# UNITED STATES SECURITIES AND EXCHANGE COMMISSION
## Washington, D.C. 20549

# FORM 10-Q/A
# (AMENDMENT NO. 1)

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014

OR

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

For the transition period from to

**Commission File Number 1-6780**

# RAYONIER INC.

Incorporated in the State of North Carolina

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

**225 WATER STREET, SUITE 1400**
**JACKSONVILLE, FL 32202**
**(Principal Executive Office)**

**Telephone Number: (904) 357-9100**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO o

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

| | |
|---|---|
| Large accelerated filer x | Accelerated filer o |
| Non-accelerated filer o | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

As of November 3, 2014, there were outstanding 126,726,146 Common Shares of the registrant.

## EXPLANATORY NOTE

This Amendment No. 1 (this "Amendment") to the Quarterly Report on Form 10-Q of Rayonier Inc. (the "Company") for the quarterly period ended March 31, 2014 is being filed to amend and restate in their entirety the following items of its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 that was filed on April 30, 2014 (the "Original Filing"): (i) Item 1 of Part I, "Financial Information," (ii) Item 2 of Part I, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and (iii) Item 4 of Part I, "Controls and Procedures". The Company has also updated the signature page, the certifications of its chief executive officer and chief financial officer in Exhibits 31.1, 31.2 and 32 and its unaudited consolidated financial statements formatted in Extensible Business Reporting Language (XBRL) in Exhibit 101. Concurrently with the filing of this Amendment, the Company is also filing Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 31, 2013, Amendment No. 1 to its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 and Amendment No. 1 to its Form 8-K filed with the Securities and Exchange Commission on July 3, 2014.

On June 27, 2014, the Company spun off its Performance Fibers business to its shareholders as a newly formed publicly traded company named Rayonier Advanced Materials Inc. Following the spin-off, new management conducted a review of the Company's operations and business strategies and identified issues related to its historical timber harvest levels, its estimate of merchantable timber inventory and the effect of such estimate on its calculation of depletion expense in each of the quarterly periods ended March 31, 2014 and June 30, 2014. At the direction of the Company's Board of Directors, management commenced an internal review into these matters with the assistance of independent counsel, forensic accountants and financial advisers. As a result of the internal review, the Company concluded that it included in merchantable timber inventory for 2014, timber in specially designated parcels located in restricted, environmentally sensitive or economically inaccessible areas, which was incorrect, inconsistent with its definition of merchantable timber inventory, and a significant change from prior years. As a result, the Company concluded that it understated its depletion expense in cost of goods sold (referred to as "Cost of sales" in the Company's consolidated statements of income) by approximately $2.0 million in each of the quarterly periods ended March 31, 2014 and June 30, 2014, which resulted in a corresponding overstatement of income from continuing operations of $1.9 million and $2.0 million, respectively, in those periods. In addition, management determined that there was a material weakness in the Company's internal controls related to merchantable timber inventory, as discussed in Part I, Item 4 of this Amendment. Accordingly, the Company has filed this Amendment and the restated interim consolidated financial statements contained herein. Further details of the errors and the impact on the unaudited financial statements set forth in the Original Filing are contained in Note 3 — *Restatement of Previously Issued Consolidated Financial Statements* in the Notes to the Unaudited Consolidated Financial Statements included in this Amendment.

The Company has not modified or updated disclosures presented in the Original Filing, except to reflect the effects of the restatement of the Company's financial statements and disclose the material weaknesses in our internal control over financial reporting that has been identified since the date of the Annual Report on Form 10-K, as described above. Accordingly, this Amendment does not reflect events occurring after the Original Filing, except as noted above, and this Amendment continues to speak as of the date of the Original Filing. Therefore, this Amendment should be read in conjunction with the Company's other filings made with the Securities and Exchange Commission subsequent to the filing of the Original Filing, including any amendments to those filings.

## TABLE OF CONTENTS

Table of Contents

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2014** (Restated) | **2013** |
| **SALES** | $ 386,686 | $ 393,719 |
| Costs and Expenses | | |
| Cost of sales | 304,619 | 266,018 |
| Selling and general expenses | 15,491 | 16,099 |
| Other operating expense (income), net (Note 18) | 3,537 | (3,503) |
| | 323,647 | 278,614 |
| Equity in income of New Zealand joint venture | — | 258 |
| **OPERATING INCOME** | 63,039 | 115,363 |
| Interest expense | (12,969) | (7,717) |
| Interest and miscellaneous (expense) income, net | (1,015) | 57 |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 49,055 | 107,703 |
| Income tax expense | (7,712) | (4,445) |
| **INCOME FROM CONTINUING OPERATIONS** | 41,343 | 103,258 |
| **DISCONTINUED OPERATIONS, NET (Note 2)** | | |
| Income from discontinued operations, net of income tax expense of $0 and $22,273 | — | 44,477 |
| **NET INCOME** | 41,343 | 147,735 |
| Less: Net loss attributable to noncontrolling interest | (83) | — |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 41,426 | 147,735 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Foreign currency translation adjustment | 17,803 | 975 |
| New Zealand joint venture cash flow hedges, net of income tax expense of $501 and $0 | 1,711 | 554 |
| Amortization of pension and postretirement plans, net of income tax expense of $931 and $2,204 | 2,097 | 4,969 |
| Total other comprehensive income | 21,611 | 6,498 |
| **COMPREHENSIVE INCOME** | 62,954 | 154,233 |
| Less: Comprehensive income attributable to noncontrolling interest | 5,425 | — |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.** | $ 57,529 | $ 154,233 |
| **EARNINGS PER COMMON SHARE (Note 4)** | | |
| **BASIC EARNINGS PER SHARE ATTRIBUTABLE TO RAYONIER INC.** | | |
| Continuing Operations | $ 0.33 | $ 0.83 |
| Discontinued Operations | — | 0.36 |
| Net Income | $ 0.33 | $ 1.19 |
| **DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO RAYONIER INC.** | | |
| Continuing Operations | $ 0.32 | $ 0.79 |
| Discontinued Operations | — | 0.34 |
| Net Income | $ 0.32 | $ 1.13 |

See Notes to Consolidated Financial Statements.

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

| | March 31, 2014 (Restated) | December 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 156,071 | $ 199,644 |
| Accounts receivable, less allowance for doubtful accounts of $777 and $673 | 111,697 | 94,956 |
| Inventory | | |
| Finished goods | 124,075 | 115,270 |
| Work in progress | 2,533 | 3,555 |
| Raw materials | 12,943 | 17,661 |
| Manufacturing and maintenance supplies | 2,377 | 2,332 |
| Total inventory | 141,928 | 138,818 |
| Deferred tax assets | 31,580 | 39,100 |
| Prepaid and other current assets | 54,577 | 46,576 |
| Total current assets | 495,853 | 519,094 |
| **TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION** | 2,067,549 | 2,049,378 |
| **PROPERTY, PLANT AND EQUIPMENT** | | |
| Land | 20,620 | 20,138 |
| Buildings | 188,913 | 180,573 |
| Machinery and equipment | 1,756,924 | 1,760,641 |
| Construction in progress | 32,560 | 19,795 |
| Total property, plant and equipment, gross | 1,999,017 | 1,981,147 |
| Less — accumulated depreciation | (1,137,048) | (1,120,326) |
| Total property, plant and equipment, net | 861,969 | 860,821 |
| **OTHER ASSETS** | 217,458 | 256,208 |
| **TOTAL ASSETS** | $ 3,642,829 | $ 3,685,501 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 86,282 | $ 69,293 |
| Current maturities of long-term debt | 114,319 | 112,500 |
| Accrued taxes | 11,374 | 8,551 |
| Accrued payroll and benefits | 19,261 | 24,948 |
| Accrued interest | 13,857 | 9,531 |
| Accrued customer incentives | 10,082 | 9,580 |
| Other current liabilities | 35,870 | 34,874 |
| Current liabilities for dispositions and discontinued operations (Note 13) | 6,446 | 6,835 |
| Total current liabilities | 297,491 | 276,112 |
| **LONG-TERM DEBT** | 1,393,887 | 1,461,724 |
| **NON-CURRENT LIABILITIES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS (Note 13)** | 67,456 | 69,543 |
| **PENSION AND OTHER POSTRETIREMENT BENEFITS (Note 15)** | 95,098 | 95,654 |
| **OTHER NON-CURRENT LIABILITIES** | 31,254 | 27,225 |
| **COMMITMENTS AND CONTINGENCIES (Notes 12 and 14)** | | |
| **SHAREHOLDERS' EQUITY** | | |
| Common Shares, 480,000,000 shares authorized, 126,451,505 and 126,257,870 shares issued and outstanding | 694,236 | 692,100 |
| Retained earnings | 994,624 | 1,015,209 |
| Accumulated other comprehensive loss | (30,037) | (46,139) |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,658,823 | 1,661,170 |
| Noncontrolling interest | 98,820 | 94,073 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,757,643 | 1,755,243 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 3,642,829 | $ 3,685,501 |

See Notes to Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2014 (Restated) | 2013 |
| **OPERATING ACTIVITIES** | | |
| Net income | $ 41,343 | $ 147,735 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 48,728 | 35,992 |
| Non-cash cost of real estate sold | 978 | 633 |
| Stock-based incentive compensation expense | 3,103 | 3,280 |
| Deferred income taxes | 5,596 | 1,832 |
| Tax benefit of AFMC for CBPC exchange | — | (18,761) |
| Amortization of losses from pension and postretirement plans | 3,028 | 6,279 |
| Gain on sale of discontinued operations, net | — | (42,670) |
| Gain on foreign currency forward contracts | — | (1,881) |
| Other | (287) | (4,656) |
| Changes in operating assets and liabilities: | | |
| Receivables | (15,950) | (8,778) |
| Inventories | (950) | 11,197 |
| Accounts payable | 13,929 | 15,386 |
| Income tax receivable/payable | 1,319 | 15,915 |
| All other operating activities | 935 | 99 |
| Payment to exchange AFMC for CBPC | — | (70,311) |
| Expenditures for dispositions and discontinued operations | (2,498) | (1,631) |
| CASH PROVIDED BY OPERATING ACTIVITIES | 99,274 | 89,660 |
| **INVESTING ACTIVITIES** | | |
| Capital expenditures | (36,755) | (32,664) |
| Purchase of timberlands | (10,637) | (1,560) |
| Jesup mill cellulose specialties expansion (gross purchases of $0 and $57,693, net of purchases on account of $0 and $20,959) | — | (36,734) |
| Proceeds from disposition of Wood Products business | — | 83,741 |
| Change in restricted cash | 45,312 | 9,908 |
| Other | 1,592 | 1,790 |
| CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES | (488) | 24,481 |
| **FINANCING ACTIVITIES** | | |
| Issuance of debt | 31,819 | 100,000 |
| Repayment of debt | (110,000) | (170,000) |
| Dividends paid | (62,545) | (57,744) |
| Proceeds from the issuance of common shares | 2,027 | 4,091 |
| Excess tax (deficiencies) benefits on stock-based compensation | (1,240) | 6,191 |
| Repurchase of common shares | (1,754) | (11,241) |
| Other | (679) | — |
| CASH USED FOR FINANCING ACTIVITIES | (142,372) | (128,703) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | 13 | (17) |
| **CASH AND CASH EQUIVALENTS** | | |
| Change in cash and cash equivalents | (43,573) | (14,579) |
| Balance, beginning of year | 199,644 | 280,596 |
| Balance, end of period | $ 156,071 | $ 266,017 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| Cash paid during the period: | | |
| Interest | $ 8,990 | $ 3,562 |
| Income taxes | $ 7,134 | $ 70,403 |
| Non-cash investing activity: | | |
| Capital assets purchased on account | $ 17,891 | $ 49,094 |

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 1. BASIS OF PRESENTATION

*Basis of Presentation*

The unaudited consolidated financial statements and notes thereto of Rayonier Inc. and its subsidiaries ("Rayonier" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, these financial statements and notes reflect all adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the financial statements and supplementary data included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as amended by Amendment No. 1 to the Form 10-K on Form 10-K/A (the "Amended Form 10-K"), as filed with the SEC.

*Reclassifications*

Certain 2013 amounts have been reclassified to agree with the current year presentation.

*New Accounting Standards*

In March 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity.* This standard requires a parent entity to release a related foreign entity's cumulative translation adjustment into net income only if its sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The cumulative translation adjustment should be released into net income if the transaction results in the loss of a controlling financial interest in a foreign entity or results in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date. ASU No. 2013-05 became effective first quarter 2014. The adoption of this standard did not have any impact on the consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* The standard requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss ("NOL") or similar carryforward or a tax credit carryforward. If an NOL or tax credit carryforward is not available at the reporting date or tax law of the applicable jurisdiction does not require the entity to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability. ASU 2013-11 became effective first quarter of 2014. The Company has applied the standard to its income tax balances and it did not have a material impact on the Company's financial position. See Note 5 — *Income Taxes* for further information.

*Subsequent Events*

The Company evaluated events and transactions that occurred after the balance sheet date but before financial statements were issued, and no subsequent events were identified that warranted disclosure.

*Separation of Performance Fibers Business*

In January 2014, the Company announced its intention to separate the Performance Fibers business from the Forest Resources and Real Estate businesses. The separation will result in two independent, publicly-traded companies by means of a tax-free spin-off to Rayonier shareholders of a newly formed company named Rayonier Advanced Materials Inc. which will contain the Performance Fibers segment of Rayonier. The separation, which is subject to a number of conditions including final Board approval, receipt of a favorable private letter ruling from the Internal Revenue Service ("IRS") and effectiveness of a registration statement on Form 10, is expected to be completed by mid-2014.

(Dollar amounts in thousands unless otherwise stated)

## 2. SALE OF WOOD PRODUCTS BUSINESS

On March 1, 2013, Rayonier completed the sale of its Wood Products business (consisting of three lumber mills in Baxley, Swainsboro and Eatonton, Georgia) to International Forest Products Limited ("Interfor") for $80 million plus a working capital adjustment. Accordingly, the operating results of the Wood Products business, formerly reported as a separate operating segment, are classified as discontinued operations in the Company's Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2013.

Rayonier recognized an after-tax gain of $42.7 million on the sale. The gain is included in "Income from discontinued operations, net" on the Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2013.

The following table summarizes the operating results of the Company's discontinued operations and the related gain for the three months ended March 31, 2013, as presented in "Income from discontinued operations, net" on the Consolidated Statements of Income and Comprehensive Income:

| | Three Months Ended March 31, 2013 |
|---|---|
| Sales | $ 16,968 |
| Income from discontinued operations, net | $ 44,477 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 3. RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

Subsequent to the issuance of the Original Filing, the Company identified issues related to its historical timber harvest levels, its estimate of merchantable timber inventory and the effect of such estimate on its calculation of depletion expense in the quarterly period ended March 31, 2014. The Company determined that it had understated its depletion expense in cost of goods sold (referred to as “Cost of sales” in the Company’s consolidated statements of income and comprehensive income) by approximately $2 million for the period. As a result, the financial amounts noted below have been restated from amounts previously reported.

The following tables summarize the effect of these restatements for the period:

| | Consolidated Statements of Income and Comprehensive Income for the Three Months Ended March 31, 2014 | | |
|---|---|---|---|
| | **As Previously Reported** | **Restatement** | **As Restated** |
| Operating Income | $ 65,008 | $ (1,969) | $ 63,039 |
| Income Tax Expense | (7,732) | 20 | (7,712) |
| Income from Continuing Operations | 43,292 | (1,949) | 41,343 |
| Net Income | 43,292 | (1,949) | 41,343 |
| Net Income Attributable to Rayonier Inc. | 43,375 | (1,949) | 41,426 |
| Basic Earnings Per Share Attributable to Rayonier Inc. | | | |
| Continuing Operations | $ 0.34 | (0.01) | $ 0.33 |
| Discontinued Operations | — | — | — |
| Net Income | $ 0.34 | $ (0.01) | $ 0.33 |
| Diluted Earnings Per Share Attributable to Rayonier Inc. | | | |
| Continuing Operations | $ 0.34 | (0.02) | $ 0.32 |
| Discontinued Operations | — | — | — |
| Net Income | $ 0.34 | $ (0.02) | $ 0.32 |

| | Consolidated Balance Sheet as of March 31, 2014 | | |
|---|---|---|---|
| | **As Previously Reported** | **Restatement** | **As Restated** |
| Prepaid and Other Current Assets | $ 54,557 | $ 20 | $ 54,577 |
| Timber and Timberlands, Net of Depletion and Amortization | 2,069,518 | (1,969) | 2,067,549 |
| Retained earnings | 996,573 | (1,949) | 994,624 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 4. EARNINGS PER COMMON SHARE

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2014 (Restated) | 2013 |
| Income from continuing operations | $ 41,343 | $ 103,258 |
| Less: Loss from continuing operations attributable to noncontrolling interest | (83) | — |
| Income from continuing operations attributable to Rayonier Inc. | $ 41,426 | $ 103,258 |
| | | |
| Income from discontinued operations attributable to Rayonier Inc. | $ — | $ 44,477 |
| | | |
| Net income attributable to Rayonier Inc. | $ 41,426 | $ 147,735 |
| | | |
| Shares used for determining basic earnings per common share | 126,344,987 | 124,479,865 |
| Dilutive effect of: | | |
| Stock options | 286,535 | 533,031 |
| Performance and restricted shares | 83,850 | 448,440 |
| Assumed conversion of Senior Exchangeable Notes (a) | 1,063,538 | 2,115,959 |
| Assumed conversion of warrants (a) (b) | 645,583 | 2,859,593 |
| Shares used for determining diluted earnings per common share | 128,424,493 | 130,436,888 |
| Basic earnings per common share attributable to Rayonier Inc.: | | |
| Continuing operations | $ 0.33 | $ 0.83 |
| Discontinued operations | — | 0.36 |
| Net income | $ 0.33 | $ 1.19 |
| Diluted earnings per common share attributable to Rayonier Inc.: | | |
| Continuing operations | $ 0.32 | $ 0.79 |
| Discontinued operations | — | 0.34 |
| Net income | $ 0.32 | $ 1.13 |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2014 | 2013 |
| Anti-dilutive shares excluded from the computations of diluted earnings per share: | | |
| Stock options, performance and restricted shares | 731,046 | 220,701 |
| Assumed conversion of exchangeable note hedges (a) | 1,063,538 | 2,115,959 |
| Total | 1,794,584 | 2,336,660 |

(a) Rayonier will not issue additional shares upon future exchange or maturity of the Senior Exchangeable Notes due 2015 (the “2015 Notes”) due to offsetting hedges. Accounting Standards Codification 260, *Earnings Per Share* requires the assumed conversion of the 2015 Notes to be included in dilutive shares if the average stock price for the period exceeds the strike prices, while the assumed conversion of the hedges is excluded since they are anti-dilutive. As such, the full dilutive effect of the 2015 Notes was included for the three months ended March 31, 2013 and March 31, 2014.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

The Senior Exchangeable Notes due 2012 (the “2012 Notes”) matured in October 2012; however, no additional shares were issued due to offsetting exchangeable note hedges. The warrants sold in conjunction with the 2012 Notes began maturing on January 15, 2013 and matured ratably through March 27, 2013. As a result, 2,037,303 shares were issued through the end of the first quarter of 2013. The dilutive impact of these warrants was calculated based on the length of time they were outstanding before settlement. Rayonier will distribute additional shares upon maturity of the warrants associated with the 2015 Notes if the stock price exceeds $38.97 per share. For further information, see Note 13 — *Debt* in the Amended Form 10-K and Note 16 — *Debt* of this Form 10-Q/A.

(b) The shares used for the assumed conversion of the warrants decreased in the first quarter of 2014 as there was no dilutive impact from the warrants on the 2012 Notes.

## 5. INCOME TAXES

Rayonier is a real estate investment trust (“REIT”). In general, only its taxable REIT subsidiaries, whose businesses include the Company’s non-REIT qualified activities, and foreign activities, are subject to corporate income taxes. Accordingly, the provision for corporate income taxes relates principally to current and deferred taxes on taxable REIT subsidiaries’ income and foreign operations.

***Alternative Fuel Mixture Credit (“AFMC”) and Cellulosic Biofuel Producer Credit (“CBPC”)***

The U.S. Internal Revenue Code allowed two credits for taxpayers that produced and used an alternative fuel in the operation of their business through December 31, 2009. The AFMC is a $.50 per gallon refundable tax credit (which is not taxable), while the CBPC is a $1.01 per gallon credit that is nonrefundable, taxable and has limitations based on an entity’s tax liability. Rayonier produces and uses an alternative fuel (“black liquor”) at its Jesup, Georgia and Fernandina Beach, Florida Performance Fibers mills, which qualified for both credits. The Company claimed the AFMC on its original 2009 tax return. In the first quarter of 2013, management approved a $70 million tax payment to exchange approximately 120 million gallons of black liquor previously claimed for the AFMC for the CBPC, resulting in a $19 million tax benefit.

***Provision for Income Taxes from Continuing Operations***

The Company’s effective tax rate is below the 35 percent U.S. statutory tax rate primarily due to tax benefits associated with being a REIT. The Company’s effective tax rate in the prior year period was lower than 2014 primarily due to recording the above referenced AFMC exchange. Excluding the AFMC for CBPC exchange, the effective tax rate decreased in the first quarter 2014 compared to the prior year period principally due to proportionately higher earnings from REIT operations.

The table below reconciles the U.S. statutory rate to the Company’s effective tax rate for each period presented (in millions of dollars):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | (Restated) | (Restated) | | |
| Income tax expense at federal statutory rate | $ 17 | 35.0 % | $ 38 | 35.0 % |
| REIT income not subject to tax | (7) | (14.2) | (11) | (10.1) |
| Manufacturing deduction | (1) | (2.2) | (2) | (2.2) |
| Other | — | (0.1) | — | 0.7 |
| Income tax expense before discrete items | 9 | 18.5 % | 25 | 23.4 % |
| Exchange of AFMC for CBPC | — | — | (19) | (17.5) |
| Other | (1) | (2.8) | (2) | (1.8) |
| Income tax expense as reported | $ 8 | 15.7 % | $ 4 | 4.1 % |

***Provision for Income Taxes from Discontinued Operations***

In first quarter 2013, Rayonier completed the sale of its Wood Products business for $80 million plus a working capital adjustment. For the three months ended March 31, 2013, income tax expense related to discontinued operations was $22.3 million ($21.4 million from the gain on sale). See Note 2 — *Sale of Wood Products Business* for additional information.

***Unrecognized Tax Benefits***

During the first quarter of 2013, the Company implemented ASU 2013-11, which requires, in certain instances, an unrecognized tax benefit (or portion of an unrecognized tax benefit) to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. As a result, the Company reclassified $3.9 million from an unrecognized tax benefit liability to a reduction to current deferred tax assets at March 31, 2014.

## 6. RESTRICTED DEPOSITS

In order to qualify for like-kind exchange (“LKE”) treatment, the proceeds from real estate sales must be deposited with a third-party intermediary. These proceeds are accounted for as restricted cash until a suitable replacement property is acquired. In the event LKE purchases are not completed, the proceeds are returned to the Company after 180 days and reclassified as available cash. As of March 31, 2014 and December 31, 2013, the Company had $23.6 million and $68.9 million, respectively, of proceeds from real estate sales classified as restricted cash in Other Assets, which were deposited with an LKE intermediary.

## 7. JOINT VENTURE INVESTMENT

On April 4, 2013 (the “acquisition date”), the Company acquired an additional 39 percent ownership interest in Matariki Forestry Group, a joint venture (“New Zealand JV”) that owns or leases approximately 0.3 million acres of New Zealand timberlands. As a result of the acquisition, Rayonier is a 65 percent owner of the New Zealand JV and 100 percent of the results of its operations subsequent to April 4, 2013 have been included in the Company’s consolidated financial statements, along with 100 percent of the JV’s assets and liabilities at March 31, 2014 and December 31, 2013. The portions of the consolidated financial position and results of operations attributable to the New Zealand JV’s 35 percent noncontrolling interest are also shown separately. Rayonier New Zealand Limited (“RNZ”), a wholly-owned subsidiary of Rayonier Inc., continues to serve as the manager of the New Zealand JV forests.

Prior to the acquisition date, the Company accounted for its 26 percent interest in the New Zealand JV as an equity method investment. The additional 39 percent interest was acquired for $139.9 million and resulted in the Company obtaining a controlling financial interest in the New Zealand JV and accordingly, the purchase was accounted for as a step-acquisition. Upon consolidation, the Company recognized a $10.1 million deferred gain, which resulted from the original sale of its New Zealand operations to the joint venture in 2005 and a $6 million benefit due to the required fair market value remeasurement of the Company’s equity interest in the New Zealand JV held before the purchase of the additional interest. The acquisition-date fair value of the previous equity interest was $93.3 million.

We have applied estimates and judgments in order to determine the fair value of assets acquired and liabilities assumed at the acquisition date. In determining fair value we utilized valuation methodologies including discounted cash flow analysis. The assumptions made in performing these valuations include assumptions as to discount rates, foreign exchange rates, and commodity prices.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

The Company’s operating results for the three months ended March 31, 2013 reflect 26 percent of the New Zealand JV’s income prior to the acquisition date, as reported in “Equity in income of New Zealand joint venture” in the Consolidated Statements of Income and Comprehensive Income. The amounts of revenue and earnings of the New Zealand JV included in the Company’s Consolidated Statements of Income and Comprehensive Income for the first quarter 2014 are as follows:

| | Three Months Ended March 31, 2014 |
|---|---|
| Sales | $ 37,764 |
| Net Loss | (734) |

The following represents the pro forma Rayonier consolidated sales and net income for the three months ended March 31, 2013 as if the additional interest in the New Zealand JV had been acquired on January 1, 2012.

| | Three Months Ended March 31, 2013 |
|---|---|
| Sales | $ 428,245 |
| Net Income | $ 146,280 |

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

## 8. SHAREHOLDERS' EQUITY

An analysis of shareholders' equity for the three months ended March 31, 2014 and the year ended December 31, 2013 is shown below (share amounts not in thousands):

| | Rayonier Inc. Shareholders Equity | | | | | |
|---|---|---|---|---|---|---|
| | Common Shares | | Retained Earnings (Restated) | Accumulated Other Comprehensive Income/(Loss) | Non-controlling Interest | Total Shareholders' Equity (Restated) |
| | Shares | Amount | | | | |
| **Balance, December 31, 2012** | 123,332,444 | $ 670,749 | $ 876,634 | $ (109,379) | $ — | $ 1,438,004 |
| Net income | — | — | 371,896 | — | 1,902 | 373,798 |
| Dividends ($1.86 per share) | — | — | (233,321) | — | — | (233,321) |
| Issuance of shares under incentive stock plans | 1,001,426 | 10,101 | — | — | — | 10,101 |
| Stock-based compensation | — | 11,710 | — | — | — | 11,710 |
| Excess tax benefit on stock-based compensation | — | 8,413 | — | — | — | 8,413 |
| Repurchase of common shares | (211,221) | (11,326) | — | — | — | (11,326) |
| Equity portion of convertible debt (Note 15) | — | 2,453 | — | — | — | 2,453 |
| Settlement of warrants (Note 15) | 2,135,221 | — | — | — | — | — |
| Net gain from pension and postretirement plans | — | — | — | 61,869 | — | 61,869 |
| Acquisition of noncontrolling interest | — | — | — | — | 96,336 | 96,336 |
| Noncontrolling interest redemption of shares | — | — | — | — | (713) | (713) |
| Foreign currency translation adjustment | — | — | — | (1,915) | (3,795) | (5,710) |
| Joint venture cash flow hedges | — | — | — | 3,286 | 343 | 3,629 |
| **Balance, December 31, 2013** | 126,257,870 | $ 692,100 | $ 1,015,209 | $ (46,139) | $ 94,073 | $ 1,755,243 |
| Net income (loss) | — | — | 41,426 | — | (83) | 41,343 |
| Dividends ($0.49 per share) | — | — | (62,011) | — | — | (62,011) |
| Issuance of shares under incentive stock plans | 235,843 | 2,027 | — | — | — | 2,027 |
| Stock-based compensation | — | 3,103 | — | — | — | 3,103 |
| Excess tax deficiency on stock-based compensation | — | (1,240) | — | — | — | (1,240) |
| Repurchase of common shares | (42,208) | (1,754) | — | — | — | (1,754) |
| Amortization of pension and postretirement plans | — | — | — | 2,097 | — | 2,097 |
| Noncontrolling interest redemption of shares | — | — | — | — | (679) | (679) |
| Foreign currency translation adjustment | — | — | — | 12,893 | 4,910 | 17,803 |
| Joint venture cash flow hedges | — | — | — | 1,112 | 599 | 1,711 |
| **Balance, March 31, 2014** | 126,451,505 | $ 694,236 | $ 994,624 | $ (30,037) | $ 98,820 | $ 1,757,643 |

(Dollar amounts in thousands unless otherwise stated)

## 9. SEGMENT AND GEOGRAPHICAL INFORMATION

Rayonier operates in three reportable business segments: Forest Resources, Real Estate and Performance Fibers. Forest Resources sales include all activities related to the harvesting of timber. Real Estate sales include all property sales, including those designated for higher and better use ("HBU"). The assets of the Real Estate segment include HBU property held by the Company's real estate subsidiary, TerraPointe LLC. The Performance Fibers segment includes two major product lines, cellulose specialties and commodity grade products (primarily viscose). The Company's remaining operations include harvesting and selling timber acquired from third parties (log trading). These operations are reported in "Other Operations." Sales between operating segments are made based on estimated fair market value, and intercompany sales, purchases and profits (losses) are eliminated in consolidation. The Company evaluates financial performance based on the operating income of the segments.

Operating income (loss) as presented in the Consolidated Statements of Income and Comprehensive Income is equal to segment income (loss). Certain income (loss) items in the Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include gains (losses) from certain asset dispositions, interest income (expense), miscellaneous income (expense) and income tax (expense) benefit, are not considered by management to be part of segment operations.

Total assets, sales, operating income (loss) and depreciation, depletion and amortization by segment including Corporate were as follows:

| ASSETS | March 31, 2014 (Restated) | December 31, 2013 |
|---|---|---|
| Forest Resources | $ 2,187,498 | $ 2,162,913 |
| Real Estate | 113,376 | 149,001 |
| Performance Fibers | 1,095,574 | 1,078,645 |
| Other Operations | 35,121 | 37,334 |
| Corporate and other | 211,260 | 257,608 |
| Total | $ 3,642,829 | $ 3,685,501 |

| | Three Months Ended March 31, | |
|---|---|---|
| SALES | 2014 | 2013 |
| Forest Resources (a) | $ 104,678 | $ 57,102 |
| Real Estate | 5,530 | 24,297 |
| Performance Fibers | 241,768 | 284,188 |
| Other Operations | 37,417 | 28,227 |
| Intersegment Eliminations | (2,707) | (95) |
| Total | $ 386,686 | $ 393,719 |

(a) First quarter 2014 included $38 million in sales from the consolidation of the New Zealand JV. See Note 7 — *Joint Venture Investment*.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2014** | **2013** |
| **OPERATING INCOME** | (Restated) | |
| Forest Resources | $ 25,546 | $ 13,255 |
| Real Estate | 725 | 16,842 |
| Performance Fibers | 48,980 | 91,670 |
| Other Operations | 184 | 165 |
| Corporate and other (a) | (12,396) | (6,569) |
| Total | $ 63,039 | $ 115,363 |

(a) First quarter 2014 included $3.3 million of separation costs related to the planned separation of the Performance Fibers business from the Forest Resources and Real Estate businesses.

| | Three Months Ended March 31, | |
|---|---|---|
| | **2014** | **2013** |
| **DEPRECIATION, DEPLETION AND AMORTIZATION** | (Restated) | |
| Forest Resources (a) | 26,887 | $ 16,444 |
| Real Estate | 910 | 4,177 |
| Performance Fibers | 20,649 | 15,153 |
| Corporate and other | 282 | 218 |
| Total | $ 48,728 | $ 35,992 |

(a) 2014 included an increase of approximately $7 million in depletion expenses related to the consolidation of the New Zealand JV. See Note 7 — *Joint Venture Investment.*

## 10. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to market risk related to potential fluctuations in foreign currency exchange rates, interest rates and fuel prices. The Company's New Zealand JV uses derivative financial instruments to mitigate the financial impact of exposure to these risks.

Accounting for derivative financial instruments is governed by Accounting Standards Codification Topic 815, *Derivatives and Hedging*, ("ASC 815"). In accordance with ASC 815, the Company records its derivative instruments at fair value as either assets or liabilities in the Consolidated Balance Sheets. Changes in the instruments' fair value are accounted for based on their intended use. Gains and losses on derivatives that are designated and qualify for cash flow hedge accounting are recorded as a component of accumulated other comprehensive income ("AOCI") and reclassified into earnings when the hedged transaction materializes. The ineffective portion of any hedge as well as changes in the fair value of derivatives not designated as hedging instruments and those which are no longer effective as hedging instruments, are recognized immediately in earnings.

*Foreign Currency Exchange and Option Contracts*

The functional currency of the New Zealand JV is the New Zealand dollar. These operations are exposed to foreign currency risk on export sales and ocean freight payments which are predominately denominated in US dollars. The New Zealand JV typically hedges at least 70 percent of its estimated foreign currency exposure with respect to the following three months forecasted sales and purchases and 50 percent of the forward twelve months.

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

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

*Interest Rate Swaps*

The Company uses interest rate swaps to manage the New Zealand JV's exposure to interest rate movements on its variable rate debt attributable to changes in the New Zealand Bank bill rate. By converting a portion of these borrowings from floating rates to fixed rates the Company has reduced the impact of interest rate changes on its expected future cash outflows. As of March 31, 2014, the Company's interest rate contracts hedged 88 percent of the New Zealand JV's variable rate debt and had maturity dates through January 2020.

*Fuel Hedge Contracts*

The Company uses fuel swap contracts to manage its New Zealand JV's exposure to changes in New Zealand's domestic diesel prices. The fuel swaps are quoted by domestic banks in New Zealand dollar price terms. As of March 31, 2014 all of the contracts had maturities of less than one year. The fair value of the fuel swap contracts is determined by a mark-to-market valuation which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract.

The following table demonstrates the impact of the Company's derivatives on the Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2014. No derivative balances were consolidated prior to the Company's acquisition of a controlling interest in the New Zealand JV in the second quarter of 2013.

| | Income Statement Location | Three Months Ended March 31, 2014 |
|---|---|---|
| **Derivatives designated as cash flow hedges:** | | |
| Foreign currency exchange contracts | Other comprehensive income (loss) | $ 1,487 |
| Foreign currency option contracts | Other comprehensive income (loss) | 725 |
| | | |
| **Derivatives not designated as hedging instruments:** | | |
| Foreign currency exchange contracts | Other operating expense (income) | 25 |
| Foreign currency option contracts | Other operating expense (income) | 7 |
| Interest rate swaps | Interest and miscellaneous (expense) income, net | (1,134) |
| Fuel hedge contracts | Cost of sales | 317 |

During the next 12 months, the amount of the March 31, 2014 AOCI balance, net of tax, expected to be reclassified into earnings as a result of the maturation of the Company's derivative instruments is a gain of approximately $2.7 million.

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

| | Notional Amount (a) | |
|---|---|---|
| | March 31, 2014 | December 31, 2013 |
| **Derivatives designated as cash flow hedges:** | | |
| Foreign currency exchange contracts | $ 37,064 | $ 32,300 |
| Foreign currency option contracts | 37,500 | 38,000 |
| | | |
| **Derivatives not designated as hedging instruments:** | | |
| Foreign currency exchange contracts | $ — | $ 1,950 |
| Foreign currency option contracts | — | 4,000 |
| Interest rate swaps | 179,066 | 183,851 |
| Fuel hedge contracts | 25 | 38 |

(a) All notional amounts are stated in thousands of dollars except fuel contracts which are denominated in thousands of barrels.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

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

| | Location on Balance Sheet | Fair Value Assets (Liabilities) (a) | |
|---|---|---|---|
| | | March 31, 2014 | December 31, 2013 |
| **Derivatives designated as cash flow hedges:** | | | |
| Foreign currency exchange contracts | Prepaid and other current assets | $ 2,616 | $ 915 |
| | Other current liabilities | (84) | — |
| Foreign currency option contracts | Prepaid and other current assets | 1,333 | 673 |
| | Other current liabilities | (90) | (214) |
| **Derivatives not designated as hedging instruments:** | | | |
| Foreign currency exchange contracts | Prepaid and other current assets | $ — | $ 25 |
| Foreign currency option contracts | Prepaid and other current assets | — | 8 |
| Interest rate swaps | Other non-current liabilities | (5,145) | (4,659) |
| Fuel hedge contracts | Prepaid and other current assets | — | 160 |
| | Other current liabilities | (159) | — |
| **Total derivative contracts:** | | | |
| Prepaid and other current assets | | $ 3,949 | $ 1,781 |
| Other current liabilities | | (333) | (214) |
| Other non-current liabilities | | (5,145) | (4,659) |
| Total derivative liabilities | | $ (5,478) | $ (4,873) |

(a) See Note 11 — *Fair Value Measurements* for further information on the fair value of our derivatives including their classification within the fair value hierarchy.

*Offsetting Derivatives*

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

## 11. FAIR VALUE MEASUREMENTS

*Fair Value of Financial Instruments*

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

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

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

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

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

The following table presents the carrying amount, estimated fair values and categorization under the fair value hierarchy of financial instruments held by the Company at March 31, 2014 and December 31, 2013, using market information and what management believes to be appropriate valuation methodologies under generally accepted accounting principles:

| | March 31, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| Asset (liability) | Carrying Amount | Fair Value | | Carrying Amount | Fair Value | |
| | | Level 1 | Level 2 | | Level 1 | Level 2 |
| Cash and cash equivalents | $ 156,071 | $ 156,071 | $ — | $ 199,644 | $ 199,644 | $ — |
| Restricted cash (a) | 23,633 | 23,633 | — | 68,944 | 68,944 | — |
| Current maturities of long-term debt | (114,319) | — | (122,187) | (112,500) | — | (119,614) |
| Long-term debt | (1,393,887) | — | (1,451,984) | (1,461,724) | — | (1,489,810) |
| Interest rate swaps (b) | (5,145) | — | (5,145) | (4,659) | — | (4,659) |
| Foreign currency exchange contracts (b) | 2,532 | — | 2,532 | 940 | — | 940 |
| Foreign currency option contracts (b) | 1,243 | — | 1,243 | 467 | — | 467 |
| Fuel contracts (b) | (159) | — | (159) | 160 | — | 160 |

(a) Restricted cash is recorded in “Other Assets” and represents the proceeds from LKE sales deposited with a third-party intermediary.

(b) See Note 10 — *Derivative Financial Instruments and Hedging Activities* for information regarding the Balance Sheet classification of the Company’s derivative financial instruments.

Rayonier uses the following methods and assumptions in estimating the fair value of its financial instruments:

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

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

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

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

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

(Dollar amounts in thousands unless otherwise stated)

## 12. GUARANTEES

The Company provides financial guarantees as required by creditors, insurance programs, and various governmental agencies. As of March 31, 2014, the following financial guarantees were outstanding:

| Financial Commitments | Maximum Potential Payment | Carrying Amount of Associated Liability |
|---|---|---|
| Standby letters of credit (a) | $ 17,355 | $ 15,000 |
| Guarantees (b) | 2,254 | 43 |
| Surety bonds (c) | 5,498 | 1,099 |
| Total financial commitments | $ 25,107 | $ 16,142 |

(a) Approximately $15 million of the standby letters of credit serve as credit support for industrial revenue bonds. The remaining letters of credit support various insurance related agreements, primarily workers' compensation and pollution liability policy requirements. These letters of credit will expire at various dates during 2014 and will be renewed as required.

(b) In conjunction with a timberland sale and note monetization in the first quarter of 2004, the Company issued a make-whole agreement pursuant to which it guaranteed $2.3 million of obligations of a special-purpose entity that was established to complete the monetization. At March 31, 2014, the Company has a de minimus liability to reflect the fair market value of its obligation to perform under the make-whole agreement.

(c) Rayonier issues surety bonds primarily to secure timber harvesting obligations in the State of Washington and to provide collateral for the Company's workers' compensation self-insurance program in that state. These surety bonds expire at various dates during 2014 and 2015 and are expected to be renewed as required.

## 13. LIABILITIES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS

An analysis of the liabilities for dispositions and discontinued operations follows:

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Balance, beginning of period | $ 76,378 | $ 81,695 |
| Expenditures charged to liabilities | (2,498) | (8,570) |
| Increase to liabilities | 22 | 3,253 |
| Balance, end of period | 73,902 | 76,378 |
| Less: Current portion | (6,446) | (6,835) |
| Non-current portion | $ 67,456 | $ 69,543 |

These prior dispositions and discontinued operations are exposed to the risk of reasonably possible additional losses in excess of the established liabilities. As of March 31, 2014, this amount could range up to $30 million, attributable to several of the applicable sites, and arises from uncertainty over the availability, feasibility and effectiveness of certain remediation technologies, additional or different contamination that may be discovered, development of new or more effective environmental remediation technologies, potential changes in applicable law and regulations, and the exercise of discretion in interpretation of applicable law and regulations by governmental agencies.

Management believes established liabilities are sufficient for probable costs expected to be incurred over the next 20 years with respect to its dispositions and discontinued operations. Remedial actions for these sites vary, but include on-site (and in certain cases off-site) removal or treatment of contaminated soils and sediments, recovery and treatment/remediation of groundwater, and source remediation and/or control.

## 14. CONTINGENCIES

Rayonier is engaged in various legal actions, including certain environmental proceedings, and has been named as a defendant in various other lawsuits and claims arising in the normal course of business. While the Company has procured reasonable and customary insurance covering risks normally occurring in connection with its businesses, it has in certain cases retained some risk through the operation of self-insurance, primarily in the areas of workers' compensation, property insurance and general liability. These other lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flow.

(Dollar amounts in thousands unless otherwise stated)

## 15. EMPLOYEE BENEFIT PLANS

The Company has four qualified non-contributory defined benefit pension plans covering a significant majority of its employees and an unfunded plan that provides benefits in excess of amounts allowable under current tax law in the qualified plans. Currently, all qualified plans are closed to new participants. Employee benefit plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause the estimates to change.

The net pension and postretirement benefit costs that have been recorded are shown in the following tables:

| | Pension | | Postretirement | |
|---|---|---|---|---|
| | Three Months Ended March 31, | | Three Months Ended March 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| Components of Net Periodic Benefit Cost | | | | |
| Service cost | $ 1,624 | $ 2,419 | $ 179 | $ 249 |
| Interest cost | 4,683 | 4,834 | 206 | 240 |
| Expected return on plan assets | (6,658) | (7,424) | — | — |
| Amortization of prior service cost | 292 | 388 | 4 | 6 |
| Amortization of losses | 2,737 | 5,727 | 129 | 218 |
| Amortization of negative plan amendment | — | — | (134) | — |
| Net periodic benefit cost | $ 2,678 | $ 5,944 | $ 384 | $ 713 |

In 2014, the Company has no mandatory pension contribution requirements, but may make discretionary contributions.

## 16. DEBT

As of December 31, 2013, the 2015 Notes became exchangeable at the option of the holders for the calendar quarter ended March 31, 2014. According to the indenture, in order for the notes to become exchangeable, the Company’s stock price must exceed 130 percent of the exchange price for 20 trading days during a period of 30 consecutive trading days as of the last day of the quarter. During the quarter ended March 31, 2014, the note holders did not elect to exercise the exchange option. Based upon the average stock price for the 30 trading days ended March 31, 2014, these notes again became exchangeable at the option of the holder for the calendar quarter ending June 30, 2014. The entire balance of the notes is classified as long-term debt at March 31, 2014 due to the ability and intent of the Company to refinance them on a long-term basis.

During the three months ended March 31, 2014, the Company made net repayments of $80 million on its unsecured revolving credit facility. The Company had $323 million of available borrowings under this facility at March 31, 2014, net of $2 million to secure its outstanding letters of credit. During the three months ended March 31, 2014, the New Zealand JV borrowed $1.8 million on its working capital facility. Additional draws totaling $18.1 million remain available on the facility.

There were no other significant changes to the Company’s outstanding debt as reported in Note 13 — *Debt* in the Company’s Amended Form 10-K.

(Dollar amounts in thousands unless otherwise stated)

Table of Contents


## 17. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in AOCI by component for the three months ended March 31, 2014. All amounts are presented net of tax and exclude portions attributable to noncontrolling interest.

| | Foreign currency translation gains | New Zealand joint venture cash flow hedges | Unrecognized components of employee benefit plans | Total |
|---|---|---|---|---|
| Balance as of December 31, 2013 | $ 36,914 | $ (342) | $ (82,711) | $ (46,139) |
| Other comprehensive income before reclassifications | 12,893 | 1,604 | — | 14,497 |
| Amounts reclassified from accumulated other comprehensive income | — | (492) | 2,097 (a) | 1,605 |
| Net other comprehensive income | 12,893 | 1,112 | 2,097 | 16,102 |
| Balance as of March 31, 2014 | $ 49,807 | $ 770 | $ (80,614) | $ (30,037) |

(a) This accumulated other comprehensive income component is included in the computation of net periodic pension cost. See Note 15 — *Employee Benefit Plans* for additional information.

The following table presents details of the amounts reclassified in their entirety from AOCI for the three months ended March 31, 2014:

| Details about accumulated other comprehensive income components | Amount reclassified from accumulated other comprehensive income | Affected line item in the income statement |
|---|---|---|
| Realized gain on foreign currency exchange contracts | $ (872) | Other operating (income) expense, net |
| Realized gain on foreign currency option contracts | (107) | Other operating (income) expense, net |
| Noncontrolling interest | 343 | Comprehensive income (loss) attributable to noncontrolling interest |
| Income tax expense | 144 | Income tax expense |
| Net gain reclassified from accumulated other comprehensive income | $ (492) | |

## 18. OTHER OPERATING (EXPENSE) INCOME, NET

Other operating (expense) income, net was comprised of the following:

| | Three Months Ended March 31, 2014 | Three Months Ended March 31, 2013 |
|---|---|---|
| Lease income, primarily from hunting leases | $ 3,036 | $ 2,462 |
| Other non-timber income | 552 | 474 |
| Foreign currency loss | (1,490) | (184) |
| Loss on sale or disposal of property, plant & equipment | (532) | (429) |
| (Loss) gain on foreign currency exchange contracts | (32) | 1,881 |
| Separation costs related to Rayonier Advanced Materials Inc. | (3,318) | (86) |
| Miscellaneous expense, net | (1,753) | (615) |
| Total | $ (3,537) | $ 3,503 |

(Dollar amounts in thousands unless otherwise stated)

## 19. CONSOLIDATING FINANCIAL STATEMENTS

The condensed consolidating financial information below follows the same accounting policies as described in the consolidated financial statements, except for the use of the equity method of accounting to reflect ownership interests in wholly-owned subsidiaries, which are eliminated upon consolidation, and the allocation of certain expenses of Rayonier Inc. incurred for the benefit of its subsidiaries.

In August 2009 TRS issued $172.5 million of 4.50% Senior Exchangeable Notes due 2015. The notes are guaranteed by Rayonier Inc. as the Parent Guarantor and Rayonier Operating Company LLC ("ROC") as the Subsidiary Guarantor. In connection with these exchangeable notes, the Company provides the following condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered.*

**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the Three Months Ended March 31, 2014**

| | Rayonier Inc. (Parent Guarantor) (Restated) | ROC (Subsidiary Guarantor) (Restated) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors (Restated) | Consolidating Adjustments (Restated) | Total Consolidated (Restated) |
|---|---|---|---|---|---|---|
| **SALES** | $ — | $ — | $ — | $ 386,686 | $ — | $ 386,686 |
| Costs and Expenses | | | | | | |
| Cost of sales | — | — | — | 304,619 | — | 304,619 |
| Selling and general expenses | — | 2,150 | — | 13,341 | — | 15,491 |
| Other operating expense, net | — | 2,375 | — | 1,162 | — | 3,537 |
| | — | 4,525 | — | 319,122 | — | 323,647 |
| **OPERATING (LOSS) INCOME** | — | (4,525) | — | 67,564 | — | 63,039 |
| Interest expense | (3,193) | (243) | (6,690) | (2,843) | — | (12,969) |
| Interest and miscellaneous income (expense), net | 2,698 | 814 | (1,047) | (3,480) | — | (1,015) |
| Equity in income from subsidiaries | 41,921 | 46,478 | 31,110 | — | (119,509) | — |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 41,426 | 42,524 | 23,373 | 61,241 | (119,509) | 49,055 |
| Income tax (expense) benefit | — | (603) | 2,824 | (9,933) | — | (7,712) |
| **NET INCOME** | 41,426 | 41,921 | 26,197 | 51,308 | (119,509) | 41,343 |
| Less: Net loss attributable to noncontrolling interest | — | — | — | (83) | — | (83) |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 41,426 | 41,921 | 26,197 | 51,391 | (119,509) | 41,426 |
| **OTHER COMPREHENSIVE INCOME** | | | | | | |
| Foreign currency translation adjustment | 12,894 | 12,893 | 766 | 17,795 | (26,545) | 17,803 |
| New Zealand joint venture cash flow hedges | 1,112 | 1,112 | 1,112 | 1,711 | (3,336) | 1,711 |
| Amortization of pension and postretirement plans, net of income tax | 2,097 | 2,097 | 1,620 | 1,620 | (5,337) | 2,097 |
| Total other comprehensive income | 16,103 | 16,102 | 3,498 | 21,126 | (35,218) | 21,611 |
| **COMPREHENSIVE INCOME** | 57,529 | 58,023 | 29,695 | 72,434 | (154,727) | 62,954 |
| Less: Comprehensive income attributable to noncontrolling interest | — | — | — | 5,425 | — | 5,425 |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.** | $ 57,529 | $ 58,023 | $ 29,695 | $ 67,009 | $ (154,727) | $ 57,529 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the Three Months Ended March 31, 2013**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **SALES** | $ — | $ — | $ — | $ 393,719 | $ — | $ 393,719 |
| Costs and Expenses | | | | | | |
| Cost of sales | — | — | — | 266,018 | — | 266,018 |
| Selling and general expenses | — | 2,401 | — | 13,698 | — | 16,099 |
| Other operating (income) expense, net | (1,881) | 523 | — | (2,145) | — | (3,503) |
| | (1,881) | 2,924 | — | 277,571 | — | 278,614 |
| Equity in income of New Zealand joint venture | — | — | — | 258 | — | 258 |
| **OPERATING INCOME (LOSS)** | 1,881 | (2,924) | — | 116,406 | — | 115,363 |
| Interest (expense) income | (3,275) | (252) | (6,618) | 2,428 | — | (7,717) |
| Interest and miscellaneous income (expense), net | 2,419 | 529 | (751) | (2,140) | — | 57 |
| Equity in income from subsidiaries | 146,710 | 148,765 | 123,469 | — | (418,944) | — |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 147,735 | 146,118 | 116,100 | 116,694 | (418,944) | 107,703 |
| Income tax benefit (expense) | — | 592 | 2,690 | (7,727) | — | (4,445) |
| **INCOME FROM CONTINUING OPERATIONS** | 147,735 | 146,710 | 118,790 | 108,967 | (418,944) | 103,258 |
| **DISCONTINUED OPERATIONS, NET** | | | | | | |
| Income from discontinued operations, net of income tax | — | — | — | 44,477 | — | 44,477 |
| **NET INCOME** | 147,735 | 146,710 | 118,790 | 153,444 | (418,944) | 147,735 |
| **OTHER COMPREHENSIVE INCOME** | | | | | | |
| Foreign currency translation adjustment | 975 | 975 | 240 | 975 | (2,190) | 975 |
| New Zealand joint venture cash flow hedges | 554 | 554 | — | 554 | (1,108) | 554 |
| Amortization of pension and postretirement plans, net of income tax | 4,969 | 4,969 | 4,012 | — | (8,981) | 4,969 |
| Total other comprehensive income | 6,498 | 6,498 | 4,252 | 1,529 | (12,279) | 6,498 |
| **COMPREHENSIVE INCOME** | $ 154,233 | $ 153,208 | $ 123,042 | $ 154,973 | $ (431,223) | $ 154,233 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONDENSED CONSOLIDATING BALANCE SHEETS**
**As of March 31, 2014**

| | Rayonier Inc. (Parent Guarantor) (Restated) | ROC (Subsidiary Guarantor) (Restated) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors (Restated) | Consolidating Adjustments (Restated) | Total Consolidated (Restated) |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | $ 93,840 | $ 4,494 | $ (178) | $ 57,915 | $ — | $ 156,071 |
| Accounts receivable, less allowance for doubtful accounts | — | 10 | 689 | 110,998 | — | 111,697 |
| Inventory | — | — | — | 141,928 | — | 141,928 |
| Deferred tax assets | — | — | 646 | 30,934 | — | 31,580 |
| Prepaid and other current assets | — | 6,582 | 3 | 47,992 | — | 54,577 |
| Total current assets | 93,840 | 11,086 | 1,160 | 389,767 | — | 495,853 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | — | 2,067,549 | — | 2,067,549 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 2,698 | — | 859,271 | — | 861,969 |
| INVESTMENT IN SUBSIDIARIES | 1,675,347 | 1,851,260 | 1,170,755 | — | (4,697,362) | — |
| INTERCOMPANY NOTES RECEIVABLE | 216,844 | — | 20,866 | — | (237,710) | — |
| OTHER ASSETS | 3,569 | 32,705 | 3,496 | 177,688 | — | 217,458 |
| **TOTAL ASSETS** | $ 1,989,600 | $ 1,897,749 | $ 1,196,277 | $ 3,494,275 | $ (4,935,072) | $ 3,642,829 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | $ — | $ 1,054 | $ 2,102 | $ 83,126 | $ — | $ 86,282 |
| Current maturities of long-term debt | — | — | 112,500 | 1,819 | — | 114,319 |
| Accrued taxes | — | 14 | — | 11,360 | — | 11,374 |
| Accrued payroll and benefits | — | 8,038 | — | 11,223 | — | 19,261 |
| Accrued interest | 5,777 | 669 | 3,723 | 25,112 | (21,424) | 13,857 |
| Accrued customer incentives | — | — | — | 10,082 | — | 10,082 |
| Other current liabilities | — | 9,058 | — | 26,812 | — | 35,870 |
| Current liabilities for dispositions and discontinued operations | — | — | — | 6,446 | — | 6,446 |
| Total current liabilities | 5,777 | 18,833 | 118,325 | 175,980 | (21,424) | 297,491 |
| LONG-TERM DEBT | 325,000 | — | 768,228 | 300,659 | — | 1,393,887 |
| NON-CURRENT LIABILITIES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS | — | — | — | 67,456 | — | 67,456 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 91,807 | — | 3,291 | — | 95,098 |
| OTHER NON-CURRENT LIABILITIES | — | 13,763 | — | 17,491 | — | 31,254 |
| INTERCOMPANY PAYABLE | — | 97,999 | — | 151,938 | (249,937) | — |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,658,823 | 1,675,347 | 309,724 | 2,678,640 | (4,663,711) | 1,658,823 |
| Noncontrolling interest | — | — | — | 98,820 | — | 98,820 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,658,823 | 1,675,347 | 309,724 | 2,777,460 | (4,663,711) | 1,757,643 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 1,989,600 | $ 1,897,749 | $ 1,196,277 | $ 3,494,275 | $ (4,935,072) | $ 3,642,829 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONDENSED CONSOLIDATING BALANCE SHEETS**
**As of December 31, 2013**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | $ 130,181 | $ 304 | $ 10,719 | $ 58,440 | $ — | $ 199,644 |
| Accounts receivable, less allowance for doubtful accounts | — | 10 | 2,300 | 92,646 | — | 94,956 |
| Inventory | — | — | — | 138,818 | — | 138,818 |
| Deferred tax assets | — | — | 681 | 38,419 | — | 39,100 |
| Prepaid and other current assets | — | 2,363 | 6 | 44,207 | — | 46,576 |
| Total current assets | 130,181 | 2,677 | 13,706 | 372,530 | — | 519,094 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | — | 2,049,378 | — | 2,049,378 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 2,612 | — | 858,209 | — | 860,821 |
| INVESTMENT IN SUBSIDIARIES | 1,627,315 | 1,837,760 | 1,148,221 | — | (4,613,296) | — |
| INTERCOMPANY NOTES RECEIVABLE | 228,032 | — | 20,659 | — | (248,691) | — |
| OTHER ASSETS | 3,689 | 32,519 | 3,739 | 216,261 | — | 256,208 |
| **TOTAL ASSETS** | $ 1,989,217 | $ 1,875,568 | $ 1,186,325 | $ 3,496,378 | $ (4,861,987) | $ 3,685,501 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | $ — | $ 1,522 | $ 1,564 | $ 66,207 | $ — | $ 69,293 |
| Current maturities of long-term debt | — | — | 112,500 | — | — | 112,500 |
| Accrued taxes | — | 4,855 | — | 3,696 | — | 8,551 |
| Accrued payroll and benefits | — | 11,382 | — | 13,566 | — | 24,948 |
| Accrued interest | 3,047 | 538 | 2,742 | 22,816 | (19,612) | 9,531 |
| Accrued customer incentives | — | — | — | 9,580 | — | 9,580 |
| Other current liabilities | — | 8,765 | — | 26,109 | — | 34,874 |
| Current liabilities for dispositions and discontinued operations | — | — | — | 6,835 | — | 6,835 |
| Total current liabilities | 3,047 | 27,062 | 116,806 | 148,809 | (19,612) | 276,112 |
| LONG-TERM DEBT | 325,000 | — | 847,749 | 288,975 | — | 1,461,724 |
| NON-CURRENT LIABILITIES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS | — | — | — | 69,543 | — | 69,543 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 91,471 | — | 4,183 | — | 95,654 |
| OTHER NON-CURRENT LIABILITIES | — | 11,493 | — | 15,732 | — | 27,225 |
| INTERCOMPANY PAYABLE | — | 118,227 | — | 125,921 | (244,148) | — |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,661,170 | 1,627,315 | 221,770 | 2,843,215 | (4,598,227) | 1,755,243 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 1,989,217 | $ 1,875,568 | $ 1,186,325 | $ 3,496,378 | $ (4,861,987) | $ 3,685,501 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**For the Three Months Ended March 31, 2014**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **CASH PROVIDED BY OPERATING ACTIVITIES** | $ 25,931 | $ 32,794 | $ — | $ 67,759 | $ (27,210) | $ 99,274 |
| **INVESTING ACTIVITIES** | | | | | | |
| Capital expenditures | — | (170) | — | (36,585) | — | (36,755) |
| Purchase of timberlands | — | — | — | (10,637) | — | (10,637) |
| Change in restricted cash | — | — | — | 45,312 | — | 45,312 |
| Investment in Subsidiaries | — | — | 69,103 | — | (69,103) | — |
| Other | — | — | — | 1,592 | — | 1,592 |
| CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES | — | (170) | 69,103 | (318) | (69,103) | (488) |
| **FINANCING ACTIVITIES** | | | | | | |
| Issuance of debt | — | — | 30,000 | 1,819 | — | 31,819 |
| Repayment of debt | — | — | (110,000) | — | — | (110,000) |
| Dividends paid | (62,545) | — | — | — | — | (62,545) |
| Proceeds from the issuance of common shares | 2,027 | — | — | — | — | 2,027 |
| Excess tax deficiencies on stock-based compensation | — | — | — | (1,240) | — | (1,240) |
| Repurchase of common shares | (1,754) | — | — | — | — | (1,754) |
| Intercompany distributions | — | (28,434) | — | (67,879) | 96,313 | — |
| Other | — | — | — | (679) | — | (679) |
| CASH USED FOR FINANCING ACTIVITIES | (62,272) | (28,434) | (80,000) | (67,979) | 96,313 | (142,372) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | — | 13 | — | 13 |
| **CASH AND CASH EQUIVALENTS** | | | | | | |
| Change in cash and cash equivalents | (36,341) | 4,190 | (10,897) | (525) | — | (43,573) |
| Balance, beginning of year | 130,181 | 304 | 10,719 | 58,440 | — | 199,644 |
| Balance, end of period | $ 93,840 | $ 4,494 | $ (178) | $ 57,915 | $ — | $ 156,071 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**For the Three Months Ended March 31, 2013**

| | Rayonier Inc. (Parent Guarantor) | ROC (Subsidiary Guarantor) | Rayonier TRS Holdings Inc. (Issuer) | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|
| **CASH PROVIDED BY OPERATING ACTIVITIES** | $ 13,984 | $ 22,259 | $ — | $ 58,980 | $ (5,563) | $ 89,660 |
| **INVESTING ACTIVITIES** | | | | | | |
| Capital expenditures | — | (89) | — | (32,575) | — | (32,664) |
| Purchase of timberlands | — | — | — | (1,560) | — | (1,560) |
| Jesup mill cellulose specialties expansion | — | — | — | (36,734) | — | (36,734) |
| Proceeds from disposition of Wood Products business | — | — | — | 83,741 | — | 83,741 |
| Change in restricted cash | — | — | — | 9,908 | — | 9,908 |
| Investment in Subsidiaries | — | — | 32,391 | — | (32,391) | — |
| Other | — | — | — | 1,790 | — | 1,790 |
| CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES | — | (89) | 32,391 | 24,570 | (32,391) | 24,481 |
| **FINANCING ACTIVITIES** | | | | | | |
| Issuance of debt | 100,000 | — | — | — | — | 100,000 |
| Repayment of debt | (150,000) | — | (20,000) | — | — | (170,000) |
| Dividends paid | (57,744) | — | — | — | — | (57,744) |
| Proceeds from the issuance of common shares | 4,091 | — | — | — | — | 4,091 |
| Excess tax benefits on stock-based compensation | — | — | — | 6,191 | — | 6,191 |
| Repurchase of common shares | (11,241) | — | — | — | — | (11,241) |
| Intercompany distributions | — | (5,206) | — | (32,748) | 37,954 | — |
| CASH USED FOR FINANCING ACTIVITIES | (114,894) | (5,206) | (20,000) | (26,557) | 37,954 | (128,703) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | — | (17) | — | (17) |
| **CASH AND CASH EQUIVALENTS** | | | | | | |
| Change in cash and cash equivalents | (100,910) | 16,964 | 12,391 | 56,976 | — | (14,579) |
| Balance, beginning of year | 252,888 | 3,966 | 19,358 | 4,384 | — | 280,596 |
| Balance, end of period | $ 151,978 | $ 20,930 | $ 31,749 | $ 61,360 | $ — | $ 266,017 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

In March 2012, Rayonier Inc. issued $325 million of 3.75% Senior Notes due 2022. The notes are fully and unconditionally guaranteed by ROC and Rayonier TRS Holdings Inc. In connection with these notes, the Company provides the following consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*.

**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the Three Months Ended March 31, 2014**

| | Rayonier Inc. (Parent Issuer) (Restated) | Subsidiary Guarantors (Restated) | Non-guarantors (Restated) | Consolidating Adjustments (Restated) | Total Consolidated (Restated) |
|---|---|---|---|---|---|
| **SALES** | $ — | $ — | $ 386,686 | $ — | $ 386,686 |
| Costs and Expenses | | | | | |
| Cost of sales | — | — | 304,619 | — | 304,619 |
| Selling and general expenses | — | 2,150 | 13,341 | — | 15,491 |
| Other operating expense, net | — | 2,375 | 1,162 | — | 3,537 |
| | — | 4,525 | 319,122 | — | 323,647 |
| **OPERATING (LOSS) INCOME** | — | (4,525) | 67,564 | — | 63,039 |
| Interest expense | (3,193) | (6,933) | (2,843) | — | (12,969) |
| Interest and miscellaneous income (expense), net | 2,698 | (233) | (3,480) | — | (1,015) |
| Equity in income from subsidiaries | 41,921 | 51,391 | — | (93,312) | — |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 41,426 | 39,700 | 61,241 | (93,312) | 49,055 |
| Income tax benefit (expense) | — | 2,221 | (9,933) | — | (7,712) |
| **NET INCOME** | 41,426 | 41,921 | 51,308 | (93,312) | 41,343 |
| Less: Net loss attributable to noncontrolling interest | — | — | (83) | — | (83) |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 41,426 | 41,921 | 51,391 | (93,312) | 41,426 |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| Foreign currency translation adjustment | 12,894 | 12,892 | 17,795 | (25,778) | 17,803 |
| New Zealand joint venture cash flow hedges | 1,112 | 1,112 | 1,711 | (2,224) | 1,711 |
| Amortization of pension and postretirement plans, net of income tax | 2,097 | 2,097 | 1,620 | (3,717) | 2,097 |
| Total other comprehensive income | 16,103 | 16,101 | 21,126 | (31,719) | 21,611 |
| **COMPREHENSIVE INCOME** | 57,529 | 58,022 | 72,434 | (125,031) | 62,954 |
| Less: Comprehensive income attributable to noncontrolling interest | — | — | 5,425 | — | 5,425 |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.** | $ 57,529 | $ 58,022 | $ 67,009 | $ (125,031) | $ 57,529 |

(Dollar amounts in thousands unless otherwise stated)

**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the Three Months Ended March 31, 2013**

| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| **SALES** | $ — | $ — | $ 393,719 | $ — | $ 393,719 |
| Costs and Expenses | | | | | |
| Cost of sales | — | — | 266,018 | — | 266,018 |
| Selling and general expenses | — | 2,401 | 13,698 | — | 16,099 |
| Other operating (income) expense, net | (1,881) | 523 | (2,145) | — | (3,503) |
| | (1,881) | 2,924 | 277,571 | — | 278,614 |
| Equity in income of New Zealand joint venture | — | — | 258 | — | 258 |
| **OPERATING INCOME (LOSS)** | 1,881 | (2,924) | 116,406 | — | 115,363 |
| Interest (expense) income | (3,275) | (6,870) | 2,428 | — | (7,717) |
| Interest and miscellaneous income (expense), net | 2,419 | (222) | (2,140) | — | 57 |
| Equity in income from subsidiaries | 146,710 | 153,444 | — | (300,154) | — |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 147,735 | 143,428 | 116,694 | (300,154) | 107,703 |
| Income tax benefit (expense) | — | 3,282 | (7,727) | — | (4,445) |
| **INCOME FROM CONTINUING OPERATIONS** | 147,735 | 146,710 | 108,967 | (300,154) | 103,258 |
| **DISCONTINUED OPERATIONS, NET** | | | | | |
| Income from discontinued operations, net of income taxes | — | — | 44,477 | — | 44,477 |
| **NET INCOME** | 147,735 | 146,710 | 153,444 | (300,154) | 147,735 |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| Foreign currency translation adjustment | 975 | 975 | 975 | (1,950) | 975 |
| New Zealand joint venture cash flow hedges | 554 | 554 | 554 | (1,108) | 554 |
| Amortization of pension and postretirement plans, net of income tax | 4,969 | 4,969 | — | (4,969) | 4,969 |
| Total other comprehensive income | 6,498 | 6,498 | 1,529 | (8,027) | 6,498 |
| **COMPREHENSIVE INCOME** | $ 154,233 | $ 153,208 | $ 154,973 | $ (308,181) | $ 154,233 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONDENSED CONSOLIDATING BALANCE SHEETS As of March 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) (Restated) | Subsidiary Guarantors (Restated) | Non-guarantors (Restated) | Consolidating Adjustments (Restated) | Total Consolidated (Restated) |
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | $ 93,840 | $ 4,316 | $ 57,915 | $ — | $ 156,071 |
| Accounts receivable, less allowance for doubtful accounts | — | 699 | 110,998 | — | 111,697 |
| Inventory | — | — | 141,928 | — | 141,928 |
| Deferred tax asset | — | 646 | 30,934 | — | 31,580 |
| Prepaid and other current assets | — | 6,585 | 47,992 | — | 54,577 |
| Total current assets | 93,840 | 12,246 | 389,767 | — | 495,853 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | 2,067,549 | — | 2,067,549 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 2,698 | 859,271 | — | 861,969 |
| INVESTMENT IN SUBSIDIARIES | 1,675,347 | 2,712,291 | — | (4,387,638) | — |
| INTERCOMPANY NOTES RECEIVABLE | 216,844 | 20,866 | — | (237,710) | — |
| OTHER ASSETS | 3,569 | 36,201 | 177,688 | — | 217,458 |
| **TOTAL ASSETS** | $ 1,989,600 | $ 2,784,302 | $ 3,494,275 | $ (4,625,348) | $ 3,642,829 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | $ — | $ 3,156 | $ 83,126 | $ — | $ 86,282 |
| Current maturities of long-term debt | — | 112,500 | 1,819 | — | 114,319 |
| Accrued taxes | — | 14 | 11,360 | — | 11,374 |
| Accrued payroll and benefits | — | 8,038 | 11,223 | — | 19,261 |
| Accrued interest | 5,777 | 4,392 | 25,112 | (21,424) | 13,857 |
| Accrued customer incentives | — | — | 10,082 | — | 10,082 |
| Other current liabilities | — | 9,058 | 26,812 | — | 35,870 |
| Current liabilities for dispositions and discontinued operations | — | — | 6,446 | — | 6,446 |
| Total current liabilities | 5,777 | 137,158 | 175,980 | (21,424) | 297,491 |
| LONG-TERM DEBT | 325,000 | 768,228 | 300,659 | — | 1,393,887 |
| NON-CURRENT LIABILITIES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS | — | — | 67,456 | — | 67,456 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 91,807 | 3,291 | — | 95,098 |
| OTHER NON-CURRENT LIABILITIES | — | 13,763 | 17,491 | — | 31,254 |
| INTERCOMPANY PAYABLE | — | 97,999 | 151,938 | (249,937) | — |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,658,823 | 1,675,347 | 2,678,640 | (4,353,987) | 1,658,823 |
| Noncontrolling interest | — | — | 98,820 | — | 98,820 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,658,823 | 1,675,347 | 2,777,460 | (4,353,987) | 1,757,643 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 1,989,600 | $ 2,784,302 | $ 3,494,275 | $ (4,625,348) | $ 3,642,829 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONDENSED CONSOLIDATING BALANCE SHEETS As of December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | $ 130,181 | $ 11,023 | $ 58,440 | $ — | $ 199,644 |
| Accounts receivable, less allowance for doubtful accounts | — | 2,310 | 92,646 | — | 94,956 |
| Inventory | — | — | 138,818 | — | 138,818 |
| Deferred tax assets | — | 681 | 38,419 | — | 39,100 |
| Prepaid and other current assets | — | 2,369 | 44,207 | — | 46,576 |
| Total current assets | 130,181 | 16,383 | 372,530 | — | 519,094 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | 2,049,378 | — | 2,049,378 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 2,612 | 858,209 | — | 860,821 |
| INVESTMENT IN SUBSIDIARIES | 1,627,315 | 2,764,211 | — | (4,391,526) | — |
| INTERCOMPANY NOTES RECEIVABLE | 228,032 | 20,659 | — | (248,691) | — |
| OTHER ASSETS | 3,689 | 36,258 | 216,261 | — | 256,208 |
| **TOTAL ASSETS** | $ 1,989,217 | $ 2,840,123 | $ 3,496,378 | $ (4,640,217) | $ 3,685,501 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | $ — | $ 3,086 | $ 66,207 | $ — | $ 69,293 |
| Current maturities of long-term debt | — | 112,500 | — | — | 112,500 |
| Accrued taxes | — | 4,855 | 3,696 | — | 8,551 |
| Accrued payroll and benefits | — | 11,382 | 13,566 | — | 24,948 |
| Accrued interest | 3,047 | 3,280 | 22,816 | (19,612) | 9,531 |
| Accrued customer incentives | — | — | 9,580 | — | 9,580 |
| Other current liabilities | — | 8,765 | 26,109 | — | 34,874 |
| Current liabilities for dispositions and discontinued operations | — | — | 6,835 | — | 6,835 |
| Total current liabilities | 3,047 | 143,868 | 148,809 | (19,612) | 276,112 |
| LONG-TERM DEBT | 325,000 | 847,749 | 288,975 | — | 1,461,724 |
| NON-CURRENT LIABILITIES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS | — | — | 69,543 | — | 69,543 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 91,471 | 4,183 | — | 95,654 |
| OTHER NON-CURRENT LIABILITIES | — | 11,493 | 15,732 | — | 27,225 |
| INTERCOMPANY PAYABLE | — | 118,227 | 125,921 | (244,148) | — |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,661,170 | 1,627,315 | 2,843,215 | (4,376,457) | 1,755,243 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 1,989,217 | $ 2,840,123 | $ 3,496,378 | $ (4,640,217) | $ 3,685,501 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS For the Three Months Ended March 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **CASH PROVIDED BY OPERATING ACTIVITIES** | $ 25,931 | $ 32,794 | $ 67,759 | $ (27,210) | $ 99,274 |
| **INVESTING ACTIVITIES** | | | | | |
| Capital expenditures | — | (170) | (36,585) | — | (36,755) |
| Purchase of timberlands | — | — | (10,637) | — | (10,637) |
| Change in restricted cash | — | — | 45,312 | — | 45,312 |
| Investment in Subsidiaries | — | 69,103 | — | (69,103) | — |
| Other | — | — | 1,592 | — | 1,592 |
| CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | — | 68,933 | (318) | (69,103) | (488) |
| **FINANCING ACTIVITIES** | | | | | |
| Issuance of debt | — | 30,000 | 1,819 | — | 31,819 |
| Repayment of debt | — | (110,000) | — | — | (110,000) |
| Dividends paid | (62,545) | — | — | — | (62,545) |
| Proceeds from the issuance of common shares | 2,027 | — | — | — | 2,027 |
| Excess tax deficiencies on stock-based compensation | — | — | (1,240) | — | (1,240) |
| Repurchase of common shares | (1,754) | — | — | — | (1,754) |
| Intercompany distributions | — | (28,434) | (67,879) | 96,313 | — |
| Other | — | — | (679) | — | (679) |
| CASH USED FOR FINANCING ACTIVITIES | (62,272) | (108,434) | (67,979) | 96,313 | (142,372) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | 13 | — | 13 |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Change in cash and cash equivalents | (36,341) | (6,707) | (525) | — | (43,573) |
| Balance, beginning of year | 130,181 | 11,023 | 58,440 | — | 199,644 |
| Balance, end of period | $ 93,840 | $ 4,316 | $ 57,915 | $ — | $ 156,071 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**For the Three Months Ended March 31, 2013**

| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| **CASH PROVIDED BY OPERATING ACTIVITIES** | $ 13,984 | $ 22,259 | $ 58,980 | $ (5,563) | $ 89,660 |
| **INVESTING ACTIVITIES** | | | | | |
| Capital expenditures | — | (89) | (32,575) | — | (32,664) |
| Purchase of timberlands | — | — | (1,560) | — | (1,560) |
| Jesup mill cellulose specialties expansion | — | — | (36,734) | — | (36,734) |
| Proceeds from disposition of Wood Products business | — | — | 83,741 | — | 83,741 |
| Change in restricted cash | — | — | 9,908 | — | 9,908 |
| Investment in Subsidiaries | — | 32,391 | — | (32,391) | — |
| Other | — | — | 1,790 | — | 1,790 |
| CASH PROVIDED BY INVESTING ACTIVITIES | — | 32,302 | 24,570 | (32,391) | 24,481 |
| **FINANCING ACTIVITIES** | | | | | |
| Issuance of debt | 100,000 | — | — | — | 100,000 |
| Repayment of debt | (150,000) | (20,000) | — | — | (170,000) |
| Dividends paid | (57,744) | — | — | — | (57,744) |
| Proceeds from the issuance of common shares | 4,091 | — | — | — | 4,091 |
| Excess tax benefits on stock-based compensation | — | — | 6,191 | — | 6,191 |
| Repurchase of common shares | (11,241) | — | — | — | (11,241) |
| Intercompany distributions | — | (5,206) | (32,748) | 37,954 | — |
| CASH USED FOR FINANCING ACTIVITIES | (114,894) | (25,206) | (26,557) | 37,954 | (128,703) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | (17) | — | (17) |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Change in cash and cash equivalents | (100,910) | 29,355 | 56,976 | — | (14,579) |
| Balance, beginning of year | 252,888 | 23,324 | 4,384 | — | 280,596 |
| Balance, end of period | $ 151,978 | $ 52,679 | $ 61,360 | $ — | $ 266,017 |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*When we refer to "we," "us," "our," "the Company," or "Rayonier," we mean Rayonier Inc. and its consolidated subsidiaries. References herein to "Notes to Financial Statements" refer to the Notes to the Consolidated Financial Statements of Rayonier Inc. included in Item 1 of this Report.*

*Our financial condition and results of operations as of and for the period ended March 31, 2014 have been restated. All information and disclosures contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") related to that period reflect the effects of such restatement. For a more detailed description of the restatement, see Note 3 - Restatement of Previously Issued Consolidated Financial Statements of the Notes to the accompanying unaudited Consolidated Financial Statements and MD&A included in this Quarterly Report on Form 10-Q/A.*

*This MD&A is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors which may affect future results. Our MD&A should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the "Initial Form 10-K"), as amended by Amendment No. 1 to the Form 10-K on Form 10-K/A filed with the SEC concurrently herewith (the "Amended Form 10-K") and information contained in our subsequent Forms 10-Q, Forms 10-Q/A, Forms 8-K, Forms 8-K/A and other reports filed with the SEC.*

### Forward-Looking Statements

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

In addition, specifically with respect to the separation of Rayonier Advanced Materials Inc. from Rayonier, the following important factors, among others, could cause actual results to differ materially from those expressed in forward-looking statements that may have been made in this document: uncertainties as to the timing of the separation and whether it will be completed, the possibility that various closing conditions for the separation may not be satisfied or waived, the expected tax treatment of the separation, the impact of the separation on the businesses of Rayonier and Rayonier Advanced Materials Inc., the ability of both companies to meet debt service requirements, the availability and terms of financing and expectations of credit rating.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward- looking statements except as required by law. You are advised, however, to review any further disclosures we make on related subjects in our subsequent Forms 10-Q, Forms 10-K, Forms 8-K and other reports filed with the SEC.

### Critical Accounting Policies and Use of Estimates

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

**Segments**

We are a leading international forest products company primarily engaged in timberland management, the sale of real estate, and the production and sale of high-value specialty cellulose fibers. We operate in three reportable business segments: Forest Resources, Real Estate and Performance Fibers.

Forest Resources sales include all activities which relate to the harvesting of timber and other value-added activities such as the leasing of properties for hunting, mineral extraction and cell towers. Real Estate sales include all property sales, including those designated as higher and better use ("HBU") and those designated as sales of non-strategic timberlands. The assets of the Real Estate segment include HBU property held by our real estate subsidiary, TerraPointe LLC. The Performance Fibers segment includes two major product lines, cellulose specialties and commodity grade products (primarily viscose). Our remaining operations include harvesting and selling timber acquired from third parties (log trading). These operations are reported in "Other Operations." Sales between operating segments are made based on estimated fair market value, and intercompany sales, purchases and profits or losses are eliminated in consolidation.

We evaluate financial performance based on the operating income of the segments. Operating income, as presented in the Consolidated Statements of Income and Comprehensive Income, is equal to segment income (loss). Certain income (loss) items in the Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include gains (losses) from certain asset dispositions, interest income (expense), miscellaneous income (expense) and income tax (expense) benefit, are not considered by management to be part of segment operations.

**Results of Operations**

| Financial Information (in millions) | Three Months Ended March 31, 2014 (Restated) | 2013 |
|---|---|---|
| **Sales** | | |
| Forest Resources | | |
| Atlantic | $ 22 | $ 17 |
| Gulf States | 12 | 12 |
| Northern | 33 | 25 |
| New Zealand | 38 | 3 |
| Total Forest Resources | 105 | 57 |
| Real Estate | | |
| Development | — | 1 |
| Rural | 5 | 3 |
| Non-Strategic Timberlands | 1 | 20 |
| Total Real Estate | 6 | 24 |
| Performance Fibers | | |
| Cellulose specialties | 206 | 247 |
| Viscose/other | 26 | — |
| Absorbent materials | 10 | 37 |
| Total Performance Fibers | 242 | 284 |
| Other Operations | 34 | 29 |
| **Total Sales** | $ 387 | $ 394 |
| | | |
| **Operating Income (Loss)** | | |
| Forest Resources | $ 26 | $ 13 |
| Real Estate | 1 | 17 |
| Performance Fibers | 49 | 92 |
| Other Operations | — | — |
| Corporate and other | (13) | (7) |
| **Operating Income** | 63 | 115 |
| Interest Expense, Interest Income and Other | (14) | (8) |
| Income Tax Expense | (8) | (4) |
| **Income from Continuing Operations** | $ 41 | $ 103 |
| **Discontinued Operations, Net** | — | 45 |
| **Net Income** | $ 41 | $ 148 |
| Less: Net income attributable to noncontrolling interest | — | — |
| **Net Income Attributable to Rayonier Inc.** | $ 41 | $ 148 |
| | | |
| **Diluted Earnings Per Share Attributable to Rayonier Inc.** | | |
| Continuing Operations | $ 0.32 | $ 0.79 |
| Discontinued Operations | — | 0.34 |
| Net Income | $ 0.32 | $ 1.13 |

***FOREST RESOURCES***

| **Sales (in millions)** | | **Changes Attributable to:** | | |
|---|---|---|---|---|
| **Three Months Ended March 31,** | **2013** | **Price** | **Volume/ Mix/Other** | **2014** |
| Atlantic | $ 17 | $ 4 | $ 1 | $ 22 |
| Gulf States | 12 | — | — | 12 |
| Northern | 25 | 3 | 5 | 33 |
| New Zealand (a) | 3 | — | 35 | 38 |
| **Total Sales** | $ 57 | $ 7 | $ 41 | $ 105 |

(a) First quarter 2014 included $38 million of sales from the consolidation of the New Zealand joint venture ("New Zealand JV"), whereas first quarter 2013 was accounted for on the equity method.

| **Operating Income (in millions)** | | **Changes Attributable to:** | | | |
|---|---|---|---|---|---|
| **Three Months Ended March 31,** | **2013** | **Price** | **Volume/ Mix** | **Cost/Other** | **2014** |
| | | | | (Restated) | (Restated) |
| Atlantic | $ 5 | $ 4 | $ — | $ (1) | $ 8 |
| Gulf States | 2 | — | — | 1 | 3 |
| Northern | 5 | 3 | 6 | (2) | 12 |
| New Zealand (a) | 1 | — | — | 2 | 3 |
| **Total Operating Income** | $ 13 | $ 7 | $ 6 | $ — | $ 26 |

(a) First quarter 2014 included $2 million of operating income from the consolidation of the New Zealand JV.

The Atlantic region's sales and operating income increased in 2014 as average prices rose 29 percent over the prior year period. Stronger pricing for both stumpage sales and delivered logs resulted from improved demand and reduced supply due to the impact of weather conditions on harvesting.

Sales in the Gulf region were consistent with first quarter 2013 while operating income improved over the prior year due to a four percent increase in stumpage prices offset by sales mix, higher non-timber income and lower logging costs.

Northern region sales and operating income increased significantly in the first quarter 2014, driven by higher stumpage volumes and a 14 percent price increase for delivered wood. Improved volumes and pricing were attributable to higher China demand.

In April 2013, we acquired an additional 39 percent ownership interest in our New Zealand JV. As a 65 percent owner, we began consolidating 100 percent of the New Zealand JV's results of operations in the second quarter of 2013. The first quarter 2014 higher sales and operating results for New Zealand JV reflect this increased ownership.

***REAL ESTATE***

| **Sales (in millions)** | | **Changes Attributable to:** | | |
|---|---|---|---|---|
| **Three Months Ended March 31,** | **2013** | **Price** | **Volume/Mix** | **2014** |
| Development | $ 1 | $ — | $ (1) | $ — |
| Rural | 3 | 1 | 1 | 5 |
| Non-Strategic Timberlands | 20 | (1) | (18) | 1 |
| **Total Sales** | $ 24 | $ — | $ (18) | $ 6 |

| **Operating Income (in millions)** | | **Changes Attributable to:** | | |
|---|---|---|---|---|
| **Three Months Ended March 31,** | **2013** | **Price** | **Volume/Mix** | **2014** |
| | | | (Restated) | (Restated) |
| **Total Operating Income** | $ 17 | $ — | $ (16) | $ 1 |

First quarter sales of $6 million and operating income of $1 million decreased $18 million and $16 million, respectively, from the prior year period primarily due to lower non-strategic volumes and prices. The first quarter of 2013 included a 5,400 acre non-strategic sale in our Northern region at $3,673 per acre. Slightly higher rural HBU prices and volumes were partially offset by lower development HBU prices and volumes.

***PERFORMANCE FIBERS***

| Sales (in millions) | | Changes Attributable to: | | |
|---|---|---|---|---|
| Three Months Ended March 31, | 2013 | Price | Volume/ Mix | 2014 |
| Cellulose specialties | $ 247 | $ (6) | $ (35) | $ 206 |
| Viscose/other | — | — | 26 | 26 |
| Absorbent materials | 37 | — | (27) | 10 |
| **Total Sales** | $ 284 | $ (6) | $ (36) | $ 242 |

Total sales declined $42 million or approximately 15 percent, as the planned extended annual outage for the Jesup mill and production issues in the first quarter of 2014 reduced customer shipments. Cellulose specialties prices decreased 3 percent partially reflecting the result of the annual price negotiations. Absorbent material sales decreased $27 million or approximately 73 percent reflecting the transition from producing absorbent materials to producing viscose and other commodity grades.

| Operating Income (in millions) | | Changes Attributable to: | | | | |
|---|---|---|---|---|---|---|
| | | Cellulose Specialties | | | | |
| Three Months Ended March 31, | 2013 | Price | Volume | Cost/Mix | Cost/Mix/Other | 2014 |
| **Total Operating Income** | $ 92 | $ (6) | $ (14) | $ (6) | $ (17) | $ 49 |

Operating income declined $43 million as a result of lower cellulose specialties volumes and prices and higher wood and energy costs due to weather conditions. Operating income was also impacted by production issues and higher manufacturing costs as a result of the shift from absorbent materials to cellulose specialties and commodity viscose.

***OTHER OPERATIONS***

Sales from the New Zealand log trading business increased $5 million for the three months ended March 31, 2014 over the prior year period due to increased prices. Operating income remained consistent with prior period due to unfavorable movements in foreign currency rates.

***Corporate and Other Expense/Eliminations***

First quarter 2014 corporate and other operating expenses of $13 million increased $6 million from the prior year period. Expenses for the current quarter include $3.3 million related to the separation of our Performance Fibers business. The first quarter of 2013 included a $1.9 million gain on a foreign currency forward contract.

***Interest Expense/Income and Income Tax Expense***

Interest and other expenses increased $6 million from first quarter 2013 to 2014. The higher interest was primarily caused by lower capitalized interest related to the CSE project and higher debt levels associated with the consolidation of our New Zealand JV. First quarter 2014 results also reflect a $1.1 million loss on interest rate swaps as New Zealand long term interest rates moved slightly from the end of 2013.

The first quarter 2014 effective tax rate before discrete items was 18.5 percent compared to 23.4 percent in the prior year period. The decline in the effective tax rate was primarily due to proportionally higher earnings from REIT operations in 2014. Including discrete items, the first quarter 2014 effective tax rate was 15.7 percent compared to 4.1 percent in 2013. The lower effective rate in 2013 was due to the exchange of the alternative fuel mixture credit (“AFMC”) for the cellulosic biofuel producer credit (“CBPC”). See Note 5 — *Income Taxes* for additional information.

***Employee Relations***

Collective bargaining agreements at the Fernandina Beach, Florida mill will expire on April 30, 2014, and negotiations are underway. See Item 1 — *Business* and Item 1A — *Risk Factors* in our Amended Form 10-K for additional information on employee relations.

## Liquidity and Capital Resources

Our operations have generally produced consistent cash flows and required limited capital resources. Short-term borrowings have helped fund cyclicality in working capital needs and long-term debt has been used to fund major acquisitions and strategic projects.

### Summary of Liquidity and Financing Commitments (in millions of dollars)

| | March 31, 2014 (Restated) | December 31, 2013 |
|---|---|---|
| Cash and cash equivalents (a) | $ 156 | $ 200 |
| Total debt | 1,508 | 1,574 |
| Shareholders’ equity | 1,758 | 1,755 |
| Total capitalization (total debt plus equity) | 3,266 | 3,329 |
| Debt to capital ratio | 46% | 47% |

(a) Cash and cash equivalents consisted primarily of time deposits with original maturities of 90 days or less and money market accounts.

### Cash Flows (in millions of dollars)

The following table summarizes our cash flows from operating, investing and financing activities for the three months ended March 31:

| | 2014 | 2013 |
|---|---|---|
| Cash provided by (used for): | | |
| Operating activities | $ 99 | $ 90 |
| Investing activities | — | 24 |
| Financing activities | (142) | (129) |

***Cash Provided by Operating Activities***

Cash provided by operating activities in 2014 increased primarily due to lower tax payments, partially offset by lower operating results. The 2013 first quarter included a $70 million tax payment to exchange AFMC for CBPC.

***Cash (Used for) Provided by Investing Activities***

Cash provided by investing activities decreased primarily due to higher timberland acquisitions of $9 million in 2014 and $84 million from the sale of our Wood Products business in the first quarter of 2013. Partially offsetting these were higher restricted cash receipts of $35 million in 2014 and CSE project costs of $37 million in 2013.

***Cash Used for Financing Activities***

Cash used for financing activities increased $13 million primarily due to higher dividend payments as a result of the rate increase effective in the third quarter of 2013. In addition, net debt repayments increased $8 million compared to prior year.

***Performance and Liquidity Indicators***

The discussion below is presented to enhance the reader's understanding of our operating performance, liquidity, ability to generate cash and satisfy rating agency and creditor requirements. This information includes two measures of financial results: Earnings before Interest, Taxes, Depreciation, Depletion and Amortization ("EBITDA"), and Adjusted Cash Available for Distribution ("Adjusted CAD"). These measures are not defined by Generally Accepted Accounting Principles ("GAAP") and the discussion of EBITDA and Adjusted CAD is not intended to conflict with or change any of the GAAP disclosures described above. Management considers these measures to be important to estimate the enterprise and shareholder values of the Company as a whole and of its core segments, and for allocating capital resources. In addition, analysts, investors and creditors use these measures when analyzing our operating performance, financial condition and cash generating ability. Management uses EBITDA as a performance measure and Adjusted CAD as a liquidity measure. EBITDA is defined by the Securities and Exchange Commission. Adjusted CAD as defined, however, may not be comparable to similarly titled measures reported by other companies.

We reconcile EBITDA to Net Income for the consolidated Company and Operating Income for the Segments, as those are the nearest GAAP measures for each. Below is a reconciliation of Net Income to EBITDA for the respective periods (in millions of dollars):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2014 (Restated) | 2013 |
| **Net Income to EBITDA Reconciliation** | | |
| Net Income | $ 41 | $ 148 |
| Interest, net | 14 | 8 |
| Income tax expense, continuing operations | 8 | 4 |
| Income tax expense, discontinued operations | — | 22 |
| Depreciation, depletion and amortization | 49 | 36 |
| Depreciation, depletion and amortization from discontinued operations | — | 1 |
| EBITDA | $ 112 | $ 219 |

EBITDA by segment is a critical valuation measure used by our Chief Operating Decision Maker, existing shareholders and potential shareholders to measure how the Company is performing relative to the assets under management. EBITDA by segment for the respective periods was as follows (millions of dollars):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2014 | 2013 |
| **EBITDA by Segment** | | |
| Forest Resources | $ 53 | $ 30 |
| Real Estate | 2 | 21 |
| Performance Fibers | 70 | 107 |
| Other Operations | — | — |
| Corporate and other | (13) | 61 |
| EBITDA | $ 112 | $ 219 |

First quarter 2014 EBITDA decreased from 2013 as 2013 included a $64 million gain on the sale of the Company's Wood Products business. First quarter 2014 EBITDA also reflects lower Performance Fibers and Real Estate operating results, partially offset by higher Forest Resources results.

The following tables reconcile Operating Income by segment to EBITDA by segment (millions of dollars):

| | Forest Resources (Restated) | Real Estate (Restated) | Performance Fibers | Other Operations | Corporate and Other | Total (Restated) |
|---|---|---|---|---|---|---|
| **Three Months Ended March 31, 2014** | | | | | | |
| Operating Income | $ 26 | $ 1 | $ 49 | $ — | $ (13) | $ 63 |
| Add: Depreciation, depletion and amortization | 27 | 1 | 21 | — | — | 49 |
| EBITDA | $ 53 | $ 2 | $ 70 | $ — | $ (13) | $ 112 |
| | | | | | | |
| **Three Months Ended March 31, 2013** | | | | | | |
| Operating Income | $ 13 | $ 17 | $ 92 | $ — | $ (7) | $ 115 |
| Add: Depreciation, depletion and amortization | 17 | 4 | 15 | — | — | 36 |
| Add: Income from discontinued operations | — | — | — | — | 67 | 67 |
| Add: Depreciation, depletion and amortization from discontinued operations | — | — | — | — | 1 | 1 |
| EBITDA | $ 30 | $ 21 | $ 107 | $ — | $ 61 | $ 219 |

Adjusted CAD is a non-GAAP measure of cash generated during a period which is available for dividend distribution, repurchase of the Company's common shares, debt reduction and strategic acquisitions. We define CAD as Cash Provided by Operating Activities adjusted for capital spending, strategic divestitures, the change in committed cash, and other items which include cash provided by discontinued operations, excess tax benefits on stock-based compensation and the change in capital expenditures purchased on account. Committed cash represents outstanding checks that have been drawn on our zero balance bank accounts but have not been paid. In compliance with SEC requirements for non-GAAP measures, we reduce CAD by mandatory debt repayments which results in the measure entitled "Adjusted CAD."

Below is a reconciliation of Cash Provided by Operating Activities to Adjusted CAD (in millions of dollars):

| | Three Months Ended March 31, 2014 | Three Months Ended March 31, 2013 |
|---|---|---|
| Cash provided by operating activities | $ 99 | $ 90 |
| Capital expenditures (a) | (37) | (33) |
| Change in committed cash | 5 | 1 |
| Excess tax (deficiencies) benefits on stock-based compensation | (1) | 6 |
| Other | 6 | 3 |
| CAD | 72 | 67 |
| Mandatory debt repayments | — | — |
| Adjusted CAD | $ 72 | $ 67 |
| | | |
| Cash (used for) provided by investing activities | $ — | $ 24 |
| Cash used for financing activities | $ (142) | $ (129) |

(a) Capital expenditures exclude strategic capital. Strategic capital totaled $11 million for timberland acquisitions for the three months ended March 31, 2014. Strategic capital totaled $58 million for the CSE and $2 million for timberland acquisitions for the three months ended March 31, 2013.

Adjusted CAD increased over the prior year period as lower tax payments in first quarter 2014 were partially offset by lower operating results from our Performance Fibers and Real Estate segments. Adjusted CAD generated in any period is not necessarily indicative of the amounts that may be generated in future periods.

***Liquidity Facilities***

During the first quarter 2014, we made net repayments of $80 million on our $450 million unsecured revolving credit facility. The Company had $323 million of available borrowings under this facility at March 31, 2014. During the three months ended March 31, 2014, the New Zealand JV borrowed $1.8 million on its working capital facility. Additional draws totaling $18.1 million remain available on the facility. During the first quarter, the New Zealand JV had no activity on its revolving credit facility. Unfavorable changes in exchange rates resulted in a $10 million increase to debt on a USD basis.

As of December 31, 2013, the 4.50% Senior Exchangeable Notes due 2015 were exchangeable at the option of the holders for the calendar quarter ending March 31, 2014. According to the indenture, in order for the notes to become exchangeable, the Company's stock price must exceed 130 percent of the exchange price for 20 trading days during a period of 30 consecutive trading days as of the last day of the quarter. During the three months ended March 31, 2014, the note holders did not elect to exercise the exchange option. These notes are also exchangeable in the second quarter based upon the average stock price for the 30 trading days ending March 31, 2014. If the note holders exercise their options prior to June 30, 2014, the Company intends to repay the principal of the notes by accessing its revolving credit facility. Any excess exchange value will be settled at the option of the Company in either cash or stock of Rayonier.

In connection with our installment note, term credit agreement and credit facility, covenants must be met, including ratios based on the covenant definition of EBITDA, ratios based on consolidated funded debt compared to consolidated net worth, ratios of subsidiary debt to consolidated net tangible assets and ratios of cash flows to fixed charges. Covenants must also be met in connection with the New Zealand JV's credit facility, including ratios of debt to forestry and land valuations and ratios of operating cash flows to financing costs. As of March 31, 2014, we were in compliance with all applicable financial covenants. In addition to these financial covenants, the installment note, mortgage note, term credit agreement and revolving credit facility include customary covenants that limit the incurrence of debt and the disposition of assets, among others.

***Contractual Financial Obligations and Off-Balance Sheet Arrangements***

We have no material changes to the Contractual Financial Obligations table as presented in Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Amended Form 10-K. See Note 12 — *Guarantees* for details on the letters of credit, surety bonds and guarantees as of March 31, 2014.

***Sales Volume by Segment:***

| | Three Months Ended March 31, | |
|---|---|---|
| | **2014** | **2013** |
| Forest Resources — in thousands of short green tons | | |
| Atlantic | 836 | 868 |
| Gulf States | 438 | 410 |
| Northern | 543 | 455 |
| New Zealand | 459 | — |
| Total | 2,276 | 1,733 |
| Real Estate — in acres | | |
| Development | 27 | 86 |
| Rural | 1,733 | 1,175 |
| Non-Strategic Timberlands | 362 | 5,575 |
| Total | 2,122 | 6,836 |
| Performance Fibers — in thousands of metric tons | | |
| Cellulose specialties | 113 | 132 |
| Viscose/other | 34 | — |
| Absorbent materials | 16 | 56 |
| Total | 163 | 188 |

## Item 4. CONTROLS AND PROCEDURES

*Disclosure Controls and Procedures*

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

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

Based on an evaluation of the Company’s disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q/A, management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were not effective as of March 31, 2014.

On June 27, 2014, the Company spun off its Performance Fibers business to its shareholders as a newly formed publicly traded company named Rayonier Advanced Materials Inc. Following the spin-off, new management conducted a review of the Company’s operations and business strategies and identified issues related to its historical timber harvest levels, its estimate of merchantable timber inventory and the effect of such estimate on its calculation of depletion expense in each of the quarterly periods ended March 31, 2014 and June 30, 2014. At the direction of the Company’s Board of Directors, management commenced an internal review into these matters with the assistance of independent counsel, forensic accountants and financial advisers. As a result of the internal review, the Company concluded that it included in merchantable timber inventory for 2014, timber in specially designated parcels located in restricted, environmentally sensitive or economically inaccessible areas, which was incorrect, inconsistent with the Company’s definition of merchantable timber inventory, and a significant change from prior years. As a result, the Company concluded that it understated its depletion expense in cost of goods sold (referred to as “Cost of sales” in the Company's consolidated statements of income) by approximately $2.0 million in each of the quarterly periods ended March 31, 2014 and June 30, 2014, which resulted in a corresponding overstatement of income from continuing operations of $1.9 million and $2.0 million, respectively, in those periods. The Company has filed amendments to its Forms 10-Q for the quarterly periods ended March 31, 2014 and June 30, 2014 and restated its interim consolidated financial statements for those periods.

Management and E&Y originally concluded that there was not a material weakness in the Company’s internal control over financial reporting as of December 31, 2013, and this conclusion was reflected in the Company’s Initial Form 10-K. Subsequent to the filing of the Initial Form 10-K and in connection with the restatement discussed above, under the direction of the Chief Executive Officer and Chief Financial Officer, management conducted a reevaluation of the effectiveness of the Company’s internal control over financial reporting. After extensive consultation with E&Y and the Company’s forensic accountants, management has now concluded that the Company did not maintain effective control, as of December 31, 2013, over the accounting for depletion expense. Specifically, the Company’s controls related to the preparation and review of the annual depletion calculation which commenced in 2013 were not adequate to ensure that the changes in depletion rate estimates used to recognize depletion expense in 2014 were in accordance with accounting principles generally accepted in the United States of America. Further, these controls relied, in part, on electronic data from information technology systems with ineffective user access and program change management general controls. Accordingly, management has now concluded that the Company’s internal control over financial reporting was ineffective at December 31, 2013 based on the aggregation of these deficiencies. E&Y has reached the same conclusion.

In addition, because this material weakness was not adequately remediated as of March 31, 2014, June 30, 2014 or September 30, 2014, the Company’s internal control over financial reporting was ineffective at those dates as well. There were no other changes in the Company’s internal control over financial reporting that occurred during the quarterly period ended March 31, 2014 that materially affected, or are likely to materially affect, its internal control over financial reporting.

*Remediation Plan*

The Company has initiated a plan to remediate the material weakness described above. The implementation of this plan began in the third quarter of 2014 and consists of the following main elements:

- enhancing senior finance management supervision and review of the depletion rate estimates and coordination with the Company's technical and operations personnel as to volumes of merchantable timber included in the calculation of depletion expense,
- instituting more formal procedures around the review and approval of changes to the estimate of merchantable timber inventory and its effect on the calculation of depletion expense, and
- implementing controls over user access and changes to system data used in the depletion rate estimates.

Prior to the remediation of the material weakness, there is a risk that material misstatements in the Company's interim or annual financial statements may occur. The Company can give no assurance that the measures it takes will remediate the material weakness that it has identified or that additional material weaknesses will not arise in the future. The Company will continue to monitor the effectiveness of these and other processes, procedures, and controls and will make any further changes management determines to be appropriate.

## PART II. OTHER INFORMATION

### Item 6. Exhibits

| | | |
|---|---|---|
| 31.1 | Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 31.2 | Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32 | Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith |
| 101 | The following financial information from our Quarterly Report on Form 10-Q/A for the fiscal quarter ended March 31, 2014, formatted in Extensible Business Reporting Language ("XBRL"), includes: (i) the Consolidated Statements of Income and Comprehensive Income for the Three Months Ended March 31, 2014 and 2013; (ii) the Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013; (iii) the Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2014 and 2013; and (iv) the Notes to Consolidated Financial Statements | Filed herewith |

**SIGNATURE**

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

RAYONIER INC.
(Registrant)

By: /S/ H. EDWIN KIKER

H. Edwin Kiker
*Senior Vice President and Chief Financial Officer*
*(Duly Authorized Officer, Principal Financial Officer and Principal Accounting Officer)*

Date: November 10, 2014

**EXHIBIT 31.1**

**CERTIFICATION**

I, David L. Nunes, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 10, 2014

/s/ DAVID L. NUNES

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

**EXHIBIT 31.2**

**CERTIFICATION**

I, H. Edwin Kiker, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 10, 2014

/s/ H. EDWIN KIKER

H. Edwin Kiker
*Senior Vice President and Chief Financial Officer, Rayonier Inc.*

**EXHIBIT 32**

**CERTIFICATION**

The undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to our knowledge:

1. The quarterly report on Form 10-Q/A of Rayonier Inc. (the "Company") for the period ended March 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 10, 2014

| | |
|---|---|
| /s/ DAVID L. NUNES | /s/ H. EDWIN KIKER |
| David L. Nunes | H. Edwin Kiker |
| *President and Chief Executive Officer, Rayonier Inc.* | *Senior Vice President and*<br>*Chief Financial Officer, Rayonier Inc.* |