly market develops, the prices at which such stock trades may fluctuate significantly and may be lower than prices that would be expected for a fully distributed issue. Prices for the Rayonier Common Stock will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for Rayonier Common Stock, developments affecting the forest products industry generally, investor perception of Rayonier and general economic and market conditions.

CHANGES IN TRADING PRICES OF ITT COMMON STOCK AND ITT SERIES N PREFERRED STOCK

After the Distribution, the ITT Common Stock and ITT Series N Preferred Stock will continue to be listed for trading on the NYSE and the Pacific Stock Exchange under the symbols "ITT" and "ITTpfn". As a result of the Distribution, the trading prices of ITT Common Stock and ITT Series N Preferred Stock may be lower immediately following the Distribution as compared to the trading prices of ITT Common Stock and ITT Series N Preferred Stock immediately prior to the Distribution. The aggregate market values of ITT Common Stock, ITT Series N Preferred Stock and Rayonier Common Stock after the Distribution may be less than, equal to, or greater than, the aggregate market value of ITT Common Stock and ITT Series N Preferred Stock prior to the Distribution. See "THE DISTRIBUTION -- Listing and Trading of Rayonier Common Stock".

RELATIONSHIP BETWEEN ITT AND
RAYONIER AFTER THE DISTRIBUTION

Rayonier has been wholly owned by ITT and included in ITT's consolidated financial results, although Rayonier's operations have been separately reported since 1971 through filings under the Exchange Act with the Commission because it has had debt securities registered under the Exchange Act.

After the Distribution, ITT will not have any ownership interest in Rayonier, and Rayonier will be an independent public company. Rayonier and ITT will enter 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 the Registration Statement of which this Information Statement is a part. 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 will enter 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 will provide 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 will provide 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 will provide 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. Neither ITT nor Rayonier expects this limitation to inhibit its financing or other activities or its ability to respond to unanticipated developments. See "THE DISTRIBUTION -- Federal Income Tax Consequences of the Distribution".

The Distribution Agreement will provide that, except as otherwise provided in any related agreement, all costs and expenses in connection with the Distribution incurred on or prior to the Distribution Date will be paid by ITT, except that Rayonier will pay fees and expenses of its counsel and other consultants and expenses relating to the NYSE listing fees for the Rayonier Common Stock. ITT and Rayonier will each pay their own costs and expenses incurred after the Distribution Date.

TAX ALLOCATION AGREEMENT

ITT and Rayonier will enter 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 will also provide for sharing of pre-closing state taxes where appropriate as well as certain other matters.

EMPLOYEE BENEFITS AGREEMENT

ITT and Rayonier will enter 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 will enter 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 will enter into a Canadian Assets Purchase Agreement pursuant to which the ITT subsidiary will sell to the Rayonier subsidiary certain assets located in Canada and owned by the ITT subsidiary which are used in the Canadian operations of Rayonier.

DIRECTORS

After the Distribution Date, two current ITT directors, Messrs. Rand V. Araskog and Paul G. Kirk, are expected to serve on the Board of Directors of Rayonier.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of September 30, 1993 on a historical basis and as adjusted to give effect to (i) a previously planned recapitalization program, including a dividend to ITT of \$90 million in addition to the normal dividends on earnings through the Distribution Date, (ii) the Distribution which includes the settlement of certain intercompany account items with ITT for \$21 million and (iii) as a result, an increase of \$111 million in the Company's short-term debt to finance such dividend and settlement of intercompany accounts.

	OUTSTANDING	AS ADJUSTED (A)
	-----	-----
	(\$ IN MILLIONS)	
	(UNAUDITED)	
Total Short-Term Debt(b).....	\$ 90	\$ 201
	-----	-----
Long Term Debt:		
7.5% Notes Due 2002.....	110	110
Term Loan Due 1997.....	100	100
Medium Term Notes Due 1998-1999.....	16	16
Other Long-Term Debt.....	92	92
	-----	-----
Total Long-Term Debt.....	318	318
	-----	-----
Rayonier Equity:		
Common Shares and Capital Surplus.....	158	158
Retained Earnings.....	537	447
	-----	-----
Total Equity.....	695	605
	-----	-----
Total Capitalization.....	\$ 1,103	\$ 1,124
	-----	-----
	-----	-----

(a) The impact on net income for the additional Rayonier debt of \$111 million would be approximately \$5 million on an annual basis, assuming an average incremental borrowing rate of 6.75%.

(b) Includes current maturities of long-term debt of \$0.2 million and short-term loans payable to various banks totalling \$90 million at September 30, 1993.

SELECTED FINANCIAL AND OPERATING DATA

The following table summarizes certain selected historical financial and operating information with respect to the Company and is derived from the consolidated financial statements of the Company. The summary of historical financial data for the nine months ended September 30, 1993 and 1992, is derived from the unaudited consolidated financial statements included in the Company's quarterly reports on Form 10-Q for those periods. Such historical financial data may not be indicative of the future results of the Company and interim results may not be indicative of the results for the year. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein, and the consolidated financial statements and related notes of the Company contained elsewhere in this Information Statement.

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,				
	1993	1992	1992	1991	1990	1989	1988
	(\$ IN MILLIONS EXCEPT PER SHARE AMOUNTS)						
INCOME STATEMENT DATA							
Sales.....	\$ 699	\$ 733	\$ 974	\$ 979	\$1,104	\$1,082	\$1,010
Operating Income Before Provision for Dispositions....	110	87	102	97	190	224	177
Provision for Dispositions.....	--	--	(189)(1)	--	--	2	(5)
Operating Income (Loss).....	110	87	(87)	97	190	226	172
Income (Loss) from Continuing Operations.....	49	33	(82)	44	109	128	91
Provision for Discontinued Operations.....	--	--	--	--	(43)(3)	--	(30)(3)
Cumulative Effect of Accounting Changes.....	--	(22)(2)	(22)(2)	--	--	--	--
Net Income (Loss).....	49	11	(104)	44	66	128	61
Earnings Per Share(4).....	1.67	0.39	(3.50)	1.50	2.23	4.33	2.08
Dividends(5).....							
BALANCE SHEET DATA							
Total Assets.....	\$1,518	\$1,580	\$1,476	\$1,372	\$1,353	\$1,330	\$1,231
Long-Term Debt.....	318	312	302	193	141	174	211
CASH FLOW DATA							
Capital Expenditures.....	\$ 50	\$ 70	\$ 97	\$ 134	\$ 100	\$ 80	\$ 69
Depreciation, Depletion, and Amortization.....	57	60	78	69	64	64	66
EBITDA(6).....	153	127	156	147	234	271	232
EBIT(7).....	96	67	78	78	170	207	166
SELECTED FINANCIAL RATIOS AND OPERATING DATA (unaudited)							
Debt to Capitalization.....	37.0%	33.1%	37.4%	20.5%	18.3%	19.1%	25.7%
Timber Harvested (in thousands of cunits(8)).....	604	774	973	927	909	1,055	1,094
Logs Sold (in millions of board feet).....	390	408	549	572	622	652	728
Lumber Produced (in millions of board feet).....	87	81	111	101	116	123	119
Wood Pulp Produced (in thousands of metric tons)(9).....	534	634	836	868	885	876	871

(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.

- (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) Represents adjustments for reserves of discontinued operations which, net of taxes, were \$43 million in 1990 and \$30 million in 1988.
- (4) Earnings Per Share have been calculated by dividing net income (loss) by the approximate number of shares of Rayonier Common Stock expected to be distributed (29,567,000). This does not include any potential dilutive effect of options to purchase Rayonier Common Stock which may be outstanding as of the Distribution Date.
- (5) Pursuant to a previously planned recapitalization program, Rayonier paid a dividend to ITT in the fourth quarter of 1993 of \$90 million in addition to the normal dividends on earnings through the Distribution Date. Dividends paid by Rayonier to ITT are not indicative of future dividends to be paid after the Distribution. Dividends paid by Rayonier to ITT amounted to \$30 million and \$18 million for the nine months ended September 30, 1993 and 1992, respectively, and amounted to \$18 million, \$20 million, \$61 million, \$48 million and \$33 million in 1992, 1991, 1990, 1989 and 1988, respectively.
- (6) EBITDA is 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.
- (7) EBIT is defined as earnings (income) from continuing operations (before the cumulative effect of accounting changes and any provision for dispositions) before income taxes and interest expense.
- (8) A cunit is a unit of measure for standing timber equal to one hundred cubic feet of solid wood. It is the customary common unit of measure to consolidate regional information based on local commercial measurements such as board feet or tons. A cunit equals approximately .43 thousand board feet or 3.83 tons.
- (9) Includes wood pulp produced by the Grays Harbor pulp mill in thousands of metric tons of 50 for the nine months ended September 30, 1992 and 62, 78, 103, 105 and 108 for the years ended December 31, 1992, 1991, 1990, 1989 and 1988, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 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 the first nine months of 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 \$(104) million.

Pulp product operating results in 1993 have continued to decline from prior year levels as a result of an extended period of slow economic growth and overcapacity in the industry. Operating results in this business segment declined in the fourth quarter of 1993, and 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 closed 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 other 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, and 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 to running these facilities, including sale of the facilities, restructuring the operations to make alternative products, temporary mothball, joint-venture arrangements or possible closure and termination of operations. The net plant and equipment invested in the Port Angeles and Fernandina pulp facilities were \$102 million and \$141 million, respectively, at September 30, 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 effect 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 and for the first nine months of 1993.

The following tables summarize the sales and operating income of the Company, for the periods indicated, by business segment (in millions of dollars):

SALES

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	-----	-----	-----	-----	-----
	(UNAUDITED)				
Timber and Wood Products.....	\$386	\$334	\$443	\$402	\$ 418
Specialty Pulp Products.....	341	390	525	553	615
Intersegment Eliminations.....	(28)	(27)	(34)	(31)	(11)
	-----	-----	-----	-----	-----
Total Before Dispositions.....	699	697	934	924	1,022
Dispositions.....	--	36	40	55	82
	-----	-----	-----	-----	-----
Total.....	\$699	\$733	\$974	\$979	\$1,104
	-----	-----	-----	-----	-----

OPERATING INCOME (LOSS)

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	-----	-----	-----	-----	-----
	(UNAUDITED)				
Timber and Wood Products.....	\$113	\$ 85	\$100	\$ 78	\$ 74
Specialty Pulp Products.....	(2)	11	6	36	113
Intersegment Eliminations.....	(1)	1	3	(1)	(1)
	-----	-----	-----	-----	-----
Total Before Dispositions.....	110	97	109	113	186
Dispositions.....	--	(10)	(196)	(16)	4
	-----	-----	-----	-----	-----
Total.....	\$110	\$ 87	\$(87)	\$ 97	\$ 190
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Reference is also made to "Segment Information" in the Notes to Consolidated Financial Statements and to "Business of Rayonier" contained elsewhere in this Information Statement.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1993
COMPARED WITH THE NINE MONTHS ENDED SEPTEMBER 30, 1992

SALES AND OPERATING INCOME

Sales of \$699 million for the nine months ended September 30, 1993 were \$34 million (5%) lower than the comparable period of 1992, with sales in the third quarter of \$226 million declining 15 percent from the prior year third quarter.

Operating income of \$110 million for the nine months ended September 30, 1993 increased \$23 million (26%) over the comparable 1992 period; however, operating income in the third quarter of \$24 million represented a 24% decrease from the prior year third quarter. Commission expenses for the nine months ended September 30, 1993 decreased \$4 million from the prior year, as 1992 included external commissions incurred under a sales agency agreement with ITT Foreign Sales Corporation which ITT transferred to Rayonier effective January 1, 1993.

Timber and Wood Products

Sales for the Timber and Wood Products segment were \$386 million, an increase of \$52 million (15%) 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 Southeast due to soft demand from the pulp and paper industry and, more recently, in the Northwest as a result of customers delaying stumpage harvesting due to previously contracted prices outpacing end use export log values. Sales in the first nine months of 1992 included \$17 million in timberland parcel sales in the Northwest with no comparable sales during 1993.

Timber and Wood Products operating income improved \$28 million (33%) to \$113 million reflecting significantly improved stumpage, log and lumber prices and expanded New Zealand operations. Nine month 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 \$341 million, declining \$49 million (12%) 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 \$13 million to an operating loss of \$2 million, reflecting lower pulp prices, lower sales volume, market related shutdown 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 or operating losses in 1993. Essentially all of the Grays Harbor Complex assets were sold in August 1993. Sales during the first nine months of 1992 were \$36 million and operating losses for the same period were \$10 million. See "Discontinued Operations and Units Held for Disposition."

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

Third quarter sales decreased \$39 million (15%) from the prior year quarter as pulp sales volume and prices declined and 1992's period included a timberland parcel sale in the Northwest for \$8 million.

Operating income in the third quarter of \$24 million represented an \$8 million (24%) decrease from the prior year quarter. Timber and Wood Products third quarter operating income was significantly lower than prior year, with 1993 results of \$24 million declining \$10 million from 1992 mainly due to the absence of \$8 million in timberland parcel sales in 1993. The positive impacts of the expanded New Zealand operations were offset by reduced sales volumes and profit margins for U.S. log exports and lower timber stumpage volumes in both regions. The third quarter operating loss for Specialty Pulp Products was \$1 million, representing a decline of \$5 million from 1992's comparable quarter, primarily due to lower pulp selling prices and higher costs.

NET INCOME

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 "Discontinued Operations and Units Held for Disposition." Minority interest in Rayonier Timberlands, L.P. declined \$3 million in 1993 due to lower partnership earnings as 1992 results included two Northwest timberland sales. Interest expense increased \$2 million from the prior year reflecting higher debt levels resulting from the May 1992 New Zealand timber rights acquisition.

In the third quarter of 1993, 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 \$3 million.

The 1992 net income of \$11 million includes an after tax charge of \$22 million to record 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 recorded in 1992, net income of \$49 million in the first nine months of 1993 increased \$16 million (48%) over the comparable period of last year.

Third quarter operating results and net income were significantly lower than the previous two quarters in 1993 due to reduced export log demand and a continued decline in pulp prices and volume. The Company does not anticipate significant recovery in export log market demand and pricing during the fourth quarter and expects to continue taking market downtime at its pulp facilities during the remainder of the year. Accordingly, the Company anticipates that fourth quarter operating results and net income will continue to decline from results earlier in the year.

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 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 "Discontinued Operations and Units Held for Disposition." 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. United States export sales of the Company in 1992 represented 53 percent of sales as compared to 52 percent 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%) 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 \$22 million (29%) 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%) and operating income decreased \$30 million (82%) 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% 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 "Discontinued Operations and Units Held for Disposition". Interest expense increased \$7 million (53%) 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%) 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 \$82 million, representing a \$126 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 \$104 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.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1991 COMPARED WITH THE YEAR ENDED DECEMBER 31, 1990

SALES AND OPERATING INCOME

Sales of \$979 million for the year ended December 31, 1991 were \$125 million (11%) less than the \$1,104 million realized in 1990, with year over year declines in each of the Company's business segments. Export sales for the Company in 1991 represented 52 percent of sales from the United States as compared to 53 percent in 1990.

Operating income of \$97 million declined \$93 million (49%) from the 1990 level reflecting significantly lower prices for pulp products, partially offset by an overall decrease in selling and general expenses and foreign sales commission expense and by increased other operating income.

Timber and Wood Products

Sales of Timber and Wood Products of \$402 million in 1991 represented a \$16 million (4%) decline from 1990 levels although operating income of \$78 million represented a \$4 million (5%) improvement.

Sales declined as a result of reduced North American export log activity, planned stumpage harvest reductions in the Northwest and lower stumpage prices in both regions, partially offset by increased Southeast stumpage volumes and higher land sales. In addition to the planned harvest reductions in the Northwest, volume and prices during 1991 continued to reflect concerns over the impact of proposed environmental and export restrictions and the weak export log market. Lower export log margins resulted from higher timber stumpage costs in the Northwest.

Southeast stumpage contract volume for 1991 was increased primarily in order to take advantage of stronger prices resulting from a temporary regional supply shortage caused by exceptionally wet weather. Other operating income, including contract settlement gains and the partial recovery of a previously written-off timberland sale note, contributed to the year over year improvement in operating income, along with higher lumber results and lower foreign sales commission expenses.

Specialty Pulp Products

Revenues of the Specialty Pulp Products segment for 1991 declined \$62 million (10%) while operating income decreased \$77 million (68%) from the 1990 period. Most of the decrease in both revenues and operating income was the result of significantly reduced prices for chemical cellulose, fluff, and paper pulp products as average prices, which declined in 1990 from cyclical high levels of 1989, continued to decrease throughout 1991. Pulp sales volume of 793,000 metric tons in 1991 was similar to the 1990 sales level. The decreases in prices reflected excess capacity in the pulp industry combined with weak domestic and international markets. Higher pulp manufacturing costs, primarily for wood fiber, impacted this segment's results as the availability of pulpwood became scarce in the Northwest due to reduced harvesting caused by weak export markets and concerns over the impact of proposed environmental restrictions. In the Southeast, the wood supply was affected by exceptionally wet weather in that region.

Sales volumes between segments rose principally due to higher pulpwood purchases by the Pulp Products segment, resulting from the limited supply of wood in both the Northwest and Southeast regions.

NET INCOME

Interest expense increased \$2 million as the effects of higher average debt levels, incurred primarily for capital expenditures, were only partially offset by an increase in capitalized interest of \$3 million. Minority interest in the results of the Company's timberlands partnership declined \$2 million to \$20 million in 1991 as a result of decreased earnings attributable to that portion of the Timber and Wood Products business segment.

Income from continuing operations of \$44 million, reflecting the lower operating results, declined \$65 million (59%) from 1990. Net income for 1991 of \$44 million declined \$22 million from the prior year which included an after-tax provision for discontinued operations of \$43 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities for the first nine months of 1993 amounted to \$97 million, a decrease of \$4 million from the comparable period of the prior year. Cash from operating activities and an increase in debt of \$5 million were mainly used for capital expenditures of \$50 million, cash dividends to ITT of \$30 million and environmental clean up and other corrective action programs at SWP and various closure costs of units held for disposition of \$22 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 and \$75 million below the 1990 level of \$199 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, \$134 million and \$100 million in 1992, 1991 and 1990, respectively, cash dividends to ITT of \$18 million, \$20 million and \$61 million in 1992, 1991 and 1990, respectively, and environmental clean-up and other corrective action programs at SWP of \$18 million, \$17 million and

\$48 million in 1992, 1991 and 1990, 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 the first nine months of 1993 amounted to \$153 million, increasing \$26 million from the comparable period of 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. The Company anticipates no material increase in capital expenditure requirements in the near future over its recent historical trends.

As of September 30, 1993 the Company had net working capital of \$42 million as compared to \$7 million at the 1992 year end. The Company's current assets increased in several categories, including inventories by \$17 million with higher pulp finished goods and logs along with prepaid timber stumpage by \$16 million. Bank loans and current maturities of long-term debt decreased \$12 million, mainly due to the issuance of \$16 million of medium term notes and the repayment of bank loans.

The Company had net working capital of \$7 million at December 31, 1992 as compared to \$138 million and \$128 million at the end of 1991 and 1990, respectively. 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. The Company decreased its short-term bank loans from \$25 million in 1990 to \$5 million at the end of 1991, mainly as a result of the term loan agreement entered into during 1991.

Dividends paid by the Company on its stock during the first nine months of 1993 were \$30 million. Pursuant to a previously planned recapitalization program, Rayonier paid a dividend to ITT in the fourth quarter of 1993 of \$90 million in addition to the normal dividends on earnings. In addition, Rayonier made in the fourth quarter, and will make prior to the Distribution Date, payments to ITT aggregating approximately \$21 million in settlement of certain intercompany account items. As a result, the Company's short-term debt will increase during this period by \$111 million, with the proceeds used to finance such payments. Dividends paid during 1992, 1991 and 1990 were \$18 million, \$20 million and \$61 million, respectively. Dividends paid by Rayonier to ITT are not indicative of future dividends to be paid after the Distribution.

As a result of funding the \$90 million dividend to ITT and intercompany settlements related to the Distribution with short-term debt, it is anticipated that the Company will have negative working capital at December 31, 1993 and possibly at March 31, 1994. The Company has commenced discussions with its lenders to refinance a portion of its short-term debt with long-term funding sufficient to return to a positive working capital position. Based on these recent conversations with its lenders, the Company remains confident of its ability to obtain such refinancing. The impact on net income for the additional debt of \$111 million would be approximately \$5 million on an annual basis, assuming an average incremental borrowing rate of 6.75%.

The Company believes it has good relations with major regional, national and international banks and recently accessed the public markets through a \$110 million public debt offering in 1992 and medium term note offerings in 1993. 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 borrowings. 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 Corporation and for other corporate purposes. The debt bears a variable rate of interest equal to the London Interbank Offering Rate (LIBOR) plus fifty 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.

The most restrictive long-term debt agreement in effect at September 30, 1993, as amended in December 1993, provides that the ratio of the Company's indebtedness to the sum of such indebtedness plus consolidated tangible net worth cannot exceed 50%. As of September 30, 1993, this ratio was 37% and the ratio increased to approximately 45% at year end after the Company completed its previously planned recapitalization program. In addition, at September 30, 1993, a total of \$367 million of retained earnings was unrestricted as to the payment of dividends, which was reduced by \$90 million upon the payment of a dividend to ITT pursuant to such recapitalization program. There are no provisions in any of the debt agreements that will cause the acceleration of the debt at the Distribution Date. However, 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 if ITT ceases to own a majority of the Company's voting stock.

As of September 30, 1993, the Company had \$408 million in debt with \$318 million funded in the bank term and public debt markets, and \$90 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 is guaranteed by ITT.

September 30, 1993 debt of \$408 million represented 37% of the total of debt and equity which is the same debt to capitalization ratio as the 1992 year end period. The ratio increased to approximately 45% at year end after the Company completed its planned recapitalization program. The total debt to capitalization ratio was 20% and 18% at the end of 1991 and 1990, respectively. 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 53% as of September 1993 as compared to 50%, 56% and 91% at year end 1992, 1991 and 1990, respectively.

The Company intends to open discussions with both current and new lenders prior to the Distribution to (a) re-establish their commitment to funding the Company's requirements and (b) to put in place committed facilities in the range of \$100-150 million to assure credit availability as Rayonier operates as a stand-alone company.

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 clean-up 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, including an increase to the reserve in 1990 of \$66 million (\$43 million after tax) as a result of revisions in the estimate of future environmental costs 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 clean up 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 clean up 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 at these sites during the two year period 1994-1995 will approximate \$20 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. In August 1993 the bulk of the Grays Harbor Complex was sold.

As of September 30, 1993 the Company had \$86 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. See "BUSINESS OF RAYONIER -- Dispositions/Discontinued Operations".

ENVIRONMENTAL REGULATION

The Company is subject to Federal and state pollution control laws and regulations in all domestic jurisdictions in which it has operating facilities. Compliance with these requirements involves the use of capital and operating funds which increase the Company's business costs. Since the cost of future compliance will depend on technologies still under development, environmental standards which are subject to change and continued revision of regulatory requirements, it is difficult to determine the total amount of such expenditures that may be required in the future (although it is unlikely such expenditures will be reduced from anticipated levels). During 1992 the Company spent approximately \$25 million for capital projects related to environmental compliance for its continuing operations. The Company expects to spend approximately \$5 million on such projects for its continuing operations for the two-year period 1993-1994. See "SPECIAL FACTORS -- Environmental Regulation"; "BUSINESS OF RAYONIER -- Environmental Matters".

BUSINESS OF RAYONIER

GENERAL

Rayonier 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 the nine months ended September 30, 1993, timber and wood products accounted for 51% of sales and pulp products accounted for 49%. For further data on sales, operating income and identifiable assets by segment see "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS".

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 NYSE. In 1968, Rayonier became a wholly owned subsidiary of ITT.

Rayonier owns, leases or controls approximately 1.5 million acres of timberland in the United States and New Zealand and two lumber manufacturing operations and owns and operates three pulp mills. 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 250,000 acres of timberland in New Zealand, and in the fourth quarter of 1992, permanently terminated operations at the Grays Harbor Complex.

With customers in over 60 countries, more than half of Rayonier's approximately \$1 billion in sales are destined for foreign markets, with Asian and Western European countries representing 35% and 15% of sales in 1992, respectively.

TIMBER AND WOOD PRODUCTS

Rayonier owns, buys and harvests timber stumpage, as well as 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 and from third party parcels on which the Company has acquired cutting rights, as well as purchases logs on the open market and 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 and for the nine months ended September 30, 1993 by principal line of business are shown below (in millions of dollars):

TIMBER AND WOOD PRODUCTS	SALES			
	NINE MONTHS ENDED SEPTEMBER 30, 1993	1992	1991	1990
Log Trading and Merchandising.....	\$ 283.7	\$301.0	\$294.1	\$305.3
Timberlands Management and Stumpage (Standing Timber) Sales.....	79.7	122.8	105.4	108.8
Wood Products Sales.....	31.0	32.6	23.9	26.5
Total Before Intrasegment Eliminations.....	394.4	456.4	423.4	440.6
Intrasegment Eliminations.....	(8.6)	(13.8)	(21.9)	(22.6)
Total.....	\$ 385.8	\$442.6	\$401.5	\$418.0

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 as well as in export markets. In New Zealand 67% of its 1992 sales came from Company-managed timberlands. In North America 9% was directly sourced from Rayonier timberlands, however, approximately another 2% 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 1992, approximately 78% of the revenues Rayonier derived from the sale of logs were from logs sold to foreign markets. The sale of logs accounted for approximately 68% of the Timber and Wood Products segment's sales in 1992.

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 Douglas fir and hemlock 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 to 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 Pulps and Log Trading) 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 September 30, 1993, Rayonier managed approximately 1.5 million acres of timberlands, with approximately 864,000 acres or 58% located in the Southeastern United States, approximately 379,000 acres

or 25% located in the Pacific Northwest and approximately 253,000 acres, or 17%, located in New Zealand. See "Rayonier Timberlands, L.P."

The 864,000 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 727,000 acres are owned in fee and 137,000 acres are held under long-term leases. The Southeastern timberlands include approximately 555,000 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% of the timber harvest is pulpwood, which is sold to pulp mills, with the remaining 40% 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% 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's. These timberlands include approximately 322,000 acres of softwood stands, approximately 70% of which is hemlock and 30% 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 as noted earlier, in that it increased Rayonier's assets employed in the Timber and Wood Products segment from 29% to 40% of total assets, further reducing the effects of the Specialty Pulp Products segment's cyclicity 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 co-operative 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 mills have an 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% of Jesup's pine chip consumption. The sale of lumber from the Baxley mill accounted for approximately 7% of the Timber and Wood Products segment's sales of 1992. The other lumber mill (an integrated complex located at Swainsboro and Lumber City, Georgia) was acquired in October, 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 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. Rayonier believes that it is one of the world's largest manufacturers of high grade chemical cellulose. In 1992 Specialty Pulp Products sales were \$525 million comprising 54% of Rayonier's total sales.

Sales for the last three years, and first nine months of 1993, by principal line of business are shown below (in millions of dollars):

SPECIALTY PULP PRODUCTS	SALES			
	NINE MONTHS ENDED SEPTEMBER 30, 1993	1992	1991	1990
Chemical Cellulose.....	\$ 206.7	\$306.9	\$325.4	\$340.9
Fluff and Specialty Paper Pulps.....	134.7	218.4	227.9	274.4
Total.....	\$ 341.4	\$525.3	\$553.3	\$615.3

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 market pulp production facilities in Jesup, Georgia; Fernandina Beach, Florida; and Port Angeles, Washington. The Jesup facility, a kraft mill, began operations in 1954, and was subsequently significantly expanded and modernized, today accounting for approximately 530,000 metric tons of annual wood pulp production capacity, or 64% 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% 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% 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. Approximately half of Rayonier's wood pulp sales, which are manufactured to customers' specifications, are to export customers, with the more important overseas markets being Western Europe (27% of sales) and Japan (12% of sales). Approximately 92% of all sales in 1992 were sales 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.

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 34% of the Company's pulp products sales in 1992.

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 6% of Rayonier's total pulp sales in 1992. A small volume of regular paper pulp, less than 2% 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.

EXPORT SALES AND FOREIGN OPERATIONS

Rayonier relies on export markets for its pulp and timber products with approximately 50% of its sales going to export countries during the past five years. Asian markets accounted for 31% of its U.S. exports and Western Europe 15% in 1992. Asia also accounts for 64% of its New Zealand timber products trade. 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 and South 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 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 to 14% of total assets as of the end of 1992, and its sales from non-U.S. sources in 1993 are estimated to be 10% of total sales.

The following tables summarize the sales, operating income and identifiable assets of the Company by geographical operating area for the nine months ended September 30, 1993 and for the three years ended December 31, 1992 (in millions of dollars):

	SALES			
	NINE MONTHS ENDED SEPTEMBER 30, 1993	1992	1991	1990
United States.....	\$ 626.4	\$ 944.2	\$ 967.6	\$1,098.6
New Zealand.....	68.7	29.5	11.3	5.7
All other.....	4.2	--	--	--
Total.....	\$ 699.3	\$ 973.7	\$ 978.9	\$1,104.3

	OPERATING INCOME (LOSS)				IDENTIFIABLE ASSETS			
	NINE MONTHS ENDED				AS OF			
	SEPTEMBER 30, 1993	1992	1991	1990	SEPTEMBER 30, 1993	1992	1991	1990
United States.....	\$ 84.5	\$(88.9)	\$99.1	\$190.6	\$ 1,289.8	\$1,270.8	\$1,366.9	\$1,349.4
New Zealand.....	26.6	4.7	0.5	0.5	225.8	205.2	5.0	3.5
All other.....	(1.5)	(2.4)	(2.9)	(1.1)	2.4	0.4	0.4	0.2
Total.....	\$ 109.6	\$(86.6)	\$96.7	\$190.0	\$ 1,518.0	\$1,476.4	\$1,372.3	\$1,353.1

Reference is also made to "Segment Information" in the Notes to Consolidated Financial Statements contained elsewhere in this Information Statement.

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 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 there will have been considerable progress on cleanup 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 the bulk of the Grays Harbor Complex was sold.

Management believes established reserves are adequate to cover all contingent liabilities related to dispositions and discontinued operations.

RAYONIER TIMBERLANDS, L.P.

In the United States, Rayonier manages timberlands and sells timber stumpage directly through RTLP, a publicly-traded master limited partnership. Rayonier and RFR, a wholly owned subsidiary, are the general partners of RTLP. Rayonier also owns 74.7% of the Class A Limited Partnership Units, the remaining 25.3% 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 September 30, 1993 was \$216 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. Some of these are registered in the name of ITT and will be transferred to Rayonier in connection with the Distribution pursuant to the Distribution Agreement. 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 as 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 16 and 15 years, respectively. 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% of total sales. In 1992, 45% of pulp product sales were to North America, 27% to Western Europe, 12% to Japan and 9% 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 1992 and 1993, capital expenditures attributable to environmental compliance amounted to \$28 million. 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 will 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 ("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 some of its high purity cellulose products and in other cases will increase the cost of making such products. 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, Florida mills are dissolving sulfite mills). Here again, 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. 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 such effect until the regulations are issued in final form. Rayonier has been discussing these proposed regulations with the EPA, both individually and through the industry trade association. Rayonier cannot predict, however, whether efforts to modify the proposed regulations 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.

Although the current designation by the U.S. Fish and Wildlife Service ("FWS") of critical habitat does not include RTLP's timberlands or any other privately owned land, the 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 are located. The new rule may also incorporate guidelines for the protection within Special Emphasis Areas of the marbled murrelet, also recently listed as a threatened species under the ESA. Rayonier is engaged in discussions with the FWS to have the rule modified while still allowing the FWS to achieve its habitat objectives. Separately, in 1994 the State of Washington will be reevaluating regulations to protect the northern spotted owl and the marbled murrelet. Rayonier is unable at this time to predict either the form in which the FWS rule or the State of Washington regulations will eventually be adopted or the effect of such rule or regulations on Rayonier's operations.

See "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. 1992, 1991 and 1990 research and development expenditures were \$8.3 million, \$7.7 million and \$7.2 million, respectively.

EMPLOYEE RELATIONS

Rayonier currently employs approximately 2,600 people. Of this number, approximately 2,500 are employees in the United States, of whom 60% 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% of premium costs.

PROPERTIES

RTLTP owns, leases or controls approximately 1.2 million acres of timberlands in the United States previously owned or leased by Rayonier. (See Notes to Consolidated Financial Statements, "Rayonier Timberlands, L.P.") Rayonier, through its wholly owned subsidiary, RFR, as managing general partner of RTLTP, continues on behalf of RTLTP 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.

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 state agencies under comparable state statutes. In each case, Rayonier has already established reserves for its estimated liability. 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%. 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%. 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. Pursuant to the Distribution Agreement, Rayonier and ITT will allocate liabilities and obligations relating to litigation matters arising from periods prior to the Distribution. See "RELATIONSHIP BETWEEN ITT AND RAYONIER AFTER THE DISTRIBUTION".

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.

MANAGEMENT AND EXECUTIVE COMPENSATION

BOARD OF DIRECTORS

The Rayonier Articles of Incorporation as in effect on the Distribution Date will 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. Immediately after the Distribution, Rayonier expects to have a

board of eight directors, which will be 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 will not be employees of the Company and that a majority of the non-employee directors will be individuals who will not be directors of ITT.

The following table sets forth information as to the persons who are expected to serve as directors of the Company, following the Distribution. The table also sets forth the names of the directors of each class and their original terms.

CLASS I, TERM EXPIRES IN 1995 NAME, AGE AND PRINCIPAL OCCUPATION	INFORMATION
Ronald M. Gross, 60..... Chairman, President and Chief Executive Officer, Rayonier	He joined Rayonier in March 1978 as President and Chief Operating Officer. 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 Business School.
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, Catalyt and Quest International 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.

CLASS I, TERM EXPIRES IN 1995
 NAME, AGE AND PRINCIPAL
 OCCUPATION

INFORMATION

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 Harvard Graduate School of Business Administration.

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 Central Illinois Public Service Company, 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.

CLASS II, TERM EXPIRES IN 1996
 NAME, AGE AND PRINCIPAL
 OCCUPATION

INFORMATION

Paul G. Kirk, 55.....
 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 and a trustee of Stonehill College. He is a graduate of Harvard College and Harvard Law School. 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 from his positions with CBT in December 1990 and as President of BNEC in February 1991. 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 and the Old State House Association. He is a graduate of Middlebury College, the American Institute of Banking and Harvard Business School Advanced Management Program and attended New York University's Graduate School of Engineering.

Gordon I. Ulmer, 61.....
 Retired Chairman and
 Chief Executive Officer
 of the Connecticut Bank
 and Trust Company and
 Retired President of Bank
 of New England Corporation

CLASS III, TERM EXPIRES IN 1997
 NAME, AGE AND PRINCIPAL
 OCCUPATION

INFORMATION

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 seven percent interest. He is also a director of Dow Jones & Company, Inc.; Dayton-Hudson Corporation; Shell Oil Company; the New York Stock Exchange; and the Federal Reserve Bank of New York. He is a member of The Business Council, The Business Roundtable, the Council on Foreign Relations, The Economic Club of New York, the Rockefeller University Council, the Competitiveness Policy Council, the Trilateral Commission, the Business-Higher Education Forum and the West Point Society of New York. He is a trustee of the New York Zoological Society, a member of the International Council of the Salk Institute and a partner of the New York City Partnership. In 1988, Mr. Araskog was named Officier de la Legion d'Honneur by the President of the French Republic, Francois 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. Mr. Araskog is a graduate of the U.S. Military Academy at West Point and attended Harvard Graduate School of Arts and Sciences.
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Donald W. Griffin, 56..... Vice Chairman of the Board, 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 is also a director of 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.
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DIRECTORS' COMPENSATION

No director who is an employee of the Company will be compensated for service as a member of the Board of Directors or any Committee of the Board of Directors. Compensation for non-employee 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 will be reimbursed for travel expenses incurred on behalf of the Company.

DIRECTOR'S 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 non-employee 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

Prior to the Distribution, the Company will establish Audit, Compensation and Management Development, Environmental and Legal Affairs and Nominating Committees of the Company's Board of Directors.

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

The Audit Committee will also review, 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 will also perform a number of other review functions related to auditing the financial statements and internal controls. The Audit Committee will be comprised of three or more non-employee directors.

Compensation and Management Development Committee. The Compensation and Management Development Committee will (1) review and make 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) review, administer and make recommendations to the Company's Board of Directors with respect to any incentive plans and bonus plans that include elected officers and (3) review the Company's policies relating to the compensation of senior management and, generally, other employees. In addition, the Committee will review management's long-range planning for executive development and succession, establish and periodically review policies on management perquisites and perform certain other review functions relating to management compensation and employee relations policies. The Compensation and Management Development Committee will be comprised of three or more non-employee directors.

Environmental and Legal Affairs Committee. The Environmental and Legal Affairs Committee will (1) review and recommend 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) review and consider 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 will be comprised of three or more non-employee directors.

Nominating Committee. The Nominating Committee will make recommendations concerning the organization, size and composition of the Board of Directors and its Committees, propose nominees for election to the Board and its Committees and consider the qualifications, compensation and retirement of directors. The Nominating Committee will be comprised of three or more non-employee directors.

EXECUTIVE OFFICERS

Listed below is certain information as to the Company's executive officers who have been selected to serve after the Distribution.

NAME, POSITION WITH COMPANY AND AGE	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 market pulp and wood products business. 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 BA in Business Administration from the University of Washington and has completed the Advanced Management Program at the Harvard Business School.
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 BS in Forestry from the University of California at Berkeley and an MS in Forestry from the University of Michigan.
Gerald J. Pollack, 51..... 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.

NAME, POSITION WITH COMPANY AND
AGE

BIOGRAPHICAL DATA

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 AB 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.

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information concerning shares of Rayonier Common Stock projected to be beneficially owned after the Distribution Date by (a) each of the Company's directors and executive officers and (b) all directors and executive officers as a group. The projections are based on the number of shares of ITT Common Stock owned by such persons at December 31, 1993 and reflect the Distribution Ratio of one share of Rayonier Common Stock for every four shares of ITT Common Stock. None of the directors or executive officers, individually, nor all the directors and executive officers as a group, will beneficially own as much as 1% of the outstanding shares of Rayonier Common Stock after the Distribution.

NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP
-----	-----
Rand V. Araskog.....	101,452
	4,244*
Ronald M. Gross.....	11,701
	697*
William J. Alley.....	0
Donald W. Griffin.....	0
Paul G. Kirk.....	252
Katherine D. Ortega.....	0
Burnell R. Roberts.....	0
Gordon I. Ulmer.....	0
Wallace L. Nutter.....	1,885**
William S. Berry.....	169
	149*
Gerald J. Pollack.....	85*
Kevin S. O'Brien.....	0
John P. O'Grady.....	11*
Directors and executive officers as a group.....	120,645

* Indicates that the shares are to be distributed with respect to shares of ITT Common Stock held under the ITT Investment and Savings Plan and/or Dividend Reinvestment Plan. All other shares, if any, indicated for the individual concerned are to be distributed with respect to shares of ITT Common Stock owned directly by such individual.

** Includes 1,264 shares to be distributed with respect to ITT shares owned by a corporation of which Mr. Nutter and his spouse are the sole stockholders. All other shares in this total are to be distributed with respect to shares of ITT Common Stock held under the ITT Investment and Savings Plan or Dividend Reinvestment Plan.

COMPENSATION OF EXECUTIVE OFFICERS

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)

NAME	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	ALL OTHER COMPENSATION(4) (\$)
	SALARY(\$)	BONUS(\$)	OTHER(\$)	AWARD OF STOCK OPTIONS(3)	
Ronald M. Gross.....	421,920	185,000	64(2)	33,000	14,767
Wallace L. Nutter.....	235,631	90,000	0	7,000	8,247
William S. Berry.....	180,000	60,000	0	4,500	6,300
Kevin S. O'Brien.....	178,962	35,000	0	2,000	6,264
Gerald J. Pollack.....	167,042	60,000	0	4,500	5,846

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- (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 Stock. In the event options are exercised and shares of ITT Common Stock are issued prior to the Record Date, the option holder will receive Rayonier Common Stock in the Distribution on the same basis as all other shareholders of record of ITT Common Stock on the Record Date. In connection with the Distribution, options to purchase ITT Common Stock which are not exercised will be surrendered and cancelled, and it is contemplated that options to acquire Rayonier Common Stock will be granted to replace the cancelled 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% of an employee's contribution not to exceed three percent (3%) of such employee's salary. Under these plans, ITT also makes a non-matching contribution equal to one-half of one percent (0.5%) of an employee's salary.

ANNUAL BONUS PLAN

Eligible executives and key managers of Rayonier participate in an annual incentive bonus program sponsored by ITT. Under this program, each executive and key manager is assigned to a salary grade which has 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 is adjusted in accordance with a preestablished formula to create a spendable bonus pool for the year. The current formula measures 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 is weighted 60%, 25%, 15%, respectively. The maximum spendable pool is 150% of the aggregate standard bonus pool. Individual bonus amounts within the authorized pool are determined on a discretionary basis taking into account specific personal contributions during the year.

Bonus awards for Rayonier executive officers are subject to approval by ITT senior line management. Bonus awards for Messrs. Gross and Nutter are 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%. In total, \$1,358,000 was authorized for expenditure to 54 executives, including the amounts indicated in the Summary Compensation Table for the named executive officers.

It is contemplated that the annual bonus program will be carried forward in future years in substantially the same form after the Distribution and that it will be administered by the Compensation and Management Development Committee of the Rayonier Board of Directors.

STOCK OPTIONS GENERALLY

The employees of Rayonier hold as of December 31, 1993 unexercised options to acquire 149,887 shares of ITT Common Stock, of which 6 executive officers hold 105,001 such unexercised options. To the extent those ITT options are not exercised prior to the Record Date, it is anticipated that the holders will surrender the ITT options for cancellation. In connection with the Distribution, Rayonier intends to grant to the named executive officers substitute options to acquire Rayonier Common Stock in substitution for the surrendered options on ITT Common Stock. The substitution of options will maintain the economic value of each option, and the total number of Rayonier options granted will be determined so that the aggregate spread between the exercise price and the fair market value with respect to the Rayonier options will equal such aggregate spread with respect to the ITT options. As of December 31 1993, it is anticipated that options to acquire not more than 600,000 shares of Rayonier Common Stock will be granted to the named Rayonier executives in substitution for the surrendered ITT options.

Replacement of the surrendered 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. No options to acquire Rayonier Common Stock have been granted or are outstanding.

INDIVIDUAL GRANTS TO PURCHASE ITT COMMON STOCK

NAME	OPTIONS GRANTED(1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 1993(2)	EXERCISE PRICE/SHARE(3)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4)	
					5%	10%
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

(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% 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.

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% and \$238.62 at an assumed annual appreciation rate of 10%. 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.

NAME	OPTIONS EXERCISED DURING 1993		SHARES REPRESENTED BY UNEXERCISED OPTIONS AT 12/31/93 EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS HELD AT 12/31/93(1) EXERCISABLE/ UNEXERCISABLE
	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED		
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-

- (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%, 35% and 50% for 1993, 1994 and 1995, respectively. If the actual weighted average ROE performance is less than 90% 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

- (1) Based upon a weighted average ROE goal achievement of 90%, resulting in payment of 33 1/3% of the target award in the first quarter of 1996.
- (2) Based upon a weighted average ROE goal achievement of 100%, resulting in payment of 100% of the target award in the first quarter of 1996.
- (3) Based upon a weighted average ROE goal achievement of 130% or more, resulting in payment of 200% of the target award in the first quarter of 1996.

For all 18 Rayonier participants as of November 30, 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. It is contemplated that these awards will be continued after the Distribution and that the program will be 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 currently expected to be adopted by the Company.

1994 RAYONIER INCENTIVE STOCK PLAN

One of the principal objectives of the Distribution is to enable Rayonier 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. Once the Distribution has been effected and a public market has developed for the Rayonier Common Stock, 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 Stock), 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 is expected to adopt, and ITT as its sole shareholder is expected to approve, the 1994 Rayonier Incentive Stock Plan (the "1994 Plan"). The 1994 Plan will be administered by the Compensation and Management Development Committee (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 Stock 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 Stock for which Awards may be granted under the Plan in each Plan Year shall be 1.5 percent (1.5%) of the total of the issued and outstanding shares of Rayonier Common Stock 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) shares of Rayonier Common Stock be cumulatively available for Awards of incentive stock options under the 1994 Plan, and provided further, that no more than twenty percent (20%) 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%) of the Annual Limit applicable to that Plan Year.

Subject to the above limitations, shares of Rayonier Common Stock to be issued under the 1994 Plan may be made available from the authorized but unissued Rayonier Common Stock, or from shares held in the treasury. In the event of a stock split or stock dividend, reorganization, recapitalization, or other similar event affecting the price of Rayonier Common Stock, 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 cancelled and reissued at a lower price unless the shareholders approve such action.

For the purpose of computing the total number of shares of stock available for Awards under the 1994 Plan, there shall be counted against the foregoing limitations the number of shares of Rayonier Common Stock subject to issuance upon exercise or settlement of Awards and the number of shares of Rayonier Common Stock 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 Stock or are exchanged for other Awards, the shares of Stock 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, approximately 29,567,000 Rayonier shares are expected to be issued and outstanding. The Annual Limit applicable to 1994 for Awards under the 1994 Plan is 1.5% thereof or approximately 443,500 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% of the fair market value of Rayonier Common Stock of 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 Stock on the date of grant. The exercise price for options must be paid to Rayonier at the time of exercise and, in the discretion of the Committee, may be paid in the form of cash or already-owned shares of Rayonier Common Stock 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 cancelled 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 shares of Rayonier Common Stock, cash or a combination of Rayonier Common Stock and cash. The ultimate payments are determined by the number of shares earned out and the price of Rayonier Common Stock 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, in 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 shares of Rayonier Common Stock 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 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 stock shall be automatically waived.

Options, Rights, performance shares or restricted stock 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% 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 8 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 8 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 have been participants in the ITT Investment and Savings Plan for Salaried Employees, and at or prior to the Distribution Date the Company and its participating subsidiaries will adopt a substantially similar Rayonier Investment and Savings Plan, 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%) 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 have been participants in the ITT Retirement Plan for Salaried Employees, and at or prior to the Distribution Date, the Company and its participating subsidiaries will adopt an identical "mirror-image" Rayonier Salaried Employees Retirement Plan.

The Company's Retirement Plan will cover 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 will adopt 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

At or prior to the Distribution Date, the Company and its participating subsidiaries will adopt a broad-based employee welfare benefits program which will "mirror image" 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.

DESCRIPTION OF RAYONIER CAPITAL STOCK

AUTHORIZED CAPITAL STOCK

The total number of shares of all classes of stock that Rayonier has authority to issue under its Articles of Incorporation, the form of which has been filed as an exhibit to the Registration Statement of which this Information Statement forms a part (the "Rayonier Articles"), is 75,000,000 shares of which 15,000,000 represent Preferred Shares (the "Rayonier Preferred Stock"), and 60,000,000 represent shares of Rayonier Common Stock. Based on 117,538,893 shares of ITT Common Stock outstanding as of January 31, 1994, and a Distribution Ratio of one share of Rayonier Common Stock for every four shares of ITT Common Stock, and one share of Rayonier Common Stock for every 3.1595 shares of ITT Series N Preferred Stock, of which 577,608 shares were outstanding as of such date, it is expected that approximately 29,384,000 shares of Rayonier Common Stock will be distributed to holders of ITT Common Stock and approximately 182,800 shares of Rayonier Common Stock will be distributed to holders of ITT Series N Preferred Stock on the Distribution Date.

RAYONIER COMMON STOCK

The holders of Rayonier Common Stock will be entitled to one vote for each share on all matters voted on by stockholders, including the election of directors. The Rayonier Articles do not provide for cumulative voting in the election of directors. Subject to any preferential rights of any outstanding series of Rayonier Preferred Stock created by the Rayonier Board, the holders of Rayonier Common Stock will be entitled to such dividends as may be declared from time to time by the Rayonier Board from funds available therefor, and upon liquidation will be entitled to receive, pro rata, all the net assets of Rayonier available for distribution to such holders.

The payment and level of cash dividends, if any, declared by Rayonier after the Distribution will be subject to the discretion of the Rayonier Board. The Board initially expects to declare quarterly dividends of \$0.18 per share. Dividend decisions will be based on a number of factors, including the operating results and financial requirements of Rayonier on a stand-alone basis, and although there can be no assurance that dividends will be paid, management believes that its cash flows are sufficiently strong that, barring unforeseen circumstances, the initial dividend rate can be maintained for the foreseeable future. See "SPECIAL FACTORS -- Rayonier Dividend Policy".

RAYONIER PREFERRED STOCK

The Rayonier Articles authorize the Rayonier Board to establish series of Rayonier Preferred Stock and to determine, with respect to any series of Rayonier Preferred Stock, the voting powers, full or limited, or no

voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as are stated in the resolutions of the Rayonier Board providing for such series.

NO PREEMPTIVE RIGHTS

No holder of any stock of Rayonier of any class authorized at the Distribution Date will then have any preemptive right to subscribe to any securities of Rayonier of any kind or class.

SHARE ACQUISITIONS

North Carolina law includes two provisions relating to changes in control of a public company as a result of share acquisitions. The first is the Control Share Act, which requires an acquiror to obtain the favorable vote of the company's other shareholders before it is allowed to vote shares acquired in excess of certain statutory percentages. As permitted by the Act, the Rayonier Articles provide that this Act shall not be applicable to Rayonier. The second is the Shareholder Protection Act, which establishes minimum safeguards for the company's public shareholders in the event another company first acquires more than 20% of the stock and then wishes to accomplish a second-step combination of the two businesses. Such safeguards relate to the minimum value to be paid to the company's remaining shareholders in any such combination; preservation of board of directors representation for the publicly owned shares and of the dividend rate; limitations on intercorporate transactions during such interim period, and requirements as to disclosure to remaining shareholders in connection with any such proposed combination. Unless these minimum safeguards are observed, any such combination would require a 95% vote of the shareholders.

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REPORT OF MANAGEMENT

The management of ITT Rayonier Incorporated is responsible for the preparation and integrity of the information contained in the accompanying financial statements. 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.

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 the 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 the Board of Directors of
ITT Rayonier Incorporated:

We have audited the accompanying consolidated financial statements of ITT Rayonier Incorporated (a Delaware corporation and a wholly owned subsidiary of ITT Corporation) and subsidiaries as of December 31, 1992 and 1991, and for each of the three years in the period ended December 31, 1992, as described in the Index to Financial Statements. These financial statements are the responsibility of Rayonier's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ITT Rayonier Incorporated and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992 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.

ARTHUR ANDERSEN & CO.

Stamford, Connecticut
February 19, 1993

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

(THOUSANDS OF DOLLARS)

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	(UNAUDITED)				
Sales.....	\$ 699,340	\$ 733,187	\$ 973,673	\$978,950	\$1,104,330
Costs and expenses, net					
Cost of sales.....	570,881	610,466	821,571	846,246	862,989
Selling and general expenses.....	20,161	22,563	32,228	29,550	30,518
Commission expenses.....	635	4,422	13,115	14,707	21,132
Other operating expenses (income), net.....	(1,981)	8,843	4,639	(8,298)	(284)
Provision for dispositions.....	--	--	188,724	--	--
	589,696	646,294	1,060,277	882,205	914,355
Operating income (loss).....	109,644	86,893	(86,604)	96,745	189,975
Equity in net loss of Grays Harbor Paper Company.....	--	(3,061)	(3,257)	(1,587)	(1,536)
	109,644	83,832	(89,861)	95,158	188,439
Interest expense.....	(17,163)	(15,056)	(21,327)	(13,942)	(12,394)
Interest and miscellaneous income.....	904	1,614	2,004	2,562	2,801
Minority interest.....	(15,013)	(18,226)	(22,702)	(19,884)	(21,451)
Income (loss) from continuing operations before income taxes.....	78,372	52,164	(131,886)	63,894	157,395
Income tax benefit (expense).....	(29,029)	(18,745)	50,366	(19,557)	(48,121)
Income (loss) from continuing operations.....	49,343	33,419	(81,520)	44,337	109,274
Provision for discontinued operations, net.....	--	--	--	--	(43,400)
Income (loss) before cumulative effect of accounting changes.....	49,343	33,419	(81,520)	44,337	65,874
Cumulative effect of accounting changes (SFAS No. 106 and SFAS No. 112) net of tax benefit of \$11,310.....	--	(21,956)	(21,956)	--	--
Net income (loss).....	\$ 49,343	\$ 11,463	\$(103,476)	\$ 44,337	\$ 65,874

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

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(THOUSANDS OF DOLLARS)

ASSETS

	SEPTEMBER 30, 1993 (UNAUDITED)	DECEMBER 31,	
		1992	1991*
CURRENT ASSETS			
Cash.....	\$ 4,787	\$ 5,731	\$ 8,751
Short-term investments.....	--	5,000	5,000
Accounts receivable, less allowance for doubtful accounts of \$4,125, \$4,049 and \$2,761.....	87,800	74,249	98,410
Inventories			
Finished goods.....	63,665	57,457	44,793
Work in process.....	19,124	16,945	19,652
Raw materials.....	46,935	39,552	35,786
Manufacturing and maintenance supplies.....	27,488	26,026	30,446
Deferred income taxes.....	157,212	139,980	130,677
Prepaid timber stumpage.....	20,764	18,409	11,417
Other current assets.....	56,698	40,544	42,935
	9,877	7,624	7,525
Total current assets.....	337,138	291,537	304,715
INVESTMENTS.....	1,603	1,603	10,945
OTHER ASSETS.....	23,283	29,734	23,805
TIMBER STUMPAGE.....	18,196	7,881	13,916
TIMBERLANDS, TIMBER AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION.....			
	462,487	464,123	265,453
PLANT, PROPERTY AND EQUIPMENT			
Land, buildings, machinery and equipment.....	1,154,146	1,129,209	1,229,407
Less -- accumulated depreciation.....	478,809	447,643	475,921
	675,337	681,566	753,486
	\$ 1,518,044	\$1,476,444	\$1,372,320

* Restated for the impacts of the adoption of SFAS No. 109, "Accounting for Income Taxes."

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

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(THOUSANDS OF DOLLARS)

LIABILITIES AND STOCKHOLDER EQUITY

	SEPTEMBER 30, 1993	DECEMBER 31,	
	(UNAUDITED)	1992	1991*
CURRENT LIABILITIES			
Accounts payable.....	\$ 81,779	\$ 72,321	\$ 89,767
Bank loans.....	90,000	100,000	5,000
Current maturities of long-term debt.....	181	1,770	6,691
Accrued taxes.....	17,530	5,363	10,252
Accrued payroll and benefits.....	18,404	17,689	24,455
Accrued interest.....	6,818	5,367	5,709
Due to parent and affiliated companies-net.....	8,000	10,106	7,288
Other current liabilities.....	39,253	40,926	16,369
Reserves for dispositions and discontinued operations.....	33,528	31,231	1,334
Total current liabilities.....	295,493	284,773	166,865
DEFERRED INCOME TAXES.....	108,489	86,478	148,312
LONG-TERM DEBT.....	317,933	301,634	193,415
NONCURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS			
(Net of discontinued operations' assets of \$11,434, \$11,003 and \$9,470).....	40,554	64,439	30,721
OTHER NONCURRENT LIABILITIES.....	25,775	26,025	3,392
MINORITY INTEREST.....	34,973	37,417	32,931
STOCKHOLDER EQUITY			
Common stock, \$100 par value, 500 shares authorized, 79 shares issued and outstanding.....	8	8	8
Capital surplus.....	157,418	157,418	157,418
Retained earnings.....	537,401	518,252	639,258
	694,827	675,678	796,684
	\$ 1,518,044	\$1,476,444	\$1,372,320

* Restated for the impacts of the adoption of SFAS No. 109, "Accounting for Income Taxes."

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

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED RETAINED EARNINGS

(THOUSANDS OF DOLLARS)

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31.		
	1993	1992	1992	1991	1990
	-----		-----		
	(UNAUDITED)				
Balance, beginning of year before SFAS No. 109 restatement.....	\$518,252	\$612,446	\$612,446	\$587,722	\$583,200
Effect in prior period of change in accounting principle (SFAS No. 109).....	--	26,812	26,812	26,812	26,812
Balance, beginning of year, as restated...	518,252	639,258	639,258	614,534	610,012
Net income (loss).....	49,343	11,463	(103,476)	44,337	65,874
Cash dividends to parent.....	(30,194)	(17,530)	(17,530)	(19,613)	(61,352)
Balance, end of period.....	\$537,401	\$633,191	\$518,252	\$639,258	\$614,534

STATEMENTS OF CONSOLIDATED CAPITAL STOCK AND SURPLUS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992 (UNAUDITED)
AND FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990
(THOUSANDS OF DOLLARS, EXCEPT FOR SHARES)

	COMMON STOCK		CUMULATIVE PREFERRED STOCK		CAPITAL SURPLUS
	SHARES	AMOUNT	SHARES	AMOUNT	
Balance, January 1, 1990.....	79	\$8	--	\$ --	\$157,418
Balance, December 31, 1990.....	79	8	--	--	157,418
Balance, December 31, 1991.....	79	8	--	--	157,418
Issuance of Cumulative Preferred Stock.....	--	--	30,000	30,000	--
Redemption of Cumulative Preferred Stock....	--	--	(30,000)	(30,000)	--
Balance, September 30, 1992.....	79	8	--	--	157,418
Balance, December 31, 1992.....	79	8	--	--	157,418
Balance, September 30, 1993.....	79	\$8	--	\$ --	\$157,418

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

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
(THOUSANDS OF DOLLARS)

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	(UNAUDITED)				
OPERATING ACTIVITIES					
Net income (loss).....	\$ 49,343	\$ 11,463	\$(103,476)	\$ 44,337	\$ 65,874
Cumulative effect of accounting changes.....	--	21,956	21,956	--	--
Income (loss) before cumulative effect of accounting changes.....	49,343	33,419	(81,520)	44,337	65,874
Non-cash items included in income					
Depreciation, depletion and amortization.....	57,160	59,512	77,885	69,270	63,764
Deferred income taxes.....	17,247	1,082	(56,938)	5,244	(2,197)
Equity in undistributed losses of Grays Harbor Paper Company.....	--	3,061	3,257	1,587	1,536
Write-down of property, plant, and equipment assets.....	--	--	81,804	--	200
Reserves for dispositions.....	--	--	106,920	--	--
Reserves for discontinued operations.....	--	--	--	--	65,700
(Decrease) increase in other noncurrent liabilities.....	(250)	(618)	(1,387)	(4,239)	4,216
Change in accounts receivable, inventories, and accounts payable.....	(21,325)	(34,093)	(13,711)	(31,083)	69
(Increase) decrease in prepaid timber stumpage.....	(16,154)	7,645	2,391	29,684	8,994
Change in due to parent and affiliated companies -- net.....	(2,106)	9,931	1,927	15,823	(13,848)
Increase (decrease) in accrued taxes.....	12,167	17,037	(4,889)	(885)	(2,672)
Other changes in working capital.....	(1,760)	13,910	17,316	1,809	1,521
Taxes related to discontinued operations.....	2,409	(9,783)	(8,933)	1,621	5,909
Cash from operating activities.....	96,731	101,103	124,122	133,168	199,066
INVESTING ACTIVITIES					
Capital expenditures net of sales, retirements and reclassifications of \$382, \$1,018, \$755, \$1,554 and \$758....	(49,295)	(69,337)	(96,289)	(132,002)	(98,814)
New Zealand forest assets acquisition.....	--	(196,500)	(196,500)	--	--
Expenditures for dispositions and discontinued operations.....	(21,588)	(15,015)	(18,213)	(16,962)	(47,569)
Change in investments, other assets and timber stumpage.....	(3,864)	3,414	(1,394)	5,679	3,558
Cash used for investing activities.....	(74,747)	(277,438)	(312,396)	(143,285)	(142,825)
FINANCING ACTIVITIES					
Increase in indebtedness to parent.....	--	167,000	167,000	30,800	--
Repayments of indebtedness to parent.....	--	(167,000)	(167,000)	(71,100)	(29,000)
Issuance of debt.....	109,635	264,700	424,700	99,439	55,648
Repayments of debt.....	(104,925)	(79,066)	(226,402)	(26,788)	(34,727)
Issuance of preferred stock.....	--	30,000	30,000	--	--
Redemption of preferred stock.....	--	(30,000)	(30,000)	--	--
Cash dividends to parent.....	(30,194)	(17,530)	(17,530)	(19,613)	(61,352)
(Decrease) increase in minority interest.....	(2,444)	4,564	4,486	1,813	3,067
Cash from (used for) financing activities.....	(27,928)	172,668	185,254	14,551	(66,364)
CASH AND SHORT-TERM INVESTMENTS					
(Decrease) increase in cash and short term investments.....	(5,944)	(3,667)	(3,020)	4,434	(10,123)
Balance at beginning of year.....	10,731	13,751	13,751	9,317	19,440
Balance at end of period.....	\$ 4,787	\$ 10,084	\$ 10,731	\$ 13,751	\$ 9,317
Supplemental disclosures of cash flow information					
Cash paid (received) during the period for					
Interest.....	\$ 15,713	\$ 16,413	\$ 22,562	\$ 15,879	\$ 11,112
Income taxes, net of refunds.....	\$ (3,448)	\$ 7,939	\$ 13,835	\$ (6,863)	\$ 43,129

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

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

INTERIM FINANCIAL INFORMATION

The interim financial information included herein is unaudited; however, the information reflects all adjustments that are, in the opinion of management, necessary to a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

CHANGES IN ACCOUNTING PRINCIPLES

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

During the second quarter of 1992, ITT Rayonier Incorporated (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 stockholder equity by \$26,812 at December 31, 1991 and 1990 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 pre-tax 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 pre-tax has been recognized at January 1, 1992. Except for the one-time cumulative adjustment, the adoption of SFAS No. 112 was not material to the 1992 results of operations.

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

ACCOUNTING POLICIES

Consolidation Principles

The consolidated financial statements of Rayonier include the accounts of all subsidiaries and a partnership. Intercompany transactions have been eliminated. Investments in non-controlled companies are included on the equity basis.

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

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

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 \$8,267, \$7,651 and \$7,220 in 1992, 1991 and 1990, respectively. Research and development expenditures totaled \$5,319 and \$5,715 for the nine month periods ended September 30, 1993 and 1992, respectively (unaudited).

Inventories

Inventories are generally valued at the lower of cost (first-in, first-out), or market. In the pulp manufacturing operations, a full absorption procedure is employed using standard cost techniques. 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, mainly through its northwest forest operations, 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 non-current 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 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. Potential 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 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.

Plant, Property and Equipment

Plant, property 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, \$3,214 and \$460 during 1992, 1991 and 1990, respectively. Interest capitalized during the nine months ended September 30, 1993 and 1992 was \$0 and \$893, respectively (unaudited). Upon ordinary

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

retirement or sale of property, accumulated depreciation is charged with the cost of the property removed and credited with the proceeds of salvage value and no gain or loss is recognized. Gains and losses with respect to any significant and unusual retirements of assets are included in operating income.

Depreciation

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

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 Corporation (ITT) and through additional borrowings from banks and ITT. By October 15, 1992 the Company had completed its financing program for this acquisition (see "Stockholder Equity," "Long-Term Debt" and "Transactions between ITT and Rayonier"). 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 future operations will be conducted through ITT Rayonier New Zealand Limited, an indirect subsidiary of the Company.

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%) 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.

TRANSACTIONS BETWEEN ITT AND RAYONIER

Rayonier is a wholly owned subsidiary of ITT. See "Stockholder Equity."

Rayonier paid sales commissions to ITT Foreign Sales Corporation ("FSC") amounting to \$12,362, \$13,727 and \$20,053 in 1992, 1991 and 1990, respectively, under a sales agency agreement initiated in August 1988. Dividends paid to ITT have been 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.

ITT renders advice and assistance to Rayonier in general engineering, plants, traffic, operating, accounting, commercial, financial and other matters. The fee for such services is approximately 1/4 of 1 percent of Rayonier's annual sales. The total fee paid by Rayonier to ITT for these services amounted to \$2,413, \$2,450 and \$2,762 in 1992, 1991 and 1990, respectively. For the nine months ended September 30, 1993 and 1992, such fees totaled \$1,737 and \$1,849, respectively (unaudited).

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

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. There were no outstanding borrowings from ITT as of December 31, 1992 and 1991. In addition, as of September 30, 1993, there were no outstanding borrowings from ITT (unaudited).

During 1991 and 1990, Rayonier repaid \$40,300 and \$29,000 of a variable rate loan from ITT which was borrowed in 1988 and used primarily to retire commercial paper. The loan has been fully repaid primarily with cash flow generated from operating activities in 1990 and with funds borrowed from banks in 1991. See also "Long-Term Debt" for further discussion.

Interest expense paid to ITT amounted to \$2,092, \$1,817 and \$3,093 in 1992, 1991 and 1990, respectively. Interest expense paid to ITT during the nine month period ended September 30, 1992 was \$2,092 (unaudited). No interest expense was paid to ITT during 1993 (unaudited).

Rayonier is 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 "Employee Benefit Plans").

INCOME TAXES

Rayonier and its U.S. subsidiaries are included in ITT's consolidated U.S. Federal Income Tax Return, and Rayonier remits to ITT its current income tax liability. Rayonier computes its tax provision in accordance with tax-sharing arrangements with ITT which, prior to 1993, include the use by Rayonier of tax benefits realized by ITT as a result of a foreign sales agency agreement between ITT Foreign Sales Corporation (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 also includes a charge of \$1.7 million (unaudited) 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 \$2.9 million (unaudited).

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

Income tax data before discontinued operations and cumulative effect of accounting changes are as follows:

	NINE MONTHS ENDED SEPTEMBER 30, 1993	YEAR ENDED DECEMBER 31,		
	----- (UNAUDITED)	1992	1991	1990
Provision (benefit) for income tax				
Current				
U.S. Federal.....	\$ 4,105	\$ 1,199	\$ 6,781	\$41,713
State and local.....	1,601	117	932	4,151
Foreign.....	3,667	--	--	--
	-----	-----	-----	-----
	9,373	1,316	7,713	45,864
Deferred				
U.S. Federal.....	16,631	(47,795)	10,870	2,187
State and local.....	1,000	(3,268)	974	70
Foreign.....	2,025	(619)	--	--
	-----	-----	-----	-----
	19,656	(51,682)	11,844	2,257
	-----	-----	-----	-----
	\$ 29,029	\$(50,366)	\$19,557	\$48,121
	-----	-----	-----	-----

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, 1992:

Accelerated depreciation.....	\$(110,748)
Reserves and other.....	42,679

	\$ (68,069)

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

	NINE MONTHS ENDED SEPTEMBER 30, 1993	YEAR ENDED DECEMBER 31,		
	----- (UNAUDITED)	1992	1991	1990
Tax (benefit) provision at U.S. statutory rate.....	\$ 27,430	\$(44,841)	\$21,724	\$53,514
Benefit of FSC related tax-sharing arrangement.....	--	(4,201)	(2,920)	(4,858)
Effect of remeasurement of deferred tax liability.....	1,687	--	--	--
State and local taxes, net of federal tax benefit.....	1,691	(2,080)	1,258	2,786
All other, net.....	(1,779)	756	(505)	(3,321)
	-----	-----	-----	-----
Provision (benefit) for income tax.....	\$ 29,029	\$(50,366)	\$19,557	\$48,121
	-----	-----	-----	-----

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

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 clean up and closure programs

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

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 \$152.8 million in pre-tax reserves for discontinued operations, including an increase to the reserve in 1990 of \$65.7 million (\$43.4 million after-tax) as a result of revisions in the estimate of future environmental costs 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 clean up 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 clean up 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 at these sites during the two year period 1994-1995 will approximate \$20 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 Pulp Mill and Vanillin plant, and the associated Grays Harbor Paper Company (collectively referred to as the Grays Harbor Complex). In August, 1993 the bulk of the Grays Harbor Complex was sold.

As of September 30, 1993 the Company had \$85.5 million (unaudited) 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.

BANK LOANS

At September 30, 1993, Rayonier had short-term loans payable to various banks totaling \$90 million at interest rates ranging from 3.3 percent to 3.9 percent (unaudited). At December 31, 1992, the Company had short-term loans payable to various banks totaling \$100 million at interest rates ranging from 3.75 percent to 4.44 percent. At December 31, 1991, Rayonier had a short-term bank loan of \$5 million with an interest rate of 5 percent.

The fair value of Rayonier's short-term bank loans approximates carrying value at September 30, 1993 (unaudited).

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

LONG-TERM DEBT

As of September 30, 1993 (unaudited) and December 31, 1992 and 1991 Rayonier's long-term debt at various interest rates included the following (thousands of dollars):

YEARS OF MATURITY	UNDER 5%	5% TO 7%	OVER 7%	TOTAL
1994	\$ --	\$ 87	\$ 1,116	\$ 1,203
1995	33,333	92	126	33,551
1996	33,333	387	137	33,857
1997	34,107	2,080	149	36,336
1998 -- 2002	--	27,395	110,337	137,732
2003 -- 2007	--	14,510	23,300	37,810
2008 -- 2012	--	15,705	--	15,705
2015	--	6,920	15,000	21,920
TOTAL -- 1993	\$100,773	\$67,176	\$150,165	\$318,114
TOTAL -- 1992	\$100,773	\$40,951	\$161,680	\$303,404
TOTAL -- 1991	\$ 783	\$97,511	\$101,812	\$200,106

On October 15, 1992, the Company issued \$110 million of 7.5 percent notes due October 15, 2002 (the Notes). The Notes were issued pursuant to a Registration Statement, filed on Form S-3 effective September 29, 1992, which 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 "New Zealand Acquisition").

On April 5, 1993, the Company established a \$140 million Medium Term Note program pursuant to the Registration Statement filed on Form S-3 effective September 29, 1992. 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 (unaudited).

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 fifty basis points. At December 31, 1992, the variable rate of interest was 4.06 percent. At September 30, 1993, the variable rate of interest was 3.63 percent (unaudited).

The estimated fair value of long-term debt as of September 30, 1993 exceeds the carrying value of such debt by approximately \$16 million (unaudited).

The most restrictive long-term debt agreement in effect at September 30, 1993, as amended in December 1993, provides that the ratio of the Company's indebtedness to the sum of such indebtedness plus consolidated tangible net worth cannot exceed 50%. As of September 30, 1993, this ratio was 37% and the ratio increased to approximately 45% at year end after the Company completed its previously planned recapitalization program (unaudited). In addition, at September 30, 1993, a total of \$367 million of retained earnings was unrestricted as to the payment of dividends (unaudited), which was reduced by \$90 million upon the payment of a dividend to ITT pursuant to such recapitalization program.

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

STOCKHOLDER EQUITY

On May 11, 1992, the Company filed a Restated Certificate of Incorporation which amended its Certificate of Incorporation to authorize 250,000 shares of a new class of stock designated as preferred stock with a par value of \$1.00 per share. The preferred stock may be issuable in series as authorized by the Company's Board of Directors. The Restated Certificate also renamed the Company's existing \$100.00 par value per share capital stock as common stock and increased, to 500, the number of shares authorized. The number of shares issued and outstanding remains at 79.

The Restated Certificate designated 100,000 shares of the authorized preferred stock as Cumulative Preferred Stock, \$77.50 Series A with a redemption value of \$1,000.00 per share. Such shares are callable by the Company and in most regards have voting rights similar to the Company's common stock. Dividends are payable quarterly.

On May 15, 1992, the Company 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 the Company on its classes of stock during 1992, 1991 and 1990 were \$17,530, \$19,613 and \$61,352, respectively. The 1992 amount includes \$471 paid on the Series A Preferred Stock. Dividends paid by the Company during the nine month period ended September 30, 1993 totaled \$30,194 (unaudited).

EMPLOYEE BENEFIT PLANS

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

The following table discloses periodic pension cost for Rayonier plans and total Rayonier pension expense for the three years ended December 31, 1992:

	1992	1991	1990
	-----	-----	-----
Defined Benefit Plans			
Service Cost.....	\$ 1,668	\$ 1,574	\$ 1,472
Interest Cost.....	5,707	5,562	5,350
Return on Assets.....	(5,325)	(6,320)	1,255
Net Amortization and Deferral.....	(1,451)	(73)	(7,257)
	-----	-----	-----
Net Periodic Pension Cost of Rayonier Plans.....	599	743	820
Other Pension Costs			
Rayonier Portion of ITT Salaried Retirement Plan....	2,938	2,460	2,651
Multi-Employer Plan.....	--	24	43
Defined Contribution (Savings) Plans.....	1,329	1,267	1,352
	-----	-----	-----
Total Pension Expense.....	\$ 4,866	\$ 4,494	\$ 4,866
	-----	-----	-----

Pension expense during the nine month period ended September 30, 1993 totaled \$3,795 (unaudited).

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

The following table sets forth the funded status of the Rayonier pension plans, the amounts recognized in the balance sheets of the Company at December 31, 1992 and 1991 and the principal weighted average assumptions inherent in their determinations:

ACTUAL PRESENT VALUE OF BENEFIT OBLIGATIONS	ASSETS EXCEED ACCUMULATED BENEFITS	
	1992	1991
Vested benefit obligation.....	\$67,340	\$65,496
Accumulated benefit obligation.....	\$71,175	\$69,111
Projected benefit obligation.....	\$71,448	\$69,342
Plan assets at fair value.....	77,303	75,507
Projected benefit obligation under plan assets.....	5,855	6,165
Unrecognized net (gain) loss.....	6,491	4,287
Unrecognized past service cost.....	5,059	6,063
Unrecognized net assets at January 1, 1992 and 1991.....	(6,959)	(8,012)
Prepaid pension asset recognized in the balance sheets.....	\$10,446	\$ 8,503
Actuarial Assumptions:		
Discount Rate.....	8.50%	8.50%
Rate of Return on Invested Assets.....	9.75%	9.75%
Salary Increase Assumption.....	5.00%	5.00%

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 portion 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 1992:

Service Cost.....	\$ 239
Interest Cost.....	721
Net periodic expense for hourly plans.....	960
Rayonier portion of expense for ITT Plans for salaried employees.....	1,653
Total Postretirement expense.....	\$ 2,613

Postretirement health care and life insurance benefits expense during the nine month period ended September 30, 1993 totaled \$1,673 (unaudited). For 1991 and 1990, the aggregate costs amounted to \$2,232 and \$2,287 under the prior accounting method.

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

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

Accumulated postretirement benefit obligation.....	\$ 9,228

Liability recognized in the balance sheet.....	\$ 9,228

Discount rate.....	8.50%
Ultimate health care trend rate.....	6.60%

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) was 13.0 percent for 1992, decreasing ratably to 6.6 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 \$900 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.

LEASES AND RENTALS

As of December 31, 1992, minimum rental commitments under noncancelable operating leases were as follows (thousands of dollars):

YEAR	

1993.....	\$ 4,805
1994.....	4,659
1995.....	4,506
1996.....	3,987
1997.....	3,219
Remaining Years.....	6,404

Total Minimum Lease Payments.....	\$27,580

Operating lease commitments at December 31, 1992 include the 1985 sale and leaseback of Rayonier's Baxley, Georgia sawmill assets amounting to approximately \$10.6 million, the lease on Rayonier's executive offices, which was renegotiated and renewed in 1991, of approximately \$9.8 million, the fixed portions of the 1985 lease of equipment under a master lease agreement through ITT of approximately \$3.6 million and the 1992 lease of New Zealand office space of \$1.1 million.

Total rental expense for operating leases amounted to \$6,485, \$6,301 and \$7,332 in 1992, 1991 and 1990, respectively. Such rental expense totaled \$4,883 and \$4,864 during the nine month periods ended September 30, 1993 and 1992, respectively (unaudited).

CONTINGENCIES

Rayonier and its subsidiaries are involved in various legal actions, some of which involve claims for substantial sums. Rayonier's ultimate liability with respect to these and other contingencies is not considered material to its consolidated financial position. Reference is made to "BUSINESS OF RAYONIER -- Legal Proceedings" contained elsewhere in this Information Statement.

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

SEGMENT INFORMATION

Segment information for the nine months ended September 30, 1993 and 1992 and the three years ended December 31, 1992 was as follows (millions of dollars):

	SALES				
	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	(UNAUDITED)				
Timber and Wood Products.....	\$385.8	\$334.3	\$ 442.6	\$401.5	\$ 418.0
Specialty Pulp Products.....	341.4	389.6	525.3	553.3	615.3
Intersegment Eliminations.....	(27.9)	(27.4)	(34.1)	(30.7)	(11.1)
Total before Dispositions.....	699.3	696.5	933.8	924.1	1,022.2
Dispositions.....	--	36.7	39.9	54.8	82.1
Total.....	\$699.3	\$733.2	\$ 973.7	\$978.9	\$1,104.3

	OPERATING INCOME (LOSS)				
	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	(UNAUDITED)				
Timber and Wood Products.....	\$113.1	\$ 84.7	\$ 100.0	\$ 77.8	\$ 74.4
Specialty Pulp Products.....	(2.4)	11.5	6.5	36.1	112.7
Intersegment Eliminations.....	(1.1)	1.0	2.9	(1.4)	(1.3)
Total before Dispositions.....	109.6	97.2	109.4	112.5	185.8
Dispositions.....	--	(10.3)	(196.0)	(15.8)	4.2
Total.....	\$109.6	\$ 86.9	\$ (86.6)	\$ 96.7	\$ 190.0

	DEPRECIATION, DEPLETION AND AMORTIZATION				
	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	(UNAUDITED)				
Timber and Wood Products.....	\$ 15.4	\$ 13.1	\$ 16.3	\$ 11.9	\$ 11.7
Specialty Pulp Products.....	41.8	41.4	55.4	49.4	43.4
Dispositions.....	--	5.0	6.2	8.0	8.7
Total.....	\$ 57.2	\$ 59.5	\$ 77.9	\$ 69.3	\$ 63.8

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

GROSS PLANT ADDITIONS

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	(UNAUDITED)				
Timber and Wood Products.....	\$ 19.7	\$ 15.0	\$ 22.6	\$ 19.7	\$ 16.6
Specialty Pulp Products.....	29.6	52.7	71.1	107.6	76.2
Dispositions.....	--	1.9	2.2	5.3	6.2
Unallocated.....	0.4	0.8	1.1	1.0	0.6
Total.....	\$ 49.7	\$ 70.4	\$ 97.0	\$133.6	\$ 99.6

IDENTIFIABLE ASSETS

	AS OF	YEAR ENDED DECEMBER 31,		
	SEPTEMBER 30,	1992	1991	1990
	1993	(UNAUDITED)		
Timber and Wood Products.....	\$ 661.1	\$ 591.1	\$ 399.7	\$ 436.5
Specialty Pulp Products.....	806.3	822.2	790.9	726.9
Dispositions.....	3.8	11.6	131.3	128.8
Unallocated.....	46.8	51.5	50.4	60.9
Total.....	\$ 1,518.0	\$1,476.4	\$1,372.3	\$1,353.1

Sales to unaffiliated customers in foreign countries from United States based operations:

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,	
	1993	1992	1991	1990
	(UNAUDITED)			
Asia Pacific.....	\$222.8	\$ 302.5	\$291.3	\$ 350.1
Western Europe.....	81.9	145.8	159.8	170.0
Other.....	47.1	63.4	61.9	69.8
Total.....	\$351.8	\$ 511.7	\$513.0	\$ 589.9

Sales by industry segment includes sales to unaffiliated customers and sales between industry segments. The intersegment sales consist principally of sales of pulpwood by the Timber and Wood Products segment to the Company's pulp mills. The intersegment sales price approximates the market value of these products.

Reference is made to "Business of Rayonier" contained elsewhere in this Information Statement, for a further description of the industry segments of Rayonier.

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

GEOGRAPHICAL INFORMATION -- TOTAL SEGMENTS

	SALES				
	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	(UNAUDITED)				
United States.....	\$ 626.4	\$ 713.3	\$ 944.2	\$ 967.6	\$1,098.6
New Zealand.....	68.7	19.9	29.5	11.3	5.7
Other.....	4.2	--	--	--	--
Total.....	\$ 699.3	\$ 733.2	\$ 973.7	\$ 978.9	\$1,104.3

	OPERATING INCOME (LOSS)				
	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,		
	1993	1992	1992	1991	1990
	(UNAUDITED)				
United States.....	\$ 84.5	\$ 85.6	\$ (88.9)	\$ 99.1	\$ 190.6
New Zealand.....	26.6	3.2	4.7	0.5	0.5
Other.....	(1.5)	(1.9)	(2.4)	(2.9)	(1.1)
Total.....	\$ 109.6	\$ 86.9	\$ (86.6)	\$ 96.7	\$ 190.0

	IDENTIFIABLE ASSETS			
	AS OF SEPTEMBER 30, 1993	YEAR ENDED DECEMBER 31,		
	(UNAUDITED)	1992	1991	1990
United States.....	\$1,289.8	\$1,270.8	\$1,366.9	\$1,349.4
New Zealand.....	225.8	205.2	5.0	3.5
Other.....	2.4	0.4	0.4	0.2
Total.....	\$1,518.0	\$1,476.4	\$1,372.3	\$1,353.1

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Additional information relating to certain items charged to costs and expenses in the statements of consolidated income is as follows (thousands of dollars):

	1992	1991	1990
Taxes other than payroll and income taxes.....	\$13,258	\$14,569	\$13,673
Maintenance and repairs.....	\$65,778	\$66,047	\$69,544

ITT RAYONIER INCORPORATED AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLAR AMOUNTS IN THOUSANDS UNLESS OTHERWISE STATED)

QUARTERLY RESULTS FOR 1993, 1992 AND 1991 (UNAUDITED) (THOUSANDS OF DOLLARS):

1993	QUARTER ENDED				TOTAL
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31	
Sales.....	\$216,320	\$256,575	\$226,445		\$ 699,340
Operating Income.....	\$ 36,649	\$ 48,750	\$ 24,245		\$ 109,644
Net Income.....	\$ 16,820	\$ 24,790	\$ 7,733		\$ 49,343

1992					
Sales.....	\$232,390	\$235,218	\$265,579	\$ 240,486	\$ 973,673
Operating Income (Loss).....	\$ 31,944	\$ 22,987	\$ 31,962	\$(173,497)	\$ (86,604)
Net Income (Loss).....	\$ (8,287)(a)	\$ 6,996	\$ 12,754	\$(114,939)(b)	\$(103,476)

1991					
Sales.....	\$222,706	\$250,103	\$245,154	\$ 260,987	\$ 978,950
Operating Income.....	\$ 33,331	\$ 23,573	\$ 19,837	\$ 20,004	\$ 96,745
Net Income.....	\$ 17,391	\$ 10,119	\$ 9,213	\$ 7,614	\$ 44,337

(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. See "Changes in Accounting Principles."

(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.