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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

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 October 31, 2016, there were outstanding 122,877,503 Common Shares of the registrant.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
SALES	$171,421	$151,657	$567,814	$407,764
Costs and Expenses				
Cost of sales	116,624	116,044	362,790	326,966
Selling and general expenses	10,607	10,689	31,638	34,315
Other operating income, net (Note 15)	(5,499)	(2,855)	(20,867)	(15,567)
	121,732	123,878	373,561	345,714
OPERATING INCOME	49,689	27,779	194,253	62,050
Interest expense	(8,544)	(7,581)	(23,603)	(24,608)
Interest income and miscellaneous income (expense), net	258	(1,558)	(1,115)	(4,250)
INCOME BEFORE INCOME TAXES	41,403	18,640	169,535	33,192
Income tax (expense) benefit	(779)	541	(2,274)	1,309
NET INCOME	40,624	19,181	167,261	34,501
Less: Net income (loss) attributable to noncontrolling interest	1,269	(488)	3,613	(1,379)
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	39,355	19,669	163,648	35,880
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment, net of income tax expense of $0, $429, $0 and $1,581	12,022	(13,370)	28,046	(53,087)
Cash flow hedges, net of income tax benefit (expense) of $229, $185, $1,293 and $1,687	4,195	(14,120)	(22,055)	(17,983)
Actuarial change and amortization of pension and postretirement plans, net of income tax expense of $0, $66, $0 and $404	632	890	1,881	2,414
Total other comprehensive income (loss)	16,849	(26,600)	7,872	(68,656)
COMPREHENSIVE INCOME (LOSS)	57,473	(7,419)	175,133	(34,155)
Less: Comprehensive income (loss) attributable to noncontrolling interest	3,649	(5,363)	11,808	(18,884)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO RAYONIER INC.	$53,824	($2,056)	$163,325	($15,271)
EARNINGS PER COMMON SHARE (Note 11)				
Basic earnings per share attributable to Rayonier Inc.	$0.32	$0.16	$1.34	$0.28
Diluted earnings per share attributable to Rayonier Inc.	$0.32	$0.16	$1.33	$0.28
Dividends declared per share	$0.25	$0.25	$0.75	$0.75

See Notes to Consolidated Financial Statements.

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

	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$110,039	$51,777
Accounts receivable, less allowance for doubtful accounts of $35 and $42	24,731	20,222
Inventory (Note 16)	16,064	15,351
Prepaid expenses	12,564	12,654
Assets held for sale (Note 18)	47,361	—
Other current assets	3,369	5,681
Total current assets	214,128	105,685
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	2,325,489	2,066,780
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 6)	70,324	65,450
PROPERTY, PLANT AND EQUIPMENT		
Land	1,832	1,833
Buildings	9,673	9,014
Machinery and equipment	3,469	3,686
Construction in progress	4,993	1,282
Total property, plant and equipment, gross	19,967	15,815
Less — accumulated depreciation	(8,891)	(9,073)
Total property, plant and equipment, net	11,076	6,742
OTHER ASSETS	50,381	71,281
TOTAL ASSETS	$2,671,398	$2,315,938
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$23,735	$21,479
Current maturities of long-term debt	31,752	—
Accrued taxes	6,892	3,685
Accrued payroll and benefits	6,224	7,037
Accrued interest	8,313	6,153
Other current liabilities	23,227	21,103
Total current liabilities	100,143	59,457
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	1,033,288	830,554
PENSION AND OTHER POSTRETIREMENT BENEFITS (Note 14)	34,702	34,137
OTHER NON-CURRENT LIABILITIES	54,684	30,050
COMMITMENTS AND CONTINGENCIES (Notes 7 and 9)		
SHAREHOLDERS' EQUITY		
Common Shares, 480,000,000 shares authorized, 122,876,035 and 122,770,217 shares issued and outstanding	707,977	708,827
Retained earnings	683,596	612,760
Accumulated other comprehensive loss	(30,388)	(33,503)
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,361,185	1,288,084
Noncontrolling interest	87,396	73,656
TOTAL SHAREHOLDERS' EQUITY	1,448,581	1,361,740
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,671,398	$2,315,938

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands, except share data)

	Common Shares					
	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interest	Shareholders' Equity
Balance, December 31, 2014	126,773,097	$702,598	$790,697	($4,825)	$86,681	$1,575,151
Net income (loss)	—	—	46,165	—	(2,224)	43,941
Dividends ($1.00 per share)	—	—	(124,943)	—	—	(124,943)
Issuance of shares under incentive stock plans	205,219	2,117	—	—	—	2,117
Stock-based compensation	—	4,484	—	—	—	4,484
Tax deficiency on stock-based compensation	—	(250)	—	—	—	(250)
Repurchase of common shares	(4,208,099)	(122)	(100,000)	—	—	(100,122)
Net gain from pension and postretirement plans	—	—	—	2,933	—	2,933
Adjustments to Rayonier Advanced Materials	—	—	841	—	—	841
Foreign currency translation adjustment	—	—	—	(21,567)	(10,884)	(32,451)
Cash flow hedges	—	—	—	(10,044)	83	(9,961)
Balance, December 31, 2015	122,770,217	$708,827	$612,760	($33,503)	$73,656	$1,361,740
Net income	—	—	163,648	—	3,613	167,261
Dividends ($0.75 per share)	—	—	(92,122)	—	—	(92,122)
Issuance of shares under incentive stock plans	149,666	889	—	—	—	889
Stock-based compensation	—	3,894	—	—	—	3,894
Repurchase of common shares	(43,848)	(139)	(690)	—	—	(829)
Actuarial change and amortization of pension and postretirement plan liabilities	—	—	—	1,881	—	1,881
Foreign currency translation adjustment	—	—	—	20,527	7,519	28,046
Cash flow hedges	—		—	(22,731)	676	(22,055)
Recapitalization of New Zealand Joint Venture	—	(5,398)	—	3,438	1,960	—
Recapitalization costs	—	(96)	—	—	(28)	(124)
Balance, September 30, 2016	122,876,035	$707,977	$683,596	($30,388)	$87,396	$1,448,581

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2016	**2015**
OPERATING ACTIVITIES		
Net income	$167,261	$34,501
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	83,685	85,784
Non-cash cost of land and improved development	10,111	9,532
Stock-based incentive compensation expense	3,894	3,522
Deferred income taxes	4,472	(4,745)
Non-cash adjustments to unrecognized tax benefit liability	—	135
Amortization of losses from pension and postretirement plans	1,881	2,818
Gain on sale of large disposition of timberlands	(101,325)	—
Other	(251)	2,336
Changes in operating assets and liabilities:		
Receivables	(3,897)	1,895
Inventories	(4,591)	(9,403)
Accounts payable	583	1,854
Income tax receivable/payable	(47)	(947)
All other operating activities	2,132	16,121
CASH PROVIDED BY OPERATING ACTIVITIES	163,908	143,403
INVESTING ACTIVITIES		
Capital expenditures	(40,246)	(37,211)
Real estate development investments	(4,815)	(2,029)
Purchase of timberlands	(353,828)	(88,466)
Assets purchased in business acquisition	(1,113)	—
Net proceeds from large disposition of timberlands	126,965	—
Rayonier office building under construction	(3,933)	(369)
Change in restricted cash	22,430	(17,835)
Other	444	3,039
CASH USED FOR INVESTING ACTIVITIES	(254,096)	(142,871)
FINANCING ACTIVITIES		
Issuance of debt	694,096	379,027
Repayment of debt	(454,419)	(300,871)
Dividends paid	(92,095)	(94,280)
Proceeds from the issuance of common shares	889	1,322
Repurchase of common shares made under share repurchase program	(690)	(73,621)
Debt issuance costs	(818)	(1,678)
Other	(139)	—
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	146,824	(90,101)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,626	(6,234)
CASH AND CASH EQUIVALENTS		
Change in cash and cash equivalents	58,262	(95,803)
Balance, beginning of year	51,777	161,558
Balance, end of period	$110,039	$65,755
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period:		
Interest (a)	$23,540	$21,944
Income taxes	495	421
Non-cash investing activity:		
Capital assets purchased on account	4,376	1,945

(a) Interest paid is presented net of patronage payments received of $0.4 million and $1.3 million for the nine months ended September 30, 2016 and September 30, 2015, respectively. For additional information on patronage payments, see Note 5 — Debt in the 2015 Form 10-K.

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 (“GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (the “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 year ended December 31, 2015, as filed with the SEC (the “2015 Form 10-K”).

Reclassifications

Certain 2015 amounts have been reclassified to conform with the current year presentation, including changes in balance sheet presentation. During the first quarter of 2016, the Company reclassified capitalized debt costs related to non-revolving debt from Other Assets to Long Term Debt as a result of the adoption of Accounting Standards Update (“ASU”) No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-50) - Simplifying the Presentation of Debt Issuance Costs*, which is required to be applied on a retrospective basis. This reclassification is reflected in the September 30, 2016 and December 31, 2015 Consolidated Balance Sheets. A corresponding change has also been made to the Consolidated Statement of Cash Flows for both periods presented.

New Accounting Standards

In August 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU No. 2016-15 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. ASU No. 2016-15 is required to be applied retrospectively to all periods presented beginning in the period of adoption. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This update simplifies the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU No. 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Rayonier intends to adopt ASU No. 2016-09 in the Company’s first quarter 2017 Form 10-Q. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*, which clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. ASU No. 2016-05 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. Rayonier intends to adopt ASU No. 2016-05 in the Company’s first quarter 2017 Form 10-Q and does not expect it will have an impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases on their balance sheets related to the rights and obligations created by those leases. ASU No. 2016-02 also requires additional qualitative and quantitative disclosures related to the nature, timing and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. ASU No. 2016-02 is required to be applied retrospectively to all periods presented beginning in the period of adoption. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In May 2014, the FASB and International Accounting Standards Board ("IASB") jointly issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, a comprehensive new revenue recognition standard that will supersede current revenue recognition guidance. The guidance provides a unified model to determine when and how revenue is recognized and will require enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers - Deferral of the Effective Date*. ASU No. 2015-14 provides a one-year deferral of the effective date of the new standard, with an option for organizations to adopt early based on the original effective date. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers —Identifying Performance Obligations and Licensing*. The update clarifies the guidance for identifying performance obligations. In May 2016, the FASB issued ASU. No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. The update clarifies the guidance for assessing collectibility, presenting sales taxes and other similar taxes collected from customers, noncash consideration, contract modifications at transition, completed contracts at transition and disclosing the accounting change in the period of adoption. This standard will be effective for Rayonier beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements and has completed a preliminary analysis of the specific impacts to our Southern Timber, Pacific Northwest Timber, New Zealand Timber and Real Estate segments.

Subsequent Events

Disposition of 37,000 acres of Gulf states timberland

On October 21, 2016, the Company completed two separate transactions for the sale of 37,000 acres of timberland in Alabama and Mississippi for $77.8 million. The basis in these properties were classified as held for sale in the Consolidated Balance Sheet as of September 30, 2016. See Note 18 — *Assets Held For Sale* for additional information.

2. TIMBERLAND ACQUISITION

Menasha Acquisition

The Company and Forest Investment Associates ("FIA") formed Olympus Acquisition Company ("Olympus") to acquire all the outstanding common stock of Menasha Forest Products Corporation ("Menasha"), a privately held company with approximately 132,000 acres of timberland located in Oregon and Washington (the "Menasha Acquisition").

On May 10, 2016 (the "acquisition date"), essentially all of the net assets of Olympus were distributed to the Company and FIA, resulting in the Company owning an identified portfolio of 61,000 acres of the former Menasha timberland for a final purchase price of approximately $263 million.

Business Combination Accounting

The distribution of net assets from Olympus to Rayonier has been accounted for as a business combination. Accordingly, the consideration paid by the Company has been recorded to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of acquisition. In determining the fair value of the timberlands, the Company utilized valuation methodologies including a discounted cash flow analysis. A sales comparison approach was utilized to determine the fair market value of property, plant and equipment. The carrying values for current assets and liabilities were deemed to approximate their fair values due to the short-term nature of these assets and liabilities. Rayonier's share of acquisition costs of $1.3 million is included in "Other operating income, net."

As of the filing date of this report, the Company has not completed its final accounting related to this acquisition. As a result, preliminary estimates have been recorded and are subject to change. Any necessary adjustments from the preliminary estimates will be finalized as soon as practicable but within one year from the date of acquisition. Measurement period adjustments will be recorded in the period in which they are determined, as if they had been completed at the acquisition date.

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

The Company is currently in the process of finalizing its valuations related to the following: Timber and timberlands, Property, plant and equipment, Other current and non-current assets and Other current and non-current liabilities.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the acquisition date:

	May 10, 2016
Timber and timberlands (a)	$263,073
Property, plant and equipment	1,554
Other current and non-current assets	280
Total identifiable assets acquired	264,907
Other current and non-current liabilities	1,503
Total liabilities assumed	1,503
Net identifiable assets (purchase price)	$263,404

(a) Timber and timberlands include $0.8 million of seeds and seedlings.

Operating Results and Unaudited Pro Forma Financial Information

The net income effect resulting from the Menasha acquisition for the three and nine months ended September 30, 2016 is impracticable to determine, as the Company immediately integrated Menasha into its ongoing operations. Additionally, pro forma information has not been provided, as the portion of Menasha acquired was a component of a larger legal entity and separate historical financial statements were not prepared. Since stand-alone financial information prior to the acquisition was not readily available, compilation of such data is impracticable.

Washington Disposition

In May 2016, the Company completed a disposition of approximately 55,000 acres located in Washington to FIA (the “Washington disposition”) for a sale price of approximately $130 million. The proceeds received from the disposition were used to finance a portion of the Menasha Acquisition. The remainder of the acquisition was financed by entering into an incremental term loan agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions to provide a 10-year, $300 million incremental term loan. See Note 5 — *Debt* for additional information.

3. JOINT VENTURE INVESTMENT

Matariki Forestry Group

On March 3, 2016, the Company made a capital contribution into Matariki Forestry Group (the "New Zealand JV"), a joint venture that owns or leases approximately 0.4 million legal acres of New Zealand timberlands, for the purpose of refinancing approximately NZ$235 million of New Zealand JV indebtedness and paying related fees and expenses, including the costs of settling out-of-the-money interest rate swaps. As a result of the capital contribution, the Company's ownership interest in the New Zealand JV increased from 65% to 77%. As a result of the increase in ownership percentage, the pro-rata share of the New Zealand JV’s unrealized foreign currency and cash flow hedge losses were reallocated between the Company and the noncontrolling interest. In accordance with Accounting Standards Codification (“ASC”) 810-10-45-24, this reallocation resulted in a reduction to the common share balance. The Company maintains a controlling financial interest in the New Zealand JV and, accordingly, consolidates the New Zealand JV’s Balance Sheet and results of operations. The portions of the consolidated financial position and results of operations attributable to the New Zealand JV’s 23% noncontrolling interest are shown separately within the Consolidated Statements of Income and Comprehensive Income and Consolidated Statements of Shareholders’ Equity. Rayonier New Zealand Limited (“RNZ”), a wholly-owned subsidiary of Rayonier Inc., serves as the manager of the New Zealand JV.

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

4. SEGMENT AND GEOGRAPHICAL INFORMATION

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 segment operating income and Adjusted EBITDA. Asset information is not reported by segment, as the Company does not produce asset information by segment internally.

Operating income as presented in the Consolidated Statements of Income and Comprehensive Income (Loss) is equal to segment income. Certain income (loss) items in the Consolidated Statements of Income and Comprehensive Income (Loss) 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 and are included under “Corporate and other” or “unallocated interest expense and other.”

The following tables summarize the segment information for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
SALES	**2016**	**2015**	**2016**	**2015**
Southern Timber	$27,826	$34,797	$102,205	$103,009
Pacific Northwest Timber	16,139	21,549	52,316	57,805
New Zealand Timber	42,179	41,065	125,951	121,482
Real Estate (a)	60,626	35,232	211,296	65,968
Trading	24,651	19,014	76,046	59,500
Total	$171,421	$151,657	$567,814	$407,764

(a) The nine months ended September 30, 2016 include $129.5 million from the Washington disposition.

	Three Months Ended September 30,		Nine Months Ended September 30,	
OPERATING INCOME (LOSS)	**2016**	**2015**	**2016**	**2015**
Southern Timber	$8,183	$10,504	$34,976	$34,694
Pacific Northwest Timber	(3,293)	3,081	(874)	7,356
New Zealand Timber	6,613	(915)	21,385	3,834
Real Estate (a)	43,078	20,001	152,997	34,004
Trading	481	428	1,456	614
Corporate and other	(5,373)	(5,320)	(15,687)	(18,452)
Total Operating Income	49,689	27,779	194,253	62,050
Unallocated interest expense and other	(8,286)	(9,139)	(24,718)	(28,858)
Total Income before Income Taxes	$41,403	$18,640	$169,535	$33,192

(a) The nine months ended September 30, 2016 include $101.3 million from the Washington disposition.

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

DEPRECIATION, DEPLETION AND AMORTIZATION	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Southern Timber	$9,988	$14,404	$37,102	$41,356
Pacific Northwest Timber	6,668	4,189	14,978	10,920
New Zealand Timber	5,956	7,021	17,252	22,207
Real Estate (a)	9,260	6,269	35,988	11,087
Trading	—	—	—	—
Corporate and other	106	75	298	214
Total	$31,978	$31,958	$105,618	$85,784

(a) The nine months ended September 30, 2016 include $21.9 million from the Washington disposition.

NON-CASH COST OF LAND AND IMPROVED DEVELOPMENT	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Southern Timber	—	—	—	—
Pacific Northwest Timber	—	—	—	—
New Zealand Timber	—	—	1,824	—
Real Estate (a)	4,336	4,594	10,092	9,532
Trading	—	—	—	—
Corporate and other	—	—	—	—
Total	$4,336	$4,594	$11,916	$9,532

(a) The nine months ended September 30, 2016 include $1.8 million from the Washington disposition.

5. DEBT

Rayonier’s debt consisted of the following at September 30, 2016:

	September 30, 2016
Senior Notes due 2022 at a fixed interest rate of 3.75%	$325,000
Term Credit Agreement borrowings due 2024 at a variable interest rate of 2.1% at September 30, 2016	350,000
Incremental Term Loan Agreement borrowings due 2026 at a variable interest rate of 2.4% at September 30, 2016	300,000
Mortgage notes due 2017 at fixed interest rates of 4.35%	31,752
Revolving Credit Facility borrowings due 2020 at a variable interest rate of 1.8% at September 30, 2016	25,000
Solid waste bond due 2020 at a variable interest rate of 2.1% at September 30, 2016	15,000
New Zealand JV noncontrolling interest shareholder loan at 0% interest rate	22,022
Total debt	1,068,774
Less: Current maturities of long-term debt	(31,752)
Less: Deferred financing costs	(3,734)
Long-term debt, net of deferred financing costs	$1,033,288

RAYONIER INC. AND SUBSIDIARIES
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Principal payments due during the next five years and thereafter are as follows:

2016	—
2017 (a)	31,500
2018	—
2019	—
2020	40,000
Thereafter	997,022
Total Debt	$1,068,522

(a) The mortgage notes due in 2017 were recorded at a premium of $0.3 million as of September 30, 2016. Upon maturity the liability will be $31.5 million.

Incremental Term Loan Agreement

On April 28, 2016, the Company entered into an incremental term loan agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions to provide a 10-year, $300 million incremental term loan. Proceeds from the term loan were used to fund Rayonier's portion of the Menasha acquisition net of the proceeds received from the Washington disposition, to repay approximately $105 million outstanding on the Company's revolving credit facility and for general corporate purposes. The Company has entered into interest rate swap transactions to fix the cost of the term loan over its 10-year term. The periodic interest rate on the incremental term loan agreement is LIBOR plus 1.900%. The Company receives annual patronage payments, which are profit distributions made by a cooperative to its member-users based on the quantity or value of business done with the member-user. The Company estimates the effective interest rate for the third quarter was approximately 2.8% after consideration of the estimated patronage payments and interest rate swaps.

Term Credit Agreement

On August 5, 2015, the Company entered into a credit agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions and other commercial banks to provide $550 million of new credit facilities, including a five-year $200 million unsecured revolving credit facility (see below) and a nine-year $350 million term loan facility. The Company has entered into interest rate swap transactions to fix the cost of the term loan facility over its nine-year term. The periodic interest rate on the term credit agreement is LIBOR plus 1.625%. The Company estimates the effective interest rate for the third quarter was approximately 3.3% after consideration of the estimated patronage payments and interest rate swaps.

Revolving Credit Facility

In August 2015, the Company entered into a five-year $200 million unsecured revolving credit facility, replacing the previous $200 million revolving credit facility and $100 million farm credit facility, which were scheduled to expire in April 2016 and December 2019, respectively. The periodic interest rate on the revolving credit facility is LIBOR plus 1.250%, with an unused commitment fee of 0.175%.

Net borrowings of $25.0 million were made in the third quarter of 2016 on the revolving credit facility. At September 30, 2016, the Company had available borrowings of $169.5 million under the revolving credit facility, net of $5.5 million to secure its outstanding letters of credit.

Joint Venture Debt

On March 3, 2016, the Company used proceeds from the term loan facility to fund a capital contribution into the New Zealand JV. The New Zealand JV in turn used the proceeds for full repayment of the outstanding amount of $155 million under its Tranche A credit facility.

In June 2016, the New Zealand JV entered into a 12-month NZ$20.0 million working capital facility and an 18-month NZ$20.0 million working capital facility, replacing the previous NZ$40.0 million facility that expired in June 2016.

(Dollar amounts in thousands unless otherwise stated)

During the nine months ended September 30, 2016, the New Zealand JV made additional borrowings and repayments of $146.1 million on the facility. Draws totaling $29.2 million remain available on the working capital facilities at September 30, 2016. In addition, the New Zealand JV paid $2.6 million of its shareholder loan held with the non-controlling interest party during the nine months ended September 30, 2016. Changes in exchange rates increased debt on a U.S. dollar basis for its shareholder loan by $1.4 million.

Debt Covenants

In connection with the Company's $350 million term credit agreement, $300 million incremental term loan agreement and $200 million revolving credit facility, customary covenants must be met, the most significant of which include interest coverage and leverage ratios. In addition to these financial covenants, the mortgage notes, senior notes, term credit agreement, incremental term loan agreement and revolving credit facility include customary covenants that limit the incurrence of debt and the disposition of assets, among others. At September 30, 2016, the Company was in compliance with all applicable covenants.

6. HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS

Rayonier continuously assesses potential alternative uses of its timberlands, as some properties may become more valuable for development, residential, recreation or other purposes. The Company periodically transfers, via a sale or contribution from the real estate investment trust ("REIT") entities to taxable REIT subsidiaries ("TRS"), higher and better use ("HBU") timberlands to enable land-use entitlement, development or marketing activities. The Company also acquires HBU properties in connection with timberland acquisitions. These properties are managed as timberlands until sold or developed. While the majority of HBU sales involve rural and recreational land, the Company also selectively pursues various land-use entitlements on certain properties for residential, commercial and industrial development in order to enhance the long-term value of such properties. For selected development properties, Rayonier also invests in targeted infrastructure improvements, such as roadways and utilities, to accelerate the marketability and improve the value of such properties.

An analysis of higher and better use timberlands and real estate development costs from December 31, 2015 to September 30, 2016 is shown below:

	Higher and Better Use Timberlands and Real Estate Development Investments		
	Land and Timber	**Development Investments**	**Total**
Non-current portion at December 31, 2015	$57,897	$7,553	$65,450
Plus: Current portion (a)	6,019	6,233	12,252
Total Balance at December 31, 2015	63,916	13,786	77,702
Non-cash cost of land and improved development	(1,612)	(151)	(1,763)
Timber depletion from harvesting activities and basis of timber sold in real estate sales	(1,123)	—	(1,123)
Capitalized real estate development investments (b)	—	4,815	4,815
Capital expenditures (silviculture)	153	—	153
Intersegment transfers	4	—	4
Total Balance at September 30, 2016	61,338	18,450	79,788
Less: Current portion (a)	(3,930)	(5,534)	(9,464)
Non-current portion at September 30, 2016	$57,408	$12,916	$70,324

(a) The current portion of Higher and Better Use Timberlands and Real Estate Development Investments is recorded in Inventory. See Note 16 — *Inventory* for additional information.

(b) Capitalized real estate development investments includes $0.1 million of capitalized interest.

(Dollar amounts in thousands unless otherwise stated)

7. COMMITMENTS

The Company leases certain buildings, machinery, and equipment under various operating leases. The Company also has long-term lease agreements on certain timberlands in the Southern U.S. and New Zealand. U.S. leases typically have initial terms of approximately 30 to 65 years, with renewal provisions in some cases. New Zealand timberland lease terms range between 30 and 99 years. Such leases are generally non-cancellable and require minimum annual rental payments.

At September 30, 2016, the future minimum payments under non-cancellable operating and timberland leases were as follows:

	Operating Leases	Timberland Leases (a)	Commitments (b)	Total
Remaining 2016	$518	$3,838	$5,120	$9,476
2017	1,657	10,594	13,786	26,037
2018	902	9,443	9,193	19,538
2019	725	8,966	9,193	18,884
2020	605	8,553	9,193	18,351
Thereafter (c)	1,770	163,003	37,393	202,166
	$6,177	$204,397	$83,878	$294,452

(a) The majority of timberland leases are subject to increases or decreases based on either the Consumer Price Index, Producer Price Index or market rates.

(b) Commitments include payments expected to be made on derivative financial instruments (foreign exchange contracts and interest rate swaps), standby letters of credit fees for industrial revenue bonds and construction of the Company’s office building.

(c) Includes 20 years of future minimum payments for perpetual Crown Forest Licenses (“CFL”). A CFL consists of a license to use public or government owned land to operate a commercial forest. The CFL's extend indefinitely and may only be terminated upon a 35-year termination notice from the government. If no termination notice is given, the CFLs renew automatically each year for a one-year term. As of September 30, 2016, the New Zealand JV has four CFL’s under termination notice, terminating in 2034, two in 2044 and 2049 as well as two fixed-term CFL’s expiring in 2062. The annual license fee is determined based on current market rental value, with triennial rent reviews.

(Dollar amounts in thousands unless otherwise stated)

8. INCOME TAXES

The operations conducted by the Company's REIT entities are generally not subject to U.S. federal and state income tax. The New Zealand JV is subject to corporate level tax in New Zealand. Non-REIT qualifying operations are conducted by the Company's TRS. The primary businesses performed in Rayonier's TRS include log trading and certain real estate activities, such as the sale and entitlement of development HBU properties.

Provision for Income Taxes

The Company's effective tax rate is below the 35.0% U.S. statutory rate due to tax benefits associated with being a REIT. The income tax expense (benefit) for the three and nine months ended September 30, 2016 and 2015 are principally related to the New Zealand JV.

The table below reconciles the U.S. statutory rate to the Company's effective tax rate for each period presented:

	Three Months Ended September 30,			
	2016		2015	
Income tax expense at federal statutory rate	$14,491	35.0 %	$6,524	35.0 %
U.S. and foreign REIT income & U.S. TRS taxable losses	(11,487)	(27.7)	(9,259)	(49.6)
Foreign TRS operations	(312)	(0.8)	(1,466)	(7.9)
U.S. net deferred tax asset valuation allowance	(1,741)	(4.2)	2,742	14.7
Other	(70)	(0.2)	90	0.5
Income tax expense (benefit) before discrete items	$881	2.1 %	($1,369)	(7.3)%
CBPC[(a)] valuation allowance	—	—	997	5.3
Return-to-accrual adjustments	(171)	(0.4)	(169)	(0.9)
Other	69	0.2	—	—
Income tax expense (benefit) as reported	$779	1.9 %	($541)	(2.9)%

	Nine Months Ended September 30,			
	2016		2015	
Income tax expense at federal statutory rate	$59,337	35.0 %	$11,617	35.0 %
U.S. and foreign REIT income & U.S. TRS taxable losses	(55,801)	(32.9)	(16,260)	(48.9)
Foreign TRS operations	(626)	(0.4)	(3,029)	(9.1)
U.S. net deferred tax asset valuation allowance	2,654	1.6	5,360	16.1
Other	137	0.1	175	0.5
Income tax expense (benefit) before discrete items	$5,701	3.4 %	($2,137)	(6.4)%
CBPC[(a)] valuation allowance	—	—	997	3.0
Tax benefit recognized related to changes in the New Zealand JV deferred tax inventory	(1,833)	(1.1)	—	—
Purchase accounting deferred tax benefit	(1,423)	(0.9)	—	—
Return-to-accrual adjustments	(171)	(0.1)	(169)	(0.5)
Income tax expense (benefit) as reported	$2,274	1.3 %	($1,309)	(3.9)%

(a) Cellulosic biofuels producer credit.

9. CONTINGENCIES

Following the Company's November 10, 2014 earnings release and filing of the restated interim financial statements for the quarterly periods ended March 31, 2014 and June 30, 2014 (the "November 2014 Announcement"), shareholders of the Company filed five putative class actions against the Company and Paul G. Boynton, Hans E. Vanden Noort, David L. Nunes, and H. Edwin Kiker arising from circumstances described in the November 2014 Announcement, entitled respectively:

- *Sating v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01395; filed November 12, 2014 in the United States District Court for the Middle District of Florida;
- *Keasler v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01398, filed November 13, 2014 in the United States District Court for the Middle District of Florida;
- *Lake Worth Firefighters' Pension Trust Fund v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01403, filed November 13, 2014 in the United States District Court for the Middle District of Florida;
- *Christie v. Rayonier Inc. et al*, Civil Action No. 3:14-cv-01429, filed November 21, 2014 in the United States District Court for the Middle District of Florida; and
- *Brown v. Rayonier Inc. et al*, Civil Action No. 1:14-cv-08986, initially filed in the United States District Court for the Southern District of New York and later transferred to the United States District Court for the Middle District of Florida and assigned as Civil Action No. 3:14-cv-01474.

On January 9, 2015, the five securities actions were consolidated into one putative class action entitled *In re Rayonier Inc. Securities Litigation*, Case No. 3:14-cv-01395-TJC-JBT, in the United States District Court for the Middle District of Florida. The plaintiffs alleged that the defendants made false and/or misleading statements in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The plaintiffs sought unspecified monetary damages and attorneys' fees and costs. Two shareholders, the Pension Trust Fund for Operating Engineers and the Lake Worth Firefighters' Pension Trust Fund moved for appointment as lead plaintiff on January 12, 2015, which was granted on February 25, 2015. On April 7, 2015, the plaintiffs filed a Consolidated Class Action Complaint (the "Consolidated Complaint"). In the Consolidated Complaint, plaintiffs added allegations as to and added as a defendant N. Lynn Wilson, a former officer of Rayonier. With the filing of the Consolidated Complaint, David L. Nunes and H. Edwin Kiker were dropped from the case as defendants. Defendants timely filed Motions to Dismiss the Consolidated Complaint on May 15, 2015. After oral argument on Defendants' motions on August 25, 2015, the Court dismissed the Consolidated Complaint without prejudice, allowing plaintiffs leave to refile. Plaintiffs filed the Amended Consolidated Class Action Complaint (the "Amended Complaint") on September 25, 2015, which continued to assert claims against the Company, as well as Ms. Wilson and Messrs. Boynton and Vanden Noort. Defendants timely filed Motions to Dismiss the Amended Complaint on October 26, 2015. The court denied those motions on May 20, 2016. The case is now in the discovery phase. At this preliminary stage, the Company cannot determine whether there is a reasonable likelihood a material loss has been incurred nor can the range of any such loss be estimated.

On November 26, 2014, December 29, 2014, January 26, 2015, February 13, 2015, and May 12, 2015, the Company received separate letters from shareholders requesting that the Company investigate or pursue derivative claims against certain officers and directors related to the November 2014 Announcement. Although these demands do not identify any claims against the Company, the Company has certain obligations to advance expenses and provide indemnification to certain current and former officers and directors of the Company. The Company has also incurred expenses as a result of costs arising from the investigation of the claims alleged in the various demands. At this preliminary stage, the ultimate outcome of these matters cannot be predicted, nor can the range of potential expenses the Company may incur as a result of the obligations identified above be estimated.

The Company has also 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 pending 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.

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10. GUARANTEES

The Company provides financial guarantees as required by creditors, insurance programs, and various governmental agencies.

As of September 30, 2016, the following financial guarantees were outstanding:

Financial Commitments	Maximum Potential Payment	Carrying Amount of Associated Liability
Standby letters of credit (a)	$20,642	$15,000
Guarantees (b)	2,254	43
Surety bonds (c)	771	—
Total financial commitments	$23,667	$15,043

(a) Approximately $15 million of the standby letters of credit serve as credit support for industrial revenue bonds. Approximately $3.8 million of the standby letters of credit serve as credit support for infrastructure at the Company's Wildlight development project. The remaining letters of credit support various insurance related agreements, primarily workers' compensation. These letters of credit will expire at various dates during 2016 and 2017 and will be renewed as required.

(b) In conjunction with a timberland sale and note monetization in 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 September 30, 2016, the Company has a de minimis 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. Rayonier has also obtained performance bonds to secure the development activity at the Company's Wildlight development project. These surety bonds expire at various dates during 2017 and are expected to be renewed as required.

(Dollar amounts in thousands unless otherwise stated)

11. EARNINGS PER COMMON SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	$40,624	$19,181	$167,261	$34,501
Less: Net income (loss) attributable to noncontrolling interest	1,269	(488)	3,613	(1,379)
Net income attributable to Rayonier Inc.	$39,355	$19,669	$163,648	$35,880
Shares used for determining basic earnings per common share	122,597,927	125,143,706	122,574,094	126,125,802
Dilutive effect of:				
Stock options	113,849	91,495	88,594	129,906
Performance and restricted shares	170,857	31,051	120,212	37,064
Assumed conversion of Senior Exchangeable Notes (a)	—	39,720	—	477,931
Shares used for determining diluted earnings per common share	122,882,633	125,305,972	122,782,900	126,770,703
Basic earnings per common share attributable to Rayonier Inc.:	$0.32	$0.16	$1.34	$0.28
Diluted earnings per common share attributable to Rayonier Inc.:	$0.32	$0.16	$1.33	$0.28

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Anti-dilutive shares excluded from the computations of diluted earnings per share:				
Stock options, performance and restricted shares	745,878	994,549	863,244	906,582
Assumed conversion of exchangeable note hedges (a)	—	39,720	—	477,931
Total	745,878	1,034,269	863,244	1,384,513

(a) Rayonier did not issue additional shares upon maturity of the Senior Exchangeable Notes due August 2015 (the "2015 Notes") due to offsetting hedges. ASC 260, *Earnings Per Share* required the assumed conversion of the 2015 Notes to be included in dilutive shares if the average stock price for the period exceeded the strike price, while the conversion of the hedges was excluded since they were anti-dilutive. The full dilutive effect of the 2015 Notes was included for the prior period presented.

Rayonier did not distribute additional shares upon the February 2016 maturity of the warrants sold in conjunction with the 2015 Notes as the stock price did not exceed $28.11 per share. The warrants were not dilutive for the nine months ended September 30, 2016 and 2015 as the average stock price for the periods the warrants were outstanding did not exceed the strike price.

12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to market risk related to potential fluctuations in foreign currency exchange rates and interest rates. The Company uses derivative financial instruments to mitigate the financial impact of exposure to these risks.

Accounting for derivative financial instruments is governed by ASC 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. Gains and losses on derivatives that are designated and qualify for net investment hedge accounting are recorded as a component of AOCI and will not be reclassified into earnings until the Company's investment in its New Zealand operations is partially or completely liquidated. The ineffective portion of any hedge, 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. The Company's hedge ineffectiveness was de minimis for all periods presented.

Foreign Currency Exchange and Option Contracts

The functional currency of Rayonier's wholly owned subsidiary, Rayonier New Zealand Limited, and the New Zealand JV is the New Zealand dollar. The New Zealand JV is exposed to foreign currency risk on export sales and ocean freight payments which are mainly denominated in U.S. dollars. The New Zealand JV typically hedges 35% to 90% of its estimated foreign currency exposure with respect to the following three months forecasted sales and purchases, 25% to 75% of forecasted sales and purchases for the forward three to 12 months and up to 50% of the forward 12 to 18 months. Foreign currency exposure from the New Zealand JV's trading operations is typically hedged based on the following three months forecasted sales and purchases. As of September 30, 2016, foreign currency exchange contracts and foreign currency option contracts had maturity dates through November 2017.

Foreign currency exchange and option contracts hedging foreign currency risk on export sales and ocean freight payments qualify for cash flow hedge accounting. 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.

The Company may de-designate these cash flow hedge relationships in advance or at the occurrence of the forecasted transaction. The portion of gains or losses on the derivative instrument previously accumulated in other comprehensive income for de-designated hedges remains in accumulated other comprehensive income until the forecasted transaction affects earnings. Changes in the value of derivative instruments after de-designation are recorded in earnings.

In August 2015, the Company entered into foreign currency option contracts (notional amount of $332 million) to mitigate the risk of fluctuations in foreign currency exchange rates when translating the New Zealand JV's balance sheet to U.S. dollars. These contracts hedged a portion of the Company's net investment in New Zealand and qualified as a net investment hedge. The fair value of these contracts was 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 hedges qualified for hedge accounting whereby fluctuations in fair market value during the life of the hedge are recorded in AOCI and remain there permanently unless a partial or full liquidation of the investment is made. At each reporting period, the Company reviews the hedges for ineffectiveness. Ineffectiveness can occur when changes to the investment or the hedged instrument are made such that the risk of foreign exchange movements are no longer mitigated by the hedging instrument. At that time, the amount related to the ineffectiveness of the hedge is recorded into earnings. The Company did not have any ineffectiveness during the life of the hedges. The foreign currency option contracts matured on February 3, 2016.

On February 1, 2016, the Company entered into foreign currency option contracts (notional amounts of $159.7 million and $154.6 million) to mitigate the risk of fluctuations in foreign exchange rates when funding the capital contribution to the New Zealand JV. On February 29, 2016, the contracts were settled for a net premium of $0.3 million. The gain on these contracts was recorded in "Other operating income, net" as they did not qualify for hedge accounting treatment.

On February 29, 2016, the Company purchased a foreign exchange forward contract (notional amount $159.5 million) to mitigate the risk of fluctuations in foreign exchange rate contracts when funding the capital contribution to the New Zealand JV. The contract matured on March 3, 2016, resulting in a gain of $0.9 million. The gain on this contract was recorded in "Other operating income, net" as it did not qualify for hedge accounting treatment.

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Interest Rate Swaps

The Company used 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. On March 3, 2016, as part of the capital contribution into the New Zealand JV, the Company settled all remaining New Zealand JV interest rate swaps for $9.3 million. Initially, these hedges qualified for hedge accounting; however, upon consolidation of the New Zealand JV in 2013, the hedges no longer qualified, requiring all future changes in the fair market value of the hedges to be recorded in earnings.

The Company is exposed to cash flow interest rate risk on its variable-rate Term Credit Agreement and Incremental Term Loan Agreement (as discussed below), and uses variable-to-fixed interest rate swaps to hedge this exposure. For these derivative instruments, the Company reports the gains/losses from the fluctuations in the fair market value of the hedges in AOCI and reclassifies them to earnings as interest expense in the same period in which the hedged interest payments affect earnings.

In August 2015, the Company entered into a nine-year interest rate swap agreement for a notional amount of $170 million. This swap agreement fixes the variable portion of the interest rate on the Term Credit Agreement borrowings due 2024 from LIBOR to an average rate of 2.20%. Together with the bank margin of 1.63%, this results in a rate of 3.83% before estimated patronage payments. This derivative instrument has been designated as an interest rate cash flow hedge and qualifies for hedge accounting.

Also, in August 2015, the Company entered into a nine-year forward interest rate swap agreement with a start date in April 2016 for a notional amount of $180 million. This swap agreement fixes the variable portion of the interest rate on the Term Credit Agreement borrowings due 2024 from LIBOR to an average rate of 2.35%. Together with the bank margin of 1.63%, this results in a rate of 3.97% before estimated patronage payments. This derivative instrument has been designated as an interest rate cash flow hedge and qualifies for hedge accounting.

In April 2016, the Company entered into two ten-year interest rate swap agreements, each for a notional amount of $100 million. These swap agreements fix the variable portion of the interest rate on the Incremental Term Loan borrowings due 2026 to an average rate of 1.60%. Together with the bank margin of 1.90%, this results in a rate of 3.50% before estimated patronage payments. These derivative instruments have been designated as interest rate cash flow hedges and qualify for hedge accounting.

On July 7, 2016, the Company entered into an interest rate swap agreement for a notional amount of $100 million through May 2026. This swap agreement fixes the variable portion of the interest rate on the Incremental Term Loan borrowings due 2026 from LIBOR to an average rate of 1.26%. Together with the bank margin of 1.90%, this results in a rate of 3.16% before estimated patronage payments. This derivative instrument has been designated as an interest rate cash flow hedge and qualifies for hedge accounting.

The following tables demonstrate the impact of the Company's derivatives on the Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2016 and 2015.

		Three Months Ended September 30,	
	Income Statement Location	**2016**	**2015**
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other comprehensive income (loss)	$259	($289)
Foreign currency option contracts	Other comprehensive income (loss)	635	(788)
Interest rate swaps	Other comprehensive income (loss)	3,529	(13,644)
Derivatives designated as a net investment hedge:			
Foreign currency exchange contract	Other comprehensive income (loss)	—	1,151
Foreign currency option contracts	Other comprehensive income (loss)	—	2,084
Derivatives not designated as hedging instruments:			
Foreign currency option contracts	Other operating income, net	—	847
Interest rate swaps	Interest income and miscellaneous income (expense), net	—	(1,650)

(Dollar amounts in thousands unless otherwise stated)

	Income Statement Location	Nine Months Ended September 30, 2016	2015
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other comprehensive income (loss)	$2,075	($2,597)
Foreign currency option contracts	Other comprehensive income (loss)	2,564	(4,127)
Interest rate swaps	Other comprehensive income (loss)	(25,459)	(13,644)
Derivatives designated as a net investment hedge:			
Foreign currency exchange contract	Other comprehensive income (loss)	(4,606)	4,258
Foreign currency option contracts	Other comprehensive (loss) income	—	2,084
Derivatives not designated as hedging instruments:			
Foreign currency exchange contracts	Other operating income, net	895	—
Foreign currency option contracts	Other operating income, net	258	1,394
Interest rate swaps	Interest income and miscellaneous income (expense), net	(1,219)	4,923

During the next 12 months, the amount of the September 30, 2016 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 $1.8 million.

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

	Notional Amount September 30, 2016	December 31, 2015
Derivatives designated as cash flow hedges:		
Foreign currency exchange contracts	$25,390	$21,250
Foreign currency option contracts	70,500	107,200
Interest rate swaps	650,000	350,000
Derivatives designated as net investment hedges:		
Foreign currency option contracts	—	331,588
Derivative not designated as a hedging instrument:		
Interest rate swaps	—	130,169

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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)	
		September 30, 2016	December 31, 2015
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other current assets	$1,173	$43
	Other assets	142	—
	Other current liabilities	(342)	(1,449)
	Other non-current liabilities	—	(219)
Foreign currency option contracts	Other current assets	1,909	560
	Other assets	243	408
	Other current liabilities	(173)	(1,393)
	Other non-current liabilities	(59)	(217)
Interest rate swaps	Other non-current liabilities	(35,655)	(10,197)
Derivatives designated as net investment hedges:			
Foreign currency option contracts	Other current assets	—	4,630
	Other current liabilities	—	(24)
Derivative not designated as a hedging instrument:			
Interest rate swaps	Other non-current liabilities	—	(8,047)
Total derivative contracts:			
Other current assets		$3,082	$5,233
Other assets		385	408
Total derivative assets		$3,467	$5,641
Other current liabilities		(515)	(2,866)
Other non-current liabilities		(35,714)	(18,680)
Total derivative liabilities		($36,229)	($21,546)

(a) See Note 13 — *Fair Value Measurements* for further information on the fair value of the Company’s 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.

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

13. FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

A three-level hierarchy that prioritizes the inputs used to measure fair value was established in the Accounting Standards Codification 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. (a)

The following table presents the carrying amount and estimated fair values of financial instruments held by the Company at September 30, 2016 and December 31, 2015, using market information and what the Company believes to be appropriate valuation methodologies under generally accepted accounting principles:

	September 30, 2016			December 31, 2015		
Asset (Liability) (a)	**Carrying Amount**	**Fair Value**		**Carrying Amount**	**Fair Value**	
		Level 1	**Level 2**		**Level 1**	**Level 2**
Cash and cash equivalents	$110,039	$110,039	—	$51,777	$51,777	—
Restricted cash (b)	1,095	1,095	—	23,525	23,525	—
Current maturities of long-term debt	(31,752)	—	(32,403)	—	—	—
Long-term debt (c)	(1,033,288)	—	(1,049,210)	(830,554)	—	(830,203)
Interest rate swaps (d)	(35,655)	—	(35,655)	(18,244)	—	(18,244)
Foreign currency exchange contracts (d)	973	—	973	(1,625)	—	(1,625)
Foreign currency option contracts (d)	1,920	—	1,920	3,964	—	3,964

(a) The Company did not have Level 3 assets or liabilities at September 30, 2016.

(b) Restricted cash is recorded in “Other Assets” and represents the proceeds from like-kind exchange sales deposited with a third-party intermediary and cash held in escrow for a real estate sale. See Note 17 — *Restricted Deposits* for additional information regarding restricted cash.

(c) The carrying amount of long-term debt is presented net of capitalized debt costs on non-revolving debt. See Note 1 — *Basis of Presentation* for additional information.

(d) See Note 12 — *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)

14. EMPLOYEE BENEFIT PLANS

The Company has one qualified non-contributory defined benefit pension plan covering a portion of its employees and an unfunded plan that provides benefits in excess of amounts allowable under current tax law in the qualified plan. Currently, the pension plan is 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. In 2016, the Company has no mandatory pension contribution requirement.

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

	Pension		Postretirement	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015
Components of Net Periodic Benefit Cost				
Service cost	$327	$371	$2	$3
Interest cost	869	830	12	13
Expected return on plan assets	(1,008)	(1,007)	—	—
Amortization of prior service cost	—	3	—	—
Amortization of losses	632	950	—	3
Net periodic benefit cost	$820	$1,147	$14	$19

	Pension		Postretirement	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Components of Net Periodic Benefit Cost				
Service cost	$980	$1,113	$5	$8
Interest cost	2,606	2,489	36	39
Expected return on plan assets	(3,023)	(3,020)	—	—
Amortization of prior service cost	—	10	—	—
Amortization of losses (gains)	1,893	2,799	(12)	9
Net periodic benefit cost	$2,456	$3,391	$29	$56

(Dollar amounts in thousands unless otherwise stated)

15. OTHER OPERATING INCOME, NET

Other operating income, net comprised the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Lease income, primarily from hunting leases	$3,769	$4,349	$13,991	$14,348
Other non-timber income	666	581	1,721	2,634
Foreign currency income (loss)	533	(149)	34	67
Gain on sale or disposal of property and equipment	58	4	81	6
Loss on foreign currency exchange and option contracts	(333)	(2,297)	(1,406)	(3,290)
Deferred payment related to a prior land sale	—	—	4,000	—
Costs related to acquisition	(91)	—	(1,306)	—
Gain on foreign currency derivatives (a)	—	—	1,153	—
Gain on sale of carbon credits	359	—	1,113	352
Miscellaneous income, net	538	367	1,486	1,450
Total	$5,499	$2,855	$20,867	$15,567

(a) The Company used foreign exchange derivatives to mitigate the risk of fluctuations in foreign exchange rates while awaiting the capital contribution to the New Zealand JV.

16. INVENTORY

As of September 30, 2016 and December 31, 2015, Rayonier's inventory was solely comprised of finished goods, as follows:

	September 30, 2016	December 31, 2015
Finished goods inventory		
Real estate inventory (a)	$9,464	$12,252
Log inventory	6,600	3,099
Total inventory	$16,064	$15,351

(a) Represents cost of HBU real estate (including capitalized development investments) expected to be sold within 12 months.

17. 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 September 30, 2016 and December 31, 2015, the Company had $1.1 million and $23.5 million, respectively, of proceeds from real estate sales classified as restricted cash in "Other Assets," which includes cash deposited with an LKE intermediary as well as cash held in escrow for a real estate sale.

(Dollar amounts in thousands unless otherwise stated)

18. ASSETS HELD FOR SALE

During the three months ended September 30, 2016, the Company entered in to three separate contracts to sell a total of 62,100 acres of timberland in Alabama and Mississippi for $119.7 million. The basis in these properties of $47.4 million is classified as assets held for sale in the Consolidated Balance Sheet as of September 30, 2016 as the properties are expected to be sold within the next 12 months and meet the other relevant held-for-sale criteria in accordance with ASC 360-10-45-9. Two of these transactions will close in October 2016, and the remaining transaction is expected to close in January 2017.

Subsequent Event

See Note 1 — *Basis of Presentation* for additional information on subsequent events.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The following table summarizes the changes in AOCI by component for the nine months ended September 30, 2016 and the year ended December 31, 2015. All amounts are presented net of tax and exclude portions attributable to noncontrolling interest.

	Foreign currency translation gains/ (losses)	Net investment hedges of New Zealand JV	Cash flow hedges		Employee benefit plans		Total
Balance as of December 31, 2014	$25,533	($145)	($1,548)		($28,665)		($4,825)
Other comprehensive income/(loss) before reclassifications	(27,983)	6,416	(14,444)	(a)	(354)		(36,365)
Amounts reclassified from accumulated other comprehensive loss	—	—	4,400		3,287	(b)	7,687
Net other comprehensive income/(loss)	(27,983)	6,416	(10,044)		2,933		(28,678)
Balance as of December 31, 2015	($2,450)	$6,271	($11,592)		($25,732)		($33,503)
Other comprehensive income/(loss) before reclassifications	25,133	—	(22,954)	(c)	—		2,179
Amounts reclassified from accumulated other comprehensive loss	—	(4,606)	223		1,881	(b)	(2,502)
Net other comprehensive income/(loss)	25,133	(4,606)	(22,731)		1,881		(323)
Recapitalization of New Zealand JV	3,622	—	(184)		—		3,438
Balance as of September 30, 2016	$26,305	$1,665	($34,507)		($23,851)		($30,388)

(a) Includes $10.2 million of other comprehensive loss related to interest rate swaps entered into in the third quarter 2015. See Note 12 — *Derivative Financial Instruments and Hedging Activities* for additional information.

(b) This component of other comprehensive income is included in the computation of net periodic pension cost. See Note 14 — *Employee Benefit Plans* for additional information.

(c) Includes $25.5 million of other comprehensive loss related to interest rate swaps. See Note 12 — *Derivative Financial Instruments and Hedging Activities* for additional information.

(Dollar amounts in thousands unless otherwise stated)

The following table presents details of the amounts reclassified in their entirety from AOCI to net income for the nine months ended September 30, 2016 and September 30, 2015:

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income		Affected line item in the income statement
	September 30, 2016	September 30, 2015	
Realized loss on foreign currency exchange contracts	$43	$3,928	Other operating income, net
Realized loss on foreign currency option contracts	502	3,149	Other operating income, net
Noncontrolling interest	(235)	(2,477)	Comprehensive income (loss) attributable to noncontrolling interest
Income tax benefit on loss from foreign currency contracts	(87)	(1,288)	Income tax (expense) benefit
Net loss from accumulated other comprehensive income	$223	$3,312	

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

20. 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 March 2012, Rayonier Inc. issued $325 million of 3.75% Senior Notes due 2022. In connection with these 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*.

The subsidiary guarantors, Rayonier Operating Company LLC ("ROC") and Rayonier TRS Holdings Inc., are wholly-owned by the Parent Company, Rayonier Inc. The notes are fully and unconditionally guaranteed on a joint and several basis by the guarantor subsidiaries.

CONDENSED CONSOLIDATING STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

For the Three Months Ended September 30, 2016

	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
SALES	—	—	$171,421	—	$171,421
Costs and Expenses					
Cost of sales	—	—	116,624	—	116,624
Selling and general expenses	—	5,904	4,703	—	10,607
Other operating expense (income), net	—	190	(5,689)	—	(5,499)
	—	6,094	115,638	—	121,732
OPERATING (LOSS) INCOME	—	(6,094)	55,783	—	49,689
Interest expense	(3,139)	(5,150)	(255)	—	(8,544)
Interest and miscellaneous income (expense), net	2,199	694	(2,635)	—	258
Equity in income from subsidiaries	40,295	50,315	—	(90,610)	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	39,355	39,765	52,893	(90,610)	41,403
Income tax benefit (expense)	—	530	(1,309)	—	(779)
NET INCOME	39,355	40,295	51,584	(90,610)	40,624
Less: Net income attributable to noncontrolling interest	—	—	1,269	—	1,269
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	39,355	40,295	50,315	(90,610)	39,355
OTHER COMPREHENSIVE INCOME					
Foreign currency translation adjustment, net of income tax	9,793	—	12,020	(9,791)	12,022
Cash flow hedges, net of income tax	4,044	3,530	665	(4,044)	4,195
Actuarial change and amortization of pension and postretirement plans, net of income tax	632	632	—	(632)	632
Total other comprehensive income	14,469	4,162	12,685	(14,467)	16,849
COMPREHENSIVE INCOME	53,824	44,457	64,269	(105,077)	57,473
Less: Comprehensive income attributable to noncontrolling interest	—	—	3,649	—	3,649
COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.	$53,824	$44,457	$60,620	($105,077)	$53,824

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

CONDENSED CONSOLIDATING STATEMENTS OF (LOSS) INCOME
AND COMPREHENSIVE (LOSS) INCOME

For the Three Months Ended September 30, 2015

	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
SALES	—	—	$151,657	—	$151,657
Costs and Expenses					
Cost of sales	—	—	116,044	—	116,044
Selling and general expenses	—	4,412	6,277	—	10,689
Other operating income, net	—	16	(2,871)	—	(2,855)
	—	4,428	119,450	—	123,878
OPERATING (LOSS) INCOME	—	(4,428)	32,207	—	27,779
Interest expense	(3,227)	(2,240)	(2,114)	—	(7,581)
Interest and miscellaneous income (expense), net	1,980	583	(4,121)	—	(1,558)
Equity in income from subsidiaries	20,916	26,647	—	(47,563)	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	19,669	20,562	25,972	(47,563)	18,640
Income tax benefit (expense)	—	354	187	—	541
NET INCOME	19,669	20,916	26,159	(47,563)	19,181
Less: Net loss attributable to noncontrolling interest	—	—	(488)	—	(488)
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	19,669	20,916	26,647	(47,563)	19,669
OTHER COMPREHENSIVE (LOSS) INCOME					
Foreign currency translation adjustment, net of income tax	(8,662)	(8,662)	(13,370)	17,324	(13,370)
Cash flow hedges, net of income tax	(13,954)	(13,954)	(14,120)	27,908	(14,120)
Actuarial change and amortization of pension and postretirement plans, net of income tax	890	890	117	(1,007)	890
Total other comprehensive loss	(21,726)	(21,726)	(27,373)	44,225	(26,600)
COMPREHENSIVE LOSS	(2,057)	(810)	(1,214)	(3,338)	(7,419)
Less: Comprehensive loss attributable to noncontrolling interest	—	—	(5,363)	—	(5,363)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO RAYONIER INC.	($2,057)	($810)	$4,149	($3,338)	($2,056)

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

CONDENSED CONSOLIDATING STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

For the Nine Months Ended September 30, 2016

	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
SALES	—	—	$567,814	—	$567,814
Costs and Expenses					
Cost of sales	—	—	362,790	—	362,790
Selling and general expenses	—	11,485	20,153	—	31,638
Other operating expense (income), net	—	378	(21,245)	—	(20,867)
	—	11,863	361,698	—	373,561
OPERATING (LOSS) INCOME	—	(11,863)	206,116	—	194,253
Interest expense	(9,417)	(11,678)	(2,508)	—	(23,603)
Interest and miscellaneous income (expense), net	6,346	2,059	(9,520)	—	(1,115)
Equity in income from subsidiaries	166,719	188,588	—	(355,307)	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	163,648	167,106	194,088	(355,307)	169,535
Income tax expense	—	(387)	(1,887)	—	(2,274)
NET INCOME	163,648	166,719	192,201	(355,307)	167,261
Less: Net income attributable to noncontrolling interest	—	—	3,613	—	3,613
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	163,648	166,719	188,588	(355,307)	163,648
OTHER COMPREHENSIVE INCOME (LOSS)		—			
Foreign currency translation adjustment, net of income tax	20,529	(4,607)	32,653	(20,529)	28,046
Cash flow hedges, net of income tax	(22,733)	(25,458)	3,403	22,733	(22,055)
Actuarial change and amortization of pension and postretirement plans, net of income tax	1,881	1,881	—	(1,881)	1,881
Total other comprehensive (loss) income	(323)	(28,184)	36,056	323	7,872
COMPREHENSIVE INCOME	163,325	138,535	228,257	(354,984)	175,133
Less: Comprehensive income attributable to noncontrolling interest	—	—	11,808	—	11,808
COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.	$163,325	$138,535	$216,449	($354,984)	$163,325

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

CONDENSED CONSOLIDATING STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

For the Nine Months Ended September 30, 2015

	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
SALES	—	—	$407,764	—	$407,764
Costs and Expenses					
Cost of sales	—	—	326,966	—	326,966
Selling and general expenses	—	15,691	18,624	—	34,315
Other operating (income) expense, net	—	(445)	(15,122)	—	(15,567)
	—	15,246	330,468	—	345,714
OPERATING (LOSS) INCOME	—	(15,246)	77,296	—	62,050
Interest expense	(9,564)	(7,304)	(7,740)	—	(24,608)
Interest and miscellaneous income (expense), net	5,787	1,956	(11,993)	—	(4,250)
Equity in income from subsidiaries	39,657	58,010	—	(97,667)	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	35,880	37,416	57,563	(97,667)	33,192
Income tax benefit (expense)	—	2,241	(932)	—	1,309
NET INCOME	35,880	39,657	56,631	(97,667)	34,501
Less: Net loss attributable to noncontrolling interest	—	—	(1,379)	—	(1,379)
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	35,880	39,657	58,010	(97,667)	35,880
OTHER COMPREHENSIVE INCOME (LOSS)					
Foreign currency translation adjustment, net of income tax	(37,100)	(37,100)	(53,088)	74,201	(53,087)
Cash flow hedges, net of income tax	(16,465)	(16,465)	(17,983)	32,930	(17,983)
Actuarial change and amortization of pension and postretirement plans, net of income tax	2,414	2,414	132	(2,546)	2,414
Total other comprehensive (loss) income	(51,151)	(51,151)	(70,939)	104,585	(68,656)
COMPREHENSIVE (LOSS) INCOME	(15,271)	(11,494)	(14,308)	6,918	(34,155)
Less: Comprehensive loss attributable to noncontrolling interest	—	—	(18,884)	—	(18,884)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO RAYONIER INC.	($15,271)	($11,494)	$4,576	$6,918	($15,271)

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

CONDENSED CONSOLIDATING BALANCE SHEETS
As of September 30, 2016

	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$59,966	$5,320	$44,753	—	$110,039
Accounts receivable, less allowance for doubtful accounts	—	2,050	22,681	—	24,731
Inventory	—	—	16,064	—	16,064
Prepaid expenses	—	985	11,579	—	12,564
Assets held for sale	—	—	47,361	—	47,361
Other current assets	—	242	3,127	—	3,369
Total current assets	59,966	8,597	145,565	—	214,128
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	—	—	2,325,489	—	2,325,489
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS	—	—	70,324	—	70,324
NET PROPERTY, PLANT AND EQUIPMENT	—	213	10,863	—	11,076
INVESTMENT IN SUBSIDIARIES	1,339,173	2,644,299	—	(3,983,472)	—
INTERCOMPANY RECEIVABLE	23,396	(606,285)	582,889	—	—
OTHER ASSETS	3	21,937	28,441	—	50,381
TOTAL ASSETS	$1,422,538	$2,068,761	$3,163,571	($3,983,472)	$2,671,398
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable	—	$2,106	$21,629	—	$23,735
Current maturities of long-term debt	31,752	—	—	—	31,752
Accrued taxes	—	(149)	7,041	—	6,892
Accrued payroll and benefits	—	3,115	3,109	—	6,224
Accrued interest	6,094	1,960	259	—	8,313
Other current liabilities	—	372	22,855	—	23,227
Total current liabilities	37,846	7,404	54,893	—	100,143
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	291,222	663,292	78,774	—	1,033,288
PENSION AND OTHER POSTRETIREMENT BENEFITS	—	35,386	(684)	—	34,702
OTHER NON-CURRENT LIABILITIES	—	42,466	12,218	—	54,684
INTERCOMPANY PAYABLE	(267,715)	(18,960)	286,675	—	—
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,361,185	1,339,173	2,644,299	(3,983,472)	1,361,185
Noncontrolling interest	—	—	87,396	—	87,396
TOTAL SHAREHOLDERS' EQUITY	1,361,185	1,339,173	2,731,695	(3,983,472)	1,448,581
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,422,538	$2,068,761	$3,163,571	($3,983,472)	$2,671,398

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, 2015				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$2,472	$13,217	$36,088	—	$51,777
Accounts receivable, less allowance for doubtful accounts	—	1,870	18,352	—	20,222
Inventory	—	—	15,351	—	15,351
Prepaid expenses	—	443	12,211	—	12,654
Other current assets	—	4,876	805	—	5,681
Total current assets	2,472	20,406	82,807	—	105,685
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	—	—	2,066,780	—	2,066,780
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS	—	—	65,450	—	65,450
NET PROPERTY, PLANT AND EQUIPMENT	—	330	6,412	—	6,742
INVESTMENT IN SUBSIDIARIES	1,321,681	2,212,405	—	(3,534,086)	—
INTERCOMPANY RECEIVABLE	34,567	(610,450)	575,883	—	—
OTHER ASSETS	3	18,718	52,560	—	71,281
TOTAL ASSETS	$1,358,723	$1,641,409	$2,849,892	($3,534,086)	$2,315,938
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable	609	$1,463	$19,407	—	$21,479
Accrued taxes	—	(10)	3,695	—	3,685
Accrued payroll and benefits	—	3,594	3,443	—	7,037
Accrued interest	3,047	666	2,440	—	6,153
Other current liabilities	—	262	20,841	—	21,103
Total current liabilities	3,656	5,975	49,826	—	59,457
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	322,697	280,978	226,879	—	830,554
PENSION AND OTHER POSTRETIREMENT BENEFITS	—	34,822	(685)	—	34,137
OTHER NON-CURRENT LIABILITIES	—	16,914	13,136	—	30,050
INTERCOMPANY PAYABLE	(255,714)	(18,961)	274,675	—	—
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,288,084	1,321,681	2,212,405	(3,534,086)	1,288,084
Noncontrolling interest	—	—	73,656	—	73,656
TOTAL SHAREHOLDERS' EQUITY	1,288,084	1,321,681	2,286,061	(3,534,086)	1,361,740
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,358,723	$1,641,409	$2,849,892	($3,534,086)	$2,315,938

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 Nine Months Ended September 30, 2016				
	Rayonier Inc. (Parent Issuer)	**Subsidiary Guarantors**	**Non-guarantors**	**Consolidating Adjustments**	**Total Consolidated**
CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	($578)	$26,589	$137,897	—	$163,908
INVESTING ACTIVITIES					
Capital expenditures	—	—	(40,246)	—	(40,246)
Real estate development investments	—	—	(4,815)	—	(4,815)
Purchase of timberlands	—	—	(353,828)	—	(353,828)
Assets purchased in business acquisition	—	—	(1,113)	—	(1,113)
Net proceeds from large disposition	—	—	126,965	—	126,965
Rayonier office building under construction	—	—	(3,933)	—	(3,933)
Change in restricted cash	—	—	22,430	—	22,430
Investment in subsidiaries	—	(285,937)	—	285,937	—
Other	—	—	444	—	444
CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	—	(285,937)	(254,096)	285,937	(254,096)
FINANCING ACTIVITIES					
Issuance of debt	—	548,000	146,096	—	694,096
Repayment of debt	—	(140,000)	(314,419)	—	(454,419)
Dividends paid	(92,095)	—	—	—	(92,095)
Proceeds from the issuance of common shares	889	—	—	—	889
Repurchase of common shares	(690)	—	—	—	(690)
Debt issuance costs	—	(818)	—	—	(818)
Issuance of intercompany notes	(12,000)	—	12,000	—	—
Intercompany distributions	162,107	(155,731)	279,561	(285,937)	—
Other	(139)	—	—	—	(139)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	58,072	251,451	123,238	(285,937)	146,824
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	1,626	—	1,626
CASH AND CASH EQUIVALENTS					
Change in cash and cash equivalents	57,494	(7,897)	8,665	—	58,262
Balance, beginning of year	2,472	13,217	36,088	—	51,777
Balance, end of period	$59,966	$5,320	$44,753	—	$110,039

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 Nine Months Ended September 30, 2015				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$77,316	$92,414	$64,901	($91,228)	$143,403
INVESTING ACTIVITIES					
Capital expenditures	—	(78)	(37,133)	—	(37,211)
Real estate development investments	—	—	(2,029)	—	(2,029)
Purchase of timberlands	—	—	(88,466)	—	(88,466)
Rayonier office building under construction	—	—	(369)	—	(369)
Change in restricted cash	—	—	(17,835)	—	(17,835)
Investment in subsidiaries	—	(75,946)	—	75,946	—
Other	—	—	3,039	—	3,039
CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	—	(76,024)	(142,793)	75,946	(142,871)
FINANCING ACTIVITIES					
Issuance of debt	—	374,000	5,027	—	379,027
Repayment of debt	—	(294,472)	(6,399)	—	(300,871)
Dividends paid	(94,280)	—	—	—	(94,280)
Proceeds from the issuance of common shares	1,322	—	—	—	1,322
Repurchase of common shares	(73,621)	—	—	—	(73,621)
Debt issuance costs	—	(1,678)	—	—	(1,678)
Intercompany distributions	—	(91,585)	76,303	15,282	—
CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(166,579)	(13,735)	74,931	15,282	(90,101)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	(6,234)	—	(6,234)
CASH AND CASH EQUIVALENTS					
Change in cash and cash equivalents	(89,263)	2,655	(9,195)	—	(95,803)
Balance, beginning of year	102,218	8,105	51,235	—	161,558
Balance, end of period	$12,955	$10,760	$42,040	—	$65,755

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.

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 our Consolidated Financial Statements included in Item 1 of this report, our Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Form 10-K") and information contained in our subsequent reports filed with the Securities and Exchange Commission (the "SEC").

Forward-Looking Statements

Certain statements in this document regarding anticipated financial outcomes including Rayonier's earnings guidance, if any, business and market conditions, outlook, expected dividend rate, Rayonier's business strategies, including expected harvest schedules, timberland acquisitions, sales of non-strategic timberlands, the anticipated benefits of Rayonier's business strategies, 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 the 2015 Form 10-K and similar discussions included in other reports that we subsequently file with the SEC, 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.

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 subsequent disclosures the Company makes on related subjects in its subsequent reports filed with the SEC.

Non-GAAP Measures

To supplement Rayonier's financial statements presented in accordance with generally accepted accounting principles in the United States ("GAAP"), Rayonier uses certain non-GAAP measures, including "cash available for distribution," and "Adjusted EBITDA," which are defined and further explained in *Performance and Liquidity Indicators* below. Reconciliation of such measures to the nearest GAAP measures can also be found in *Performance and Liquidity Indicators* below. Rayonier's definitions of these non-GAAP measures may differ from similarly titled measures used by others. These non-GAAP measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with GAAP.

Our Company

We are a leading timberland real estate investment trust ("REIT") with assets located in some of the most productive softwood timber growing regions in the United States and New Zealand. Our revenues, operating income and cash flows are primarily derived from the following core business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading. As of September 30, 2016, we owned or leased under long-term agreements approximately 2.3 million acres of timberlands located in the U.S. South (1.9 million acres) and U.S. Pacific Northwest (379,000 acres). We also have a 77% ownership interest in Matariki Forestry Group, a joint venture ("New Zealand JV"), that owns or leases approximately 436,000 acres (299,000 net plantable acres) of timberlands in New Zealand.

The Southern Timber, Pacific Northwest Timber and New Zealand Timber segments include all activities related to the harvesting of timber and other non-timber income activities, such as the leasing of properties for hunting, mineral extraction and cell towers. The New Zealand Timber segment also reflects any land or leasehold sales that occur within our New Zealand portfolio.

The Real Estate segment includes all U.S. land sales disaggregated into five sales categories: Improved Development, Unimproved Development, Rural, Non-Strategic / Timberlands and Large Dispositions.

The Trading segment reflects the log trading activities that support our New Zealand operations. The Trading segment complements the New Zealand Timber segment by adding scale and achieving cost savings that directly benefit the New Zealand Timber segment. Trading also generally contributes modestly to earnings without significant investment and provides market intelligence that benefits the timber business.

Industry and Market Conditions

The demand for timber is directly related to the underlying demand for pulp, paper, packaging, lumber and other wood products. The significant majority of timber sold in our Southern Timber segment is consumed domestically. With a higher proportion of pulpwood, our Southern Timber segment relies heavily on downstream markets for pulp and paper, and to a lesser extent wood pellet markets. Our Pacific Northwest segment relies primarily on domestic customers but also exports a significant volume of timber, particularly to China. Both the Southern and Pacific Northwest Timber segments rely on the strength of U.S. lumber markets as well as underlying housing starts. Our New Zealand Timber segment sells timber to domestic New Zealand wood products mills and also exports a significant portion of its volume to markets in China, Korea and India. In addition to market dynamics in the Pacific Rim, the New Zealand Timber segment is subject to foreign exchange fluctuations, which can impact the competitiveness of its products.

The Company is also subject to the risk of price fluctuations in its major cost components. The primary components of the Company's cost of sales are the cost basis of timber sold (depletion), the cost basis of real estate sold and logging and transportation costs (cut and haul). Depletion includes the amortization of capitalized costs (site preparation, planting and fertilization, real estate taxes, timberland lease payments, road and bridge construction, software and certain payroll costs). Other costs include depreciation of fixed assets and equipment, road maintenance, severance and excise taxes, fire prevention and real estate commissions and closing costs.

For additional information on market conditions impacting our business, see *Results of Operations.*

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 the 2015 Form 10-K.

Discussion of Timber Inventory and Sustainable Yield

See Item 1 — *Business* — *Discussion of Timber Inventory and Sustainable Yield* in the 2015 Form 10-K.

Our Timberlands

Our timber operations are disaggregated into three geographically distinct segments: Southern Timber, Pacific Northwest Timber and New Zealand Timber. The following table provides a breakdown of our timberland holdings as of September 30, 2016 and December 31, 2015:

(acres in 000s)	As of September 30, 2016			As of December 31, 2015		
	Owned	Leased	Total	Owned	Leased	Total
Southern						
Alabama	300	24	324	302	24	326
Arkansas	—	15	15	—	15	15
Florida	282	92	374	275	93	368
Georgia	547	109	656	571	109	680
Louisiana	145	1	146	149	1	150
Mississippi	89	—	89	91	—	91
Oklahoma	92	—	92	92	—	92
Tennessee	1	—	1	1	—	1
Texas	188	—	188	153	—	153
	1,644	241	1,885	1,634	242	1,876
Pacific Northwest						
Oregon	62	—	62	6	—	6
Washington	316	1	317	366	1	367
	378	1	379	372	1	373
New Zealand (a)	179	257	436	185	254	439
Total	2,201	499	2,700	2,191	497	2,688

(a) Represents legal acres owned and leased by the New Zealand JV, in which Rayonier owns a 77% interest. As of September 30, 2016, legal acres in New Zealand were comprised of 299,000 plantable acres and 137,000 non-productive acres.

The following tables detail activity for owned and leased acres in our timberland holdings by state from December 31, 2015 to September 30, 2016:

(acres in 000s)	Acres Owned			
	December 31, 2015	**Acquisitions**	**Sales**	**September 30, 2016**
Southern				
Alabama	302	—	(2)	300
Florida	275	7	—	282
Georgia	571	—	(24)	547
Louisiana	149	—	(4)	145
Mississippi	91	—	(2)	89
Oklahoma	92	—	—	92
Tennessee	1	—	—	1
Texas	153	38	(3)	188
	1,634	45	(35)	1,644
Pacific Northwest				
Oregon	6	56	—	62
Washington	366	5	(55)	316
	372	61	(55)	378
New Zealand (a)	185	—	(6)	179
Total	2,191	106	(96)	2,201

(a) Represents legal acres owned by the New Zealand JV, in which Rayonier has a 77% interest.

(acres in 000s)	Acres Leased			
	December 31, 2015	**New Leases**	**Expired Leases (a)**	**September 30, 2016**
Southern				
Alabama	24	—	—	24
Arkansas	15	—	—	15
Florida	93	—	(1)	92
Georgia	109	—	—	109
Louisiana	1	—	—	1
	242	—	(1)	241
Pacific Northwest				
Washington	1	—	—	1
New Zealand (b)	254	3	—	257
Total	497	3	(1)	499

(a) Includes acres previously under lease that have been harvested or sold.

(b) Represents legal acres leased by the New Zealand JV, in which Rayonier has a 77% interest.

Results of Operations

Consolidated Results

The following table provides key financial information by segment and on a consolidated basis:

Financial Information (in millions)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Sales				
Southern Timber	$27.8	$34.8	$102.2	$103.0
Pacific Northwest Timber	16.1	21.6	52.3	57.8
New Zealand Timber	42.2	41.1	126.0	121.5
Real Estate				
Improved Development	—	—	1.7	0.8
Unimproved Development	1.4	0.1	2.2	5.7
Rural	6.4	9.8	17.4	19.9
Non-Strategic / Timberlands	52.8	25.3	60.5	39.6
Large Dispositions	—	—	129.5	—
Total Real Estate	60.6	35.2	211.3	66.0
Trading	24.7	19.0	76.0	59.5
Total Sales	$171.4	$151.7	$567.8	$407.8
Operating Income				
Southern Timber	$8.2	$10.5	$35.0	$34.7
Pacific Northwest Timber	(3.3)	3.1	(0.9)	7.4
New Zealand Timber	6.6	(0.9)	21.4	3.8
Real Estate	43.1	20.0	153.0	34.0
Trading	0.5	0.4	1.5	0.6
Corporate and other	(5.4)	(5.3)	(15.7)	(18.5)
Operating Income	49.7	27.8	194.3	62.0
Interest Expense, Interest Income and Other	(8.3)	(9.2)	(24.8)	(28.8)
Income Tax (Expense) Benefit	(0.8)	0.6	(2.2)	1.3
Net Income	40.6	19.2	167.3	34.5
Less: Net income (loss) attributable to noncontrolling interest	1.2	(0.5)	3.7	(1.4)
Net Income Attributable to Rayonier Inc.	$39.4	$19.7	$163.6	$35.9
Adjusted EBITDA (a)				
Southern Timber	$18.2	$24.9	$72.1	$76.1
Pacific Northwest Timber	3.4	7.3	14.1	18.3
New Zealand Timber	12.6	6.1	40.5	26.0
Real Estate	56.6	30.9	74.0	54.6
Trading	0.5	0.4	1.5	0.6
Corporate and Other	(4.1)	(3.8)	(14.4)	(15.2)
Total Adjusted EBITDA	$87.2	$65.8	$187.8	$160.4

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

Southern Timber Overview	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Sales Volume (in thousands of tons)				
Pine Pulpwood	634	895	2,610	2,645
Pine Sawtimber	333	421	1,195	1,214
Total Pine Volume	967	1,316	3,805	3,859
Hardwood	123	100	227	222
Total Volume	1,090	1,416	4,032	4,081
Percentage Delivered Sales	32%	28%	27%	26%
Percentage Stumpage Sales	68%	72%	73%	74%
Net Stumpage Pricing (dollars per ton)				
Pine Pulpwood	$17.36	$16.39	$18.34	$18.09
Pine Sawtimber	26.17	27.27	26.74	27.83
Weighted Average Pine	$20.40	$19.87	$20.98	$21.15
Hardwood	14.84	16.56	13.38	13.70
Weighted Average Total	$19.76	$19.63	$20.54	$20.77
Summary Financial Data (in millions of dollars)				
Sales	$27.8	$34.8	$102.2	$103.0
Less: Cut and Haul	(6.3)	(7.0)	(19.4)	(18.3)
Net Stumpage Sales	$21.5	$27.8	$82.8	$84.7
Operating Income	$8.2	$10.5	$35.0	$34.7
(+) Depreciation, depletion and amortization	10.0	14.4	37.1	41.4
Adjusted EBITDA (a)	$18.2	$24.9	$72.1	$76.1
Other Data				
Non-Timber Income (in millions of dollars) (b)	$3.9	$4.1	$13.4	$13.5
Period-End Acres (in thousands)	1,885	1,896	1,885	1,896

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

(b) Non-Timber Income is presented net of direct charges and excludes allocated overhead.

Pacific Northwest Timber Overview	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Sales Volume (in thousands of tons)				
Pulpwood	64	100	231	218
Sawtimber	177	253	608	710
Total Volume	241	353	839	928
Sales Volume (converted to MBF)				
Pulpwood	6,016	9,514	21,920	20,639
Sawtimber	24,084	34,058	80,014	92,693
Total Volume	30,100	43,572	101,934	113,332
Percentage Delivered Sales	100%	80%	93%	85%
Percentage Sawtimber Sales	74%	72%	72%	77%
Delivered Log Pricing (in dollars per ton)				
Pulpwood	$40.07	$45.88	$42.85	$44.48
Sawtimber	76.69	74.33	72.80	74.11
Weighted Average Log Price	$67.02	$65.05	$64.32	$66.71
Summary Financial Data (in millions of dollars)				
Sales	$16.1	$21.6	$52.3	$57.8
Less: Cut and Haul	(7.8)	(9.4)	(24.6)	(26.0)
Net Stumpage Sales	$8.3	$12.2	$27.7	$31.8
Operating Income (Loss)	($3.3)	$3.1	($0.9)	$7.4
(+) Depreciation, depletion and amortization	6.7	4.2	15.0	10.9
Adjusted EBITDA (a)	$3.4	$7.3	$14.1	$18.3
Other Data				
Non-Timber Income (in millions of dollars) (b)	$0.5	$0.6	$2.1	$2.6
Period-End Acres (in thousands)	379	373	379	373
Sawtimber (in dollars per MBF)	$563	$541	$556	$573
Estimated Percentage of Export Volume	20%	20%	25%	21%

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

(b) Non-Timber Income is presented net of direct charges and excludes allocated overhead.

New Zealand Timber Overview	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Sales Volume (in thousands of tons)				
Domestic Sawtimber (Delivered)	220	189	630	508
Domestic Pulpwood (Delivered)	99	118	285	328
Export Sawtimber (Delivered)	213	279	675	728
Export Pulpwood (Delivered)	21	19	60	50
Stumpage	—	116	10	227
Total Volume	552	721	1,658	1,841
Percentage Delivered Sales	100%	84%	100%	88%
Percentage Stumpage Sales	—	16%	—	12%
Delivered Log Pricing (in dollars per ton)				
Domestic Sawtimber	$75.06	$60.12	$71.26	$65.54
Domestic Pulpwood	$32.55	$29.03	$31.30	$32.50
Export Sawtimber	$97.44	$82.42	$96.04	$89.01
Summary Financial Data (in millions of dollars)				
Sales	$42.2	$41.1	$124.2	$117.3
Less: Cut and Haul	(18.3)	(18.7)	(52.1)	(53.9)
Less: Port and Freight Costs	(6.6)	(8.9)	(19.3)	(23.6)
Net Stumpage Sales	$17.3	$13.5	$52.8	$39.8
Land Sales	—	—	1.8	4.2
Total Sales	$42.2	$41.1	$126.0	$121.5
Operating Income (Loss)	$6.6	($0.9)	$21.4	$3.8
(+) Depreciation, depletion and amortization	6.0	7.0	17.3	22.2
(+) Non-cash cost of land sold	—	—	1.8	—
Adjusted EBITDA (a)	$12.6	$6.1	$40.5	$26.0
Other Data				
New Zealand Dollar to U.S. Dollar Exchange Rate (b)	0.7178	0.6601	0.6897	0.7185
Net Plantable Period-End Acres (in thousands)	299	302	299	302
Domestic Sawtimber (in $NZD per tonne)	$115.03	$100.20	$113.38	$100.63
Export Sawtimber (in dollars per JAS m^3)	$113.25	$96.45	$111.63	$103.93

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators.*

(b) Represents the average period rate.

Real Estate Overview	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Sales (in millions of dollars)				
Improved Development (a)	—	—	$1.7	$0.8
Unimproved Development	1.4	0.1	2.2	5.7
Rural	6.4	9.8	17.4	19.9
Non-Strategic / Timberlands	52.8	25.3	60.5	39.6
Large Dispositions	—	—	129.5	—
Total Sales	$60.6	$35.2	$211.3	$66.0
Acres Sold				
Improved Development (a)	—	—	47	19
Unimproved Development	73	20	121	515
Rural	2,069	3,503	6,180	7,773
Non-Strategic / Timberlands	21,459	10,681	27,842	15,631
Large Dispositions	—	—	55,320	—
Total Acres Sold	23,601	14,204	89,510	23,938
Price per Acre (dollars per acre)				
Improved Development (a)	—	—	$37,353	$42,281
Unimproved Development	18,500	5,000	18,302	11,043
Rural	3,082	2,796	2,797	2,563
Non-Strategic / Timberlands	2,465	2,373	2,174	2,531
Large Dispositions	—	—	2,342	—
Weighted Average (Total) (b)	$2,569	$2,480	$2,392	$2,756
Weighted Average (Adjusted) (c)	$2,569	$2,480	$2,344	$2,724
Sales (Excluding Large Dispositions)	$60.6	$35.2	$81.8	$66.0
Operating Income	$43.1	$20.0	$153.0	$34.0
(+) Depreciation, depletion and amortization	9.2	6.3	14.0	11.1
(+) Non-cash cost of land sold	4.3	4.6	8.3	9.5
(–) Large Dispositions (d)	—	—	(101.3)	—
Adjusted EBITDA (e)	$56.6	$30.9	$74.0	$54.6

(a) Reflects land with capital invested in infrastructure improvements.

(b) Excludes Large Dispositions.

(c) Excludes Improved Development and Large Dispositions.

(d) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value. On April 28, 2016, the Company completed a disposition of approximately 55,000 acres located in Washington for a sale price and gain of approximately $129.5 million and $101.3 million, respectively.

(e) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators* below.

Capital Expenditures By Segment (in millions of dollars)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Timber Capital Expenditures				
Southern Timber				
Reforestation, silviculture and other capital expenditures	$4.0	$3.6	$11.5	$9.3
Property taxes	1.6	1.8	5.2	5.4
Lease payments	0.5	0.6	3.2	3.7
Allocated overhead	1.0	0.9	3.1	2.7
Subtotal Southern Timber	$7.1	$6.9	$23.0	$21.1
Pacific Northwest Timber				
Reforestation, silviculture and other capital expenditures	1.1	0.5	4.1	4.4
Property taxes	0.1	0.1	0.4	0.4
Lease payments	—	—	—	—
Allocated overhead	0.4	0.4	1.1	1.3
Subtotal Pacific Northwest Timber	$1.6	$1.0	$5.6	$6.1
New Zealand Timber				
Reforestation, silviculture and other capital expenditures	3.0	2.5	6.4	5.6
Property taxes	0.2	0.1	0.5	0.4
Lease payments	1.3	0.9	2.6	2.4
Allocated overhead	0.7	0.3	1.9	1.5
Subtotal New Zealand Timber	$5.2	$3.8	$11.4	$9.9
Total Timber Segments Capital Expenditures	$13.9	$11.7	$40.0	$37.1
Real Estate	0.1	—	0.2	0.1
Corporate	—	—	—	—
Total Capital Expenditures	$14.0	$11.7	$40.2	$37.2
Timberland Acquisitions				
Southern Timber	$77.1	$0.1	$91.4	$54.5
Pacific Northwest Timber	0.1	—	262.4	34.0
New Zealand Timber	—	—	—	—
Subtotal Timberland Acquisitions	$77.2	$0.1	$353.8	$88.5
Real Estate Development Investments	$1.8	$1.1	$4.8	$2.0
Rayonier Office Building	$2.8	$0.1	$3.9	$0.4

The following tables summarize sales, operating income and Adjusted EBITDA variances for September 30, 2016 versus September 30, 2015 (millions of dollars):

Sales	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Total
Three Months Ended September 30, 2015	$34.8	$21.6	$41.1	$35.2	$19.0	$151.7
Volume/Mix	(7.2)	(6.0)	(6.0)	23.3	3.1	7.2
Price	0.2	0.5	5.7	2.1	2.5	11.0
Foreign exchange (a)	—	—	1.4	—	—	1.4
Other	—	—	—	—	0.1	0.1
Three Months Ended September 30, 2016	$27.8	$16.1	$42.2	$60.6	$24.7	$171.4

(a) Net of currency hedging impact.

Sales	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Total
Nine Months Ended September 30, 2015	$103.0	$57.8	$121.5	$66.0	$59.5	$407.8
Volume/Mix	(0.1)	(3.6)	(1.9)	28.3	11.9	34.6
Price	(0.7)	(1.9)	10.8	(12.5)	5.5	1.2
Foreign exchange (a)	—	—	(2.2)	—	—	(2.2)
Other (b)	—	—	(2.2)	129.5	(0.9)	126.4
Nine Months Ended September 30, 2016	$102.2	$52.3	$126.0	$211.3	$76.0	$567.8

(a) Net of currency hedging impact.
(b) Real Estate includes $129.5 million of sales from a Large Disposition of approximately 55,000 acres of timberlands.

Operating Income	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and Other	Total
Three Months Ended September 30, 2015	$10.5	$3.1	($0.9)	$20.0	$0.4	($5.3)	$27.8
Volume/Mix	(3.0)	(2.6)	0.3	15.7	—	—	10.4
Price	0.2	0.6	6.6	2.1	—	—	9.5
Cost	(0.3)	(0.5)	(1.0)	0.8	0.1	(0.1)	(1.0)
Non-timber income	(0.2)	(0.1)	0.3	—	—	—	—
Foreign exchange (a)	—	—	1.2	—	—	—	1.2
Depreciation, depletion & amortization	1.0	(3.8)	0.1	1.2	—	—	(1.5)
Non-cash cost of land and improved development	—	—	—	3.3	—	—	3.3
Other	—	—	—	—	—	—	—
Three Months Ended September 30, 2016	$8.2	($3.3)	$6.6	$43.1	$0.5	($5.4)	$49.7

(a) Net of currency hedging impact.

Operating Income	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and Other	Total
Nine Months Ended September 30, 2015	$34.7	$7.4	$3.8	$34.0	$0.6	($18.5)	$62.0
Volume/Mix	(0.5)	(1.8)	1.5	18.9	—	—	18.1
Price	(0.9)	(0.7)	17.7	(12.4)	—	—	3.7
Cost	(1.9)	(0.1)	(0.5)	0.2	1.7	2.9	2.3
Non-timber income	(0.1)	(0.6)	(1.6)	—	(0.8)	—	(3.1)
Foreign exchange (a)	—	—	(0.2)	—	—	—	(0.2)
Depreciation, depletion & amortization	3.7	(5.1)	0.3	1.7	—	(0.1)	0.5
Non-cash cost of land and improved development	—	—	(1.8)	5.3	—	—	3.5
Other (b)	—	—	2.2	105.3	—	—	107.5
Nine Months Ended September 30, 2016	$35.0	($0.9)	$21.4	$153.0	$1.5	($15.7)	$194.3

(a) Net of currency hedging impact.
(b) Real Estate includes $101.3 million of operating income from a Large Disposition of approximately 55,000 acres of timberlands and a $4.0 million receipt of a deferred payment related to a prior land sale.

Adjusted EBITDA (a)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and Other	Total
Three Months Ended September 30, 2015	$24.9	$7.3	$6.1	$30.9	$0.4	($3.8)	$65.8
Volume/Mix	(6.4)	(3.9)	(1.4)	22.8	—	—	11.1
Price	0.2	0.6	6.6	2.1	—	—	9.5
Cost	(0.3)	(0.5)	(1.0)	0.8	0.1	(0.3)	(1.2)
Non-timber income	(0.2)	(0.1)	0.3	—	—	—	—
Foreign exchange (b)	—	—	1.9	—	—	—	1.9
Other	—	—	0.1	—	—	—	0.1
Three Months Ended September 30, 2016	$18.2	$3.4	$12.6	$56.6	$0.5	($4.1)	$87.2

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators* below.
(b) Net of currency hedging impact.

Adjusted EBITDA (a)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and Other	Total
Nine Months Ended September 30, 2015	$76.1	$18.3	$26.0	$54.6	$0.6	($15.2)	$160.4
Volume/Mix	(1.1)	(2.8)	(0.3)	27.6	—	—	23.4
Price	(0.9)	(0.7)	17.7	(12.4)	—	—	3.7
Cost	(1.9)	(0.1)	(0.5)	0.2	1.7	0.8	0.2
Non-timber income	(0.1)	(0.6)	(1.6)	—	(0.8)	—	(3.1)
Foreign exchange (b)	—	—	(0.9)	—	—	—	(0.9)
Other (c)	—	—	0.1	4.0	—	—	4.1
Nine Months Ended September 30, 2016	$72.1	$14.1	$40.5	$74.0	$1.5	($14.4)	$187.8

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in *Performance and Liquidity Indicators* below.
(b) Net of currency hedging impact.
(c) Real Estate includes the receipt of a $4.0 million deferred payment related to a prior land sale.

Southern Timber

Third quarter sales of $27.8 million decreased $7.0 million, or 20%, versus the prior year period. Harvest volumes decreased 23% to 1.09 million tons versus 1.42 million tons in the prior year period. This decrease in harvest volumes was driven by wet weather in the Gulf states, which restricted our ability to harvest in that region, and curtailed harvest activity in certain eastern markets in response to softer market conditions resulting from dry weather and higher mill inventories. Average sawtimber stumpage prices decreased 4% to $26.17 per ton versus $27.27 per ton in the prior year period, while average pulpwood stumpage prices increased 6% to $17.36 per ton versus $16.39 per ton in the prior year period. The decrease in average sawtimber prices was driven by mix, specifically heavy rainfall resulting in decreased volume in one of the Company's higher-priced sawtimber regions. The increase in average pulpwood prices was also driven by mix, as an increased proportion of volume came from higher-priced regions. Overall, weighted-average stumpage prices (including hardwood) increased 1% to $19.76 per ton versus $19.63 per ton in the prior year period. Operating income of $8.2 million decreased $2.3 million versus the prior year period due to lower volumes ($3.0 million), higher overhead and road maintenance costs ($0.3 million) and lower non-timber income ($0.2 million), which were partially offset by lower depletion rates ($1.0 million) and higher weighted-average stumpage prices ($0.2 million). Third quarter Adjusted EBITDA of $18.2 million was $6.7 million below the prior year period.

Year-to-date sales of $102.2 million decreased $0.8 million, or 1%, versus the prior year period. Harvest volumes decreased 1% to 4.03 million tons versus 4.08 million tons in the prior year period. This decrease in harvest volumes was driven by extreme wet weather conditions in certain markets. Average pulpwood stumpage prices increased 1% to $18.34 per ton versus $18.09 per ton in the prior year period, while average sawtimber stumpage prices decreased 4% to $26.74 per ton versus $27.83 per ton in the prior year period. The decrease in average sawtimber prices was driven by mix, specifically a significant reduction in volume from one of the Company's higher-priced sawtimber regions. Average pulpwood prices continued to be well above south-wide benchmarks due to strong pricing in our core markets, particularly along the East Coast. Overall, weighted average stumpage prices (including hardwood) decreased 1% to $20.54 per ton versus $20.77 per ton in the prior year period. Operating income of $35.0 million increased $0.3 million versus the prior year period due to lower depletion rates ($3.7 million), partially offset by higher road maintenance, leased land reforestation expense and overhead costs ($1.2 million), other expense ($0.7 million), lower prices ($0.9 million), lower volumes ($0.5 million) and lower non-timber income ($0.1 million). Year-to-date Adjusted EBITDA of $72.1 million was $4.0 million below the prior year period.

Pacific Northwest Timber

Third quarter sales of $16.1 million decreased $5.5 million, or 25%, versus the prior year period. Harvest volumes decreased 32% to 241,000 tons versus 353,000 tons in the prior year period, as additional volume from our Oregon acquisition was more than offset by harvest curtailments in Washington in response to weaker than expected export market conditions in the beginning of the quarter. Average delivered sawtimber prices increased 3% to $76.69 per ton versus $74.33 per ton in the prior year period, while average delivered pulpwood prices decreased 13% to $40.07 per ton versus $45.88 per ton in the prior year period. The increase in average sawtimber prices was due to an overall strengthening of export and domestic sawtimber markets, combined with additional volume from Oregon, which generally commands a higher sawtimber price than Washington. The decrease in pulpwood prices was due to the increased availability of wood chips in certain market areas. Operating loss of $3.3 million versus operating income of $3.1 million in the prior year period was primarily due to higher depletion rates resulting from our Oregon acquisition ($3.8 million), lower volumes ($2.6 million), higher overhead and severance taxes ($0.5 million) and lower non-timber income ($0.1 million), which were partially offset by higher prices ($0.6 million). Third quarter Adjusted EBITDA of $3.4 million was $3.9 million below the prior year period.

Year-to-date sales of $52.3 million decreased $5.5 million, or 9%, versus the prior year period. Harvest volumes decreased 10% to 839,000 tons versus 928,000 tons in the prior year period. Average delivered sawtimber prices decreased 2% to $72.80 per ton versus $74.11 per ton in the prior year period, while average delivered pulpwood prices decreased 4% to $42.85 per ton versus $44.48 per ton in the prior year period. The decrease in average sawtimber prices was driven by continued weak demand in export markets and reduced local sawmill capacity, while the decrease in average pulpwood prices was driven by a reduction in market prices as more chip residuals entered the market from increased sawmill activity. Operating loss of $0.9 million versus operating income of $7.4 million in the prior year period was primarily due to higher depletion rates ($5.1 million), lower volumes ($1.8 million), lower prices ($0.7 million), lower non-timber income ($0.6 million) and higher road maintenance, sales and engineering costs ($0.1 million). Year-to-date Adjusted EBITDA of $14.1 million was $4.2 million below the prior year period.

New Zealand Timber

Third quarter sales of $42.2 million increased $1.1 million, or 3%, versus the prior year period. Harvest volumes decreased 23% to 552,000 tons versus 721,000 tons in the prior year period. Average delivered prices for export sawtimber increased 18% to $97.44 per ton versus $82.42 per ton in the prior year period, while average delivered prices for domestic sawtimber increased 25% to $75.06 per ton versus $60.12 per ton in the prior year period. The increase in export sawtimber prices was primarily due to stronger demand from China. The increase in domestic sawtimber prices (in U.S. dollar terms) was driven primarily by strong demand for construction materials and the rise in the NZ$/US$ exchange rate (US$0.72 per NZ$1.00 versus US$0.66 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices increased 15% from the prior year period. Operating income of $6.6 million increased $7.5 million versus the prior year period due to higher prices ($6.6 million), changes in volume/mix ($0.3 million), lower depletion rates ($0.1 million), favorable changes in foreign exchange impacts ($1.2 million) and higher carbon credit sales ($0.3 million), which were partially offset by higher forest management and overhead costs ($1.0 million). Third quarter Adjusted EBITDA of $12.6 million was $6.5 million above the prior year period.

Year-to-date sales of $126.0 million increased $4.5 million, or 4%, versus the prior year period. Harvest volumes decreased 10% to 1.66 million tons versus 1.84 million tons in the prior year period. Average delivered prices for export sawtimber increased 8% to $96.04 per ton versus $89.01 per ton in the prior year period, while average delivered prices for domestic sawtimber increased 9% to $71.26 per ton versus $65.54 per ton in the prior year period. The increase in export sawtimber prices was primarily due to stronger demand from China, while the increase in domestic sawtimber prices (in U.S. dollar terms) was driven primarily by stronger demand for construction material, partially offset by the fall in the NZ$/US$ exchange rate (US$0.69 per NZ$1.00 versus US$0.72 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices increased 13% from the prior year period. Operating income of $21.4 million increased $17.6 million versus the prior year period due to higher prices ($17.7 million), higher carbon sales ($0.8 million), favorable mix/volumes ($1.5 million) and lower depletion rates ($0.3 million), which were partially offset by changes in foreign exchange impacts ($0.2 million), change in land sales ($1.7 million), lower non-timber income ($0.3 million) and higher forest management costs ($0.5 million). Year-to-date Adjusted EBITDA of $40.5 million was $14.5 million above the prior year period.

Real Estate

Third quarter sales of $60.6 million increased $25.4 million versus the prior year period, while operating income of $43.1 million increased $23.1 million versus the prior year period. Sales and operating income increased in the third quarter due to higher volumes (23,601 acres sold versus 14,204 acres sold in the prior year period), and a 4% increase in weighted average prices ($2,569 per acre versus $2,480 per acre in the prior year period). Third quarter Adjusted EBITDA of $56.6 million was $25.7 million above the prior year period.

Year-to-date sales of $211.3 million increased $145.3 million versus the prior year period, while operating income of $153.0 million increased $119.0 million versus the prior year period. Year-to-date sales and operating income include $129.5 million and $101.3 million, respectively, of a Large Disposition. Sales and operating income increased in the first nine months due to higher volumes (89,510 acres sold versus 23,938 acres sold in the prior year period), partially offset by lower weighted average prices ($2,361 per acre versus $2,756 per acre in the prior year period). Year-to-date operating income also increased due to the receipt of a $4.0 million deferred payment with respect to a prior land sale.

Unimproved Development third quarter sales of $1.4 million were comprised of a 73-acre tract in St. John’s County, Florida for approximately $18,500 per acre. Rural sales of $6.4 million were comprised of 2,069 acres at an average price of $3,082 per acre. Non-strategic / Timberland sales of $52.8 million were comprised of 21,459 acres at an average price of $2,465 per acre, including 17,772 acres in Georgia for $2,720 per acre.

Year-to-date Adjusted EBITDA of $74.0 million was $19.4 million above the prior year period.

Trading

Third quarter sales of $24.7 million increased $5.7 million versus the prior year period due to higher volumes and prices. Sales volumes increased 16% to 269,000 tons versus 231,000 tons in the prior year period. Average prices increased 11% to $91.80 per ton versus $82.45 per ton in the prior year period. The increases in both volumes and prices were primarily due to stronger demand from China. Operating income of $0.5 million increased $0.1 million versus the prior year period.

Year-to-date sales of $76.0 million increased $16.5 million versus the prior year period due to higher volumes and prices. Sales volumes increased 20% to 816,000 tons versus 679,000 tons in the prior year period. Average prices increased 8% to $93.18 per ton versus $86.50 per ton in the the prior year period. The increase in both volume and price was primarily due to stronger demand from China. Operating income of $1.5 million increased $0.8 million versus the prior year period.

Other Items

Corporate and Other Expense/Eliminations

Third quarter corporate and other operating expenses of $5.4 million increased $0.1 million versus the prior year period due to increased selling, general and administrative expenses ($0.2 million) and timberland transaction costs ($0.2 million), which were partially offset by lower costs related to shareholder litigation ($0.3 million). Year-to-date corporate and other operating expense of $18.5 million decreased $2.8 million versus the prior year period primarily due to lower selling, general and administrative expenses ($2.6 million), a gain on foreign currency derivatives ($1.2 million) and lower costs related to shareholder litigation ($0.9 million), which were partially offset by timberland transaction costs ($1.3 million) and other minor variances ($0.6 million). Costs related to shareholder litigation include expenses incurred as a result of the securities litigation, the shareholder derivative demands and the Securities and Exchange Commission investigation. See Note 10 — *Contingencies* in the 2015 Form 10-K.

Interest Expense

Third quarter interest expense of $8.5 million increased $0.9 million versus the prior year period due to higher outstanding debt, partially offset by lower average rates and $0.4 million of expense related to the write-off of capitalized financing costs in the prior year period. Year-to-date interest expense of $23.6 million decreased $1.0 million versus the prior year period primarily due to lower rates on the term credit agreement entered into in the third quarter of 2015, partially offset by higher outstanding debt.

Income Tax Benefit (Expense)

Third quarter and year-to-date income tax expense of $0.8 million and $2.2 million, respectively, was principally related to the New Zealand JV.

Share Repurchases

During the first quarter, the Company repurchased $0.7 million of common stock at an average price of $19.59 per share and did not repurchase any common stock in the second or third quarters. As of September 30, 2016, the Company had 122.9 million shares of common stock outstanding and $99.3 million remaining on its current share repurchase authorization.

Outlook

Based on our strong results for the first nine months and expectations for the balance of the year, we now anticipate full-year Adjusted EBITDA of $228 to $235 million, well above our prior guidance of $195 to $215 million. We continue to expect relatively flat prices in our Southern Timber and Pacific Northwest Timber segments for the remainder of the year, and we will continue to adjust harvest levels as appropriate to maximize the long-term value of our assets. In our New Zealand Timber segment, we expect continued strong performance driven by solid demand in both domestic and export markets. In our Real Estate segment, following an extraordinarily strong third quarter, we expect relatively light closings in the fourth quarter. We continue to be encouraged by interest in our Wildlight development project north of Jacksonville, Florida.

Liquidity and Capital Resources

Our principal source of cash is cash flow from operations, primarily the harvesting of timber and sales of real estate. As a REIT, our main use of cash is dividends. We also use cash to maintain the productivity of our timberlands through replanting and silviculture. Our operations have generally produced consistent cash flow and required limited capital resources. Short-term borrowings have helped fund working capital needs while acquisitions of timberlands generally require funding from external sources or asset dispositions.

Summary of Liquidity and Financing Commitments

(millions of dollars)	September 30, 2016	December 31, 2015
Cash and cash equivalents	$110.0	$51.8
Total debt	1,065.0	830.6
Shareholders' equity	1,448.6	1,361.7
Total capitalization (total debt plus equity)	2,513.6	2,192.3
Debt to capital ratio	42%	38%
Net debt to enterprise value (a)	23%	22%

(a) Enterprise value is calculated as the number of shares outstanding multiplied by the Company's share price plus net debt as of September 30, 2016 and December 31, 2015.

Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for the nine months ended September 30, 2016 and 2015.

(millions of dollars)	2016	2015
Cash provided by (used for):		
Operating activities	$163.9	$143.4
Investing activities	(254.1)	(142.9)
Financing activities	146.8	(90.1)

Cash Provided by Operating Activities

The increase in cash provided by operating activities in 2016 was primarily attributable to higher operating results, partially offset by changes in working capital.

Cash Used for Investing Activities

Cash used for investing activities increased $111.2 million compared to 2015 primarily due to an increase in timberland acquisitions of $265.4 million, an increase in capital expenditures of $3.0 million, an increase in real estate development investments of $2.8 million and an increase in spending on the construction of the Company's office building of $3.6 million. This amount was partially offset by net proceeds from a Large Disposition of $127.0 million and a change in restricted cash of $40.3 million.

Cash Provided by (Used for) Financing Activities

Cash provided by financing activities increased $236.9 million from the prior year period due to an increase in net debt issuances of $162.4 million, a decrease in common shares repurchases of $72.9 million and a decrease in dividends paid of $2.2 million.

Expected 2016 Expenditures

As part of Wildlight, our mixed-use community development project located north of Jacksonville at the interchange of I-95 and State Road A1A, we are constructing an office building expected to cost approximately $13 million. Of the $13 million, we expect to incur $8 million in 2016 and $5 million in 2017. The new office will allow consolidation of three leased offices in Jacksonville and Fernandina Beach, Florida into one location and also serve as a catalyst for the Company's mixed-use development project.

Capital expenditures in 2016 are expected to be between $60 and $65 million, excluding capital expenditures related to the office building and any strategic timberland acquisitions we may make. Capital expenditures are expected to be comprised primarily of seedling planting, fertilization and other silvicultural activities, property taxes, lease payments, allocated overhead and other capitalized costs. Aside from capital expenditures, we may also acquire timberland as we actively evaluate acquisition opportunities. Real estate development investments in 2016 are expected to be approximately $10 million.

Our 2016 dividend payments are expected to be approximately $123 million assuming no change in the quarterly dividend rate of $0.25 per share or material changes in the number of shares outstanding.

Future share repurchases, if any, will depend on the Company's liquidity and cash flow, as well as general market conditions and other considerations including capital allocation priorities.

We have no mandatory pension contributions in 2016 but will likely be required to make contributions in the future. We also may make discretionary contributions in the future. On an ongoing basis, cash income tax payments are expected to be minimal.

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: Adjusted Earnings before Interest, Taxes, Depreciation, Depletion and Amortization ("Adjusted EBITDA") and Cash Available for Distribution ("CAD"). These measures are not defined by Generally Accepted Accounting Principles ("GAAP"), and the discussion of Adjusted EBITDA and CAD is not intended to conflict with or change any of the GAAP disclosures described above.

Management uses CAD as a liquidity measure. CAD is a non-GAAP measure that management uses to measure cash generated during a period that 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 (excluding timberland acquisitions and spending on the Company's office building) and working capital and other balance sheet changes. CAD is not necessarily indicative of the CAD that may be generated in future periods.

Management uses Adjusted EBITDA as a performance measure. Adjusted EBITDA is a non-GAAP measure that management uses to make strategic decisions about the business and that investors can use to evaluate the operational performance of the assets under management. It removes the impact of specific items that management believes do not directly reflect the core business operations on an ongoing basis. We define Adjusted EBITDA as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, costs related to shareholder litigation, the gain on foreign currency derivatives and Large Dispositions. Costs related to shareholder litigation include expenses incurred as a result of the securities litigation, the shareholder derivative demands and the Securities and Exchange Commission investigation. See Note 10—*Contingencies* in the 2015 Form 10-K.

We reconcile Adjusted EBITDA to Net Income for the consolidated Company and to Operating Income for the Segments, as those are the most comparable GAAP measures for each. The following table provides a reconciliation of Net Income to Adjusted EBITDA for the respective periods (in millions of dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income to Adjusted EBITDA Reconciliation				
Net income	$40.6	$19.2	$167.3	$34.5
Interest, net	8.3	9.1	24.8	28.8
Income tax expense (benefit)	0.8	(0.6)	2.2	(1.3)
Depreciation, depletion and amortization	32.0	32.0	83.7	85.8
Non-cash cost of land and improved development	4.3	4.6	10.1	9.5
Costs related to shareholder litigation (a)	1.2	1.5	2.2	3.1
Gain on foreign currency derivatives (b)	—	—	(1.2)	—
Large Dispositions (c)	—	—	(101.3)	—
Adjusted EBITDA	$87.2	$65.8	$187.8	$160.4

	2016					
	Guidance			Prior Guidance		
Net Income to Adjusted EBITDA Reconciliation						
Net income	$208.0	-	$214.0	$45.0	-	$55.0
Interest, net	33.0	-	33.2	28.5	-	29.3
Income tax expense (benefit)	2.5	-	3.5	0.5	-	1.7
Depreciation, depletion and amortization	113.0	-	115.0	104.0	-	109.0
Non-cash cost of land and improved development	10.0	-	12.0	15.0	-	17.0
Costs related to shareholder litigation (a)	2.7	-	3.5	2.0	-	3.0
Gain on foreign currency derivatives (b)	(1.2)	-	(1.2)	—		—
Large Dispositions (c)	(140.0)	-	(145.0)	—		—
Adjusted EBITDA	$228.0	-	$235.0	$195.0	-	$215.0

(a) Costs related to shareholder litigation include expenses incurred as a result of the securities litigation, the shareholder derivative demands and the Securities and Exchange Commission investigation. See Note 10—*Contingencies* in the 2015 Form 10-K.

(b) Gain on foreign currency derivatives is the gain resulting from the foreign exchange derivatives the Company used to mitigate the risk of fluctuations in foreign exchange rates while awaiting the capital contribution to the New Zealand JV.

(c) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value. On April 28, 2016, the Company completed a disposition of approximately 55,000 acres located in Washington for a sale price and gain of approximately $129.5 million and $101.3 million, respectively.

The following tables provide a reconciliation of Operating Income by segment to Adjusted EBITDA by segment for the respective periods (in millions of dollars):

Three Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and other	Total
September 30, 2016							
Operating income (loss)	$8.2	($3.3)	$6.6	$43.1	$0.5	($5.4)	$49.7
Depreciation, depletion and amortization	10.0	6.7	6.0	9.2	—	0.1	32.0
Non-cash cost of land and improved development	—	—	—	4.3	—	—	4.3
Costs related to shareholder litigation (a)	—	—	—	—	—	1.2	1.2
Adjusted EBITDA	$18.2	$3.4	$12.6	$56.6	$0.5	($4.1)	$87.2
September 30, 2015							
Operating income (loss)	$10.5	$3.1	($0.9)	$20.0	$0.4	($5.3)	$27.8
Non-operating expense	—	—	—	—	—	(0.1)	(0.1)
Depreciation, depletion and amortization	14.4	4.2	7.0	6.3	—	0.1	32.0
Non-cash cost of land and improved development	—	—	—	4.6	—	—	4.6
Costs related to shareholder litigation (a)	—	—	—	—	—	1.5	1.5
Adjusted EBITDA	$24.9	$7.3	$6.1	$30.9	$0.4	($3.8)	$65.8

(a)Costs related to shareholder litigation include expenses incurred as a result of the securities litigation, the shareholder derivative demands and the Securities and Exchange Commission investigation. See Note 10—*Contingencies* in the 2015 Form 10-K.

Nine Months Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and other	Total
September 30, 2016							
Operating income (loss)	$35.0	($0.9)	$21.4	$153.0	$1.5	($15.7)	$194.3
Depreciation, depletion and amortization	37.1	15.0	17.3	14.0	—	0.3	83.7
Non-cash cost of land and improved development	—	—	1.8	8.3	—	—	10.1
Costs related to shareholder litigation (a)	—	—	—	—	—	2.2	2.2
Gain on foreign currency derivatives (b)	—	—	—	—	—	(1.2)	(1.2)
Large Dispositions (c)	—	—	—	(101.3)	—	—	(101.3)
Adjusted EBITDA	$72.1	$14.1	$40.5	$74.0	$1.5	($14.4)	$187.8
September 30, 2015							
Operating income (loss)	$34.7	$7.4	$3.8	$34.0	$0.6	($18.5)	$62.0
Depreciation, depletion and amortization	41.4	10.9	22.2	11.1	—	0.2	85.8
Non-cash cost of land and improved development	—	—	—	9.5	—	—	9.5
Costs related to shareholder litigation (a)	—	—	—	—	—	3.1	3.1
Adjusted EBITDA	$76.1	$18.3	$26.0	$54.6	$0.6	($15.2)	$160.4

(a)Costs related to shareholder litigation include expenses incurred as a result of the securities litigation, the shareholder derivative demands and the Securities and Exchange Commission investigation. See Note 10—*Contingencies* in the 2015 Form 10-K.

(b) Gain on foreign currency derivatives is the gain resulting from the foreign exchange derivatives used by the Company to mitigate the risk of fluctuations in foreign exchange rates while awaiting the capital contribution to the New Zealand JV.

(c) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value. On April 28, 2016, the Company completed a disposition of approximately 55,000 acres located in Washington for a sale price and gain of approximately $129.5 million and $101.3 million, respectively.

The following table provides a reconciliation of Cash Provided by Operating Activities to Adjusted CAD (in millions of dollars):

	Nine Months Ended September 30,	
	2016	**2015**
Cash provided by operating activities	$163.9	$143.4
Capital expenditures (a)	(40.2)	(37.2)
Working capital and other balance sheet changes	(0.2)	(5.3)
CAD	123.5	100.9
Mandatory debt repayments	—	(131.0)
CAD after mandatory debt repayments	$123.5	($30.1)
Cash used for investing activities	($254.1)	($142.9)
Cash provided by (used for) financing activities	$146.8	($90.1)

(a) Capital expenditures exclude timberland acquisitions of $353.8 million and $88.5 million and spending on the Rayonier office building of $3.9 million and $0.4 million during the nine months ended September 30, 2016 and September 30, 2015, respectively.

Liquidity Facilities

Incremental Term Loan Agreement

On April 28, 2016, the Company entered into an incremental term loan agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions to provide a 10-year, $300 million incremental term loan. Proceeds from the new term loan were used to fund Rayonier’s portion of the Menasha acquisition net of the proceeds received from the Washington disposition, to repay approximately $105 million outstanding on the Company’s revolving credit facility and for general corporate purposes. The Company has entered into an interest rate swap transaction to fix the cost of the term loan over its 10-year term. The periodic interest rate on the incremental term loan agreement is LIBOR plus 1.900%. The Company receives annual patronage payments, which are profit distributions made by a cooperative to its member-users based on the quantity or value of business done with the member-user. The Company estimates the effective interest rate for the third quarter was approximately 2.8% after consideration of the estimated patronage payments and interest rate swaps.

Term Credit Agreement

On August 5, 2015, the Company entered into a credit agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions and other commercial banks to provide $550 million of new credit facilities, including a nine-year $350 million term loan facility. The Company has entered into an interest rate swap transaction to fix the cost of the term loan facility over its nine-year term. The periodic interest rate on the term credit agreement is LIBOR plus 1.625%. The Company estimates the effective interest rate for the third quarter was approximately 3.3% after consideration of the estimated patronage payments and interest rate swaps.

Revolving Credit Facility

In August 2015, the Company entered into a five-year $200 million unsecured revolving credit facility, replacing the previous $200 million revolving credit facility and $100 million farm credit facility, which were scheduled to expire in April 2016 and December 2019, respectively. The periodic interest rate on the revolving credit facility is LIBOR plus 1.250%, with an unused commitment fee of 0.175%.

Net borrowings of $25.0 million were made during the third quarter of 2016 on the revolving credit facility. At September 30, 2016, the Company had available borrowings of $169.5 million, net of $5.5 million to secure its outstanding letters of credit, under the revolving credit facility.

Joint Venture Debt

During the first quarter, the Company used proceeds from the term loan facility to fund a capital contribution into the New Zealand JV, which the New Zealand JV in turn used for repayment of the outstanding amount of $155 million under its existing Tranche A credit facility. In addition, all interest rate swap contracts associated with this debt were settled for $9.3 million at the time of the debt repayment.

In June 2016, the New Zealand JV entered into a 12-month NZ$20.0 million working capital facility and an 18-month NZ$20.0 million working capital facility, replacing the previous NZ$40.0 million facility that expired in June 2016.

During the nine months ended September 30, 2016, the New Zealand JV made additional borrowings and repayments of $146.1 million on its working capital facility. Additional draws totaling $29.2 million remain available on the working capital facility. In addition, the New Zealand JV paid $2.6 million of its shareholder loan held with the non-controlling interest party.

See Note 5 – *Debt* for additional information on these agreements and other outstanding debt, as well as for information on covenants that must be met in connection with our mortgage notes, term credit agreement and the revolving credit facility.

Off-Balance Sheet Arrangements

See Note 10 — *Guarantees* for details on the letters of credit, surety bonds and guarantees as of September 30, 2016.

Contractual Financial Obligations

In addition to using cash flow from operations, we finance our operations through the issuance of debt and by entering into leases. These financial obligations are recorded in accordance with accounting rules applicable to the underlying transaction, with the result that some are recorded as liabilities on the Consolidated Balance Sheet, while others are required to be disclosed in the Notes to Consolidated Financial Statements and Management's Discussion and Analysis.

The following table aggregates our contractual financial obligations as of September 30, 2016 and anticipated cash spending by period:

		Payments Due by Period			
Contractual Financial Obligations (in millions)	**Total**	**Remaining 2016**	**2017-2018**	**2019-2020**	**Thereafter**
Long-term debt (a)	$1,037	—	—	$40	$997
Current maturities of long-term debt (b)	32	—	32	—	—
Interest payments on long-term debt (c)	199	7	56	55	81
Operating leases — timberland	204	4	20	17	163
Operating leases — PP&E, offices	6	1	2	1	2
Commitments — derivatives (d)	76	3	18	18	37
Commitments — other (e)	8	3	5	—	—
Total contractual cash obligations	$1,562	$18	$133	$131	$1,280

(a) The book value of long-term debt, net of deferred financing costs, is currently recorded at $1,033.3 million on the Company's Consolidated Balance Sheet, but upon maturity the liability will be $1,037.0 million.

(b) The book value of our current maturities of long-term debt is currently recorded at $31.8 million on the Company's Consolidated Balance Sheet, but upon maturity the liability will be $31.5 million.

(c) Projected interest payments for variable rate debt were calculated based on outstanding principal amounts and interest rates as of September 30, 2016.

(d) Commitments represent payments expected to be made on derivative financial instruments (foreign exchange contracts and interest rate swaps). See Note 12 — *Derivative Financial Instruments and Hedging Activities.*

(e) Commitments include payments expected to be made on the construction of the Company's office building.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market and Other Economic Risks

We are exposed to various market risks, including changes in interest rates, commodity prices and foreign exchange rates. Our objective is to minimize the economic impact of these market risks. We use derivatives in accordance with policies and procedures approved by the Audit Committee of the Board of Directors. Derivatives are managed by a senior executive committee whose responsibilities include initiating, managing and monitoring resulting exposures. We do not enter into financial instruments for trading or speculative purposes.

As of September 30, 2016 we had $690 million of U.S. long-term variable rate debt. Our primary interest rate exposure on variable rate debt results from changes in LIBOR. However, we use interest rate swaps to manage our exposure to interest rate movements on our term credit agreement by swapping existing borrowings from floating rates to fixed rates. The notional amount of outstanding interest rate swap contracts at September 30, 2016 was $650 million. The term credit agreement and associated interest rate swaps mature in August 2024 and the incremental term loan agreement and associated interest rate swaps mature in May 2026. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in a corresponding increase/decrease of approximately $0.4 million in interest payments and expense over a 12 month period.

The fair market value of our U.S. long-term fixed interest rate debt is also subject to interest rate risk. The estimated fair value of our long-term fixed-rate debt at September 30, 2016 was $337 million compared to the $325 million principal amount. We use interest rates of debt with similar terms and maturities to estimate the fair value of our debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical one-percentage point increase/decrease in prevailing interest rates at September 30, 2016 would result in a corresponding decrease/increase in the fair value of our long-term fixed-rate debt of approximately $17 million.

We estimate the periodic effective interest rate on U.S. long-term fixed and variable rate debt for the third quarter was approximately 3.3% after consideration of interest rate swaps and estimated patronage payments, excluding unused commitment fees on the revolving credit facility.

The functional currency of the Company’s New Zealand-based operations and New Zealand JV is the New Zealand dollar. Through these operations and our ownership in the New Zealand JV, we are exposed to foreign currency risk on cash held in foreign currencies and on foreign export sales and ocean freight payments that are predominantly denominated in U.S. dollars. To mitigate these risks, the New Zealand JV routinely enters into foreign currency exchange contracts and foreign currency option contracts to hedge a portion of the New Zealand JV’s foreign exchange exposure. At September 30, 2016, the New Zealand JV had foreign currency exchange contracts with a notional amount of $25 million and foreign currency option contracts with a notional amount of $71 million outstanding. The amount hedged represents 40% of forecast U.S. dollar denominated harvesting sales proceeds over the next 18 months and 31% of log trading sales proceeds over the next 3 months.

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, 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 our management, including our 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 our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of September 30, 2016.

In the quarter ended September 30, 2016, based upon the evaluation required by paragraph (d) of SEC Rule 13a-15, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 9—*Contingencies* in the “Notes to the Consolidated Financial Statements” under Item 1 of Part I of this Report is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

In February 2016, the Board of Directors approved the repurchase of up to $100 million of Rayonier’s common shares (the “share repurchase program”) to be made at management’s discretion. The program has no time limit and may be suspended or discontinued at any time. There were no shares repurchased under this program in the third quarter of 2016 and there was $99.3 million, or approximately 3,741,915 shares based on the period end closing stock price of $26.54, available for repurchase as of September 30, 2016.

In 1996, we began a Common Share repurchase program (the “1996 anti-dilutive program”) to minimize the dilutive effect of our employee incentive stock plans on earnings per share. This program limits the number of shares that may be purchased each year to the greater of 1.5% of outstanding shares at the beginning of the year or the number of incentive shares issued to employees during the year. In October 2000, July 2003 and October 2011, our Board of Directors authorized the purchase of additional shares in the program totaling 2.1 million shares. None of these shares have expiration dates. There were no shares repurchased under this program in the third quarter of 2016 and there were 3,776,612 shares available for purchase at September 30, 2016.

The following table provides information regarding our purchases of Rayonier common stock during the quarter ended September 30, 2016:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (c)
July 1 to July 31	27	$26.96	—	7,518,527
August 1 to August 31	—	—	—	7,518,527
September 1 to September 30	—	—	—	7,518,527
Total	27		—	

(a) Includes 27 shares of the Company’s common stock purchased in July from employees in non-open market transactions. The shares of stock were sold by current employees of the Company in exchange for cash that was used to pay withholding taxes associated with the vesting of restricted stock awards under the Company’s stock incentive plan. The price per share surrendered is based on the closing price of the company’s stock on the respective vesting dates of the awards.

(b) Purchases made in open-market transactions under the $100 million share repurchase program announced on February 10, 2016.

(c) Maximum number of shares authorized to be purchased as of September 30, 2016 include 3,776,612 under the 1996 anti-dilutive program and approximately 3,741,915 under the share repurchase program.

Item 6. Exhibits

10.1	Amendment to Rayonier Investment and Savings Plan for Salaried Employees (the “Plan”) effective as of January 1, 2017.	Filed herewith
10.2	First Amendment to the Retirement Plan for Salaried Employees of Rayonier Inc. effective as of December 31, 2016.	Filed herewith
10.3	Amended and Restated Executive Severance Pay Plan effective as of December 31, 2016.*	Filed herewith
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 for the fiscal quarter ended September 30, 2016, formatted in Extensible Business Reporting Language (“XBRL”), includes: (i) the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2016 and 2015; (ii) the Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015; (iii) the Consolidated Statements of Shareholders’ Equity for the Nine Months Ended September 30, 2016 and the Years Ended December 31, 2015 and 2014; (iv) the Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015; and (v) the Notes to Consolidated Financial Statements.	Filed herewith

* Management contract or compensatory plan.

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/ APRIL TICE

April Tice
Director, Financial Services and Corporate Controller
(Duly Authorized Officer, Principal Accounting Officer)

Date: November 4, 2016

Exhibit 10.1

AMENDMENT TO RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES ("the Plan")

WHEREAS, Rayonier Inc. (the "Employer") maintains the Rayonier Investment and Savings Plan for Salaried Employees (the "Plan") for its employees;

WHEREAS, Rayonier Inc. has decided that it is in its best interest to amend the Plan;

WHEREAS, Section 14.01(b) of the Plan authorizes the Employer to amend the selections under the Rayonier Investment and Savings Plan for Salaried Employees Adoption Agreement.

NOW THEREFORE BE IT RESOLVED, that the Rayonier Investment and Savings Plan for Salaried Employees Adoption Agreement is amended as follows. The amendment of the Plan is effective as of 1-1-2017.

1. The Adoption Agreement is amended to read:

5-3 **PLAN COMPENSATION**: Plan Compensation is **Total Compensation** (as defined in AA §5-1 above) with the following exclusions described below.

Deferral	Match	ER		
☐	☐	☐	(a)	No exclusions.
N/A	☐	☐	(b)	Elective Deferrals (as defined in Section 1.46 of the Plan), pre-tax contributions to a cafeteria plan or a Code §457 plan, and qualified transportation fringes under Code§132(f)(4) are excluded.
☑	☑	☑	(c)	All fringe benefits (cash and noncash), reimbursements or other expense allowances, moving expenses, deferred compensation, and welfare benefits are excluded.
☐	☐	☐	(d)	Compensation above $__is excluded. (See Section 1.97 of the Plan.)
☐	☐	☐	(e)	Amounts received as a bonus are excluded.
☐	☐	☐	(f)	Amounts received as commissions are excluded.
☐	☐	☐	(g)	Overtime payments are excluded.
☐	☐	☐	(h)	Amounts received for services performed for a non-signatory Related Employer are excluded. (See Section 2.02(c) of the Plan.)
☐	☐	☐	(i)	"Deemed §125 compensation" as defined in Section 1.141(d) of the Plan.
☐	☐	☐	(j)	Amounts received after termination of employment are excluded. (See Section 1.141(b) of the Plan.)
☑	☑	☑	(k)	Differential Pay (as defined in Section 1.141(e) of the Plan).
☑	☑	☑	(l)	Describe adjustments to Plan Compensation: All bonuses except the Annual Bonus program; all short term disability or disability salary continuation payments; foreign service allowance.

[***Note:*** *Any exclusions selected under this AA §5-3 that do not meet the safe harbor exclusions under Treas. Reg. §1.414(s)-1 as described in Section 1.97(a) of the Plan may cause the definition of Plan Compensation to fail to satisfy a safe harbor definition of compensation under Code §414(s). Failure to use a definition of Plan Compensation that satisfies the nondiscrimination requirements under Code §414(s) will cause the Plan to fail to qualify for any contribution safe harbors, such as the permitted disparity allocation or Safe Harbor 401(k) Plan safe harbors. Any adjustments to Plan Compensation under this AA §5-3 must be definitely determinable and preclude Employer discretion. See AA §6C-4 for the definition of Plan Compensation as it applies to Safe Harbor Contributions.*]

2. The Adoption Agreement is amended to read:

6-2 **EMPLOYER CONTRIBUTION FORMULA.** For the period designated in AA §6-4 below, the Employer will make the following Employer Contributions on behalf of Participants who satisfy the allocation conditions designated in AA §6-5 below. Any Employer Contribution authorized under this AA §6-2 will be allocated in accordance with the allocation formula selected under AA §6-3.

☑ (a) **Discretionary contribution.** The Employer will determine in its sole discretion how much, if any, it will make as an Employer Contribution.

☐ (b) **Fixed contribution.**

☐ (1) __% of each Participant's Plan Compensation.

☐ (2) $__ for each Participant.

☐ (3) The Employer Contribution will be determined in accordance with any Collective Bargaining Agreement(s) addressing retirement benefits of Collectively Bargained Employees under the Plan.

☐ (c) **Service-based contribution.** The Employer will make the following contribution:

☐ (1) **Discretionary.** A discretionary contribution determined as a uniform percentage of Plan Compensation or a uniform dollar amount for each period of service designated below.

☐ (2) **Fixed percentage.** __% of Plan Compensation paid for each period of service designated below.

☐ (3) **Fixed dollar.** $__ for each period of service designated below.

The service-based contribution will be based on the following periods of service:

☐ (4) Each Hour of Service

☐ (5) Each week of employment

☐ (6) Describe period: __

The service-based contribution is subject to the following rules.

☐ (7) Describe any special provisions that apply to service-based contribution: __

[***Note:*** *Any period described in subsection (6) must apply uniformly to all Participants and cannot exceed a 12-month period. Any special provisions under subsection (7) must satisfy the nondiscrimination requirements under Code §401(a)(4) and the regulations thereunder.*]

☐ (d) **Year of Service contribution.** The Employer will make an Employer Contribution based on Years of Service with the Employer.

	Years of Service	**Contribution %**
☐ (1)	For Years of Service between __ and __	__%
☐ (2)	For Years of Service between __ and __	__%
☐ (3)	For Years of Service between __ and __	__%
☐ (4)	For Years of Service __ and above	__%

For this purpose, a Year of Service is each Plan Year during which an Employee completes at least 1,000 Hours of Service. Alternatively, a Year of Service is: __

[***Note:*** *Any alternative definition of a Year of Service must meet the requirements of a Year of Service as defined in Section 2.03 of the Plan.*]

☐(e) **Prevailing Wage Formula.** The Employer will make a contribution for each Participant's Prevailing Wage Service based on the hourly contribution rate for the Participant's employment classification. (See Section 3.02(a)(5) of the Plan.)

☐(1) **Amount of contribution.** The Employer will make an Employer Contribution based on the hourly contribution rate for the Participant's employment classification. The Prevailing Wage Contribution will be determined as follows:

☐(i) The Employer Contribution will be determined based on the required contribution rates for the employment classifications under the applicable federal, state or municipal prevailing wage laws. For any Employee performing Prevailing Wage Service, the Employer may make the required contribution for such service without designating the exact amount of such contribution.

☐(ii) The Employer will make the Prevailing Wage Contribution based on the hourly contribution rates as set forth in the Addendum attached to this Adoption Agreement. However, if the required contribution under the applicable federal, state or municipal prevailing wage law provides for a greater contribution than set forth in the Addendum, the Employer may make the greater contribution as a Prevailing Wage Contribution.

☐(2) **Offset of other contributions.** The contributions under the Prevailing Wage Formula will offset the following contributions under this Plan. (See Section 3.02(a)(5) of the Plan.)

☐(i) Employer Contributions (other than Safe Harbor Employer Contributions)

☐(ii) Safe Harbor Employer Contributions.

☐(iii) Qualified Nonelective Contributions (QNECs)

☐(iv) Matching Contributions (other than Safe Harbor Matching Contributions)

☐(v) Safe Harbor Matching Contributions.

☐(vi) Qualified Matching Contributions (QMACs)

[***Note:*** *If subsection (ii) or (v) is checked, the Prevailing Wage contribution must satisfy the requirements for a Safe Harbor Contribution.*]

☐(3) **Modification of default rules.** Section 3.02(a)(5) of the Plan contains default rules for administering the Prevailing Wage Formula. Complete this subsection (3) to modify the default provisions.

☐(i) **Application to Highly Compensated Employees.** Instead of applying only to Nonhighly Compensated Employees, the Prevailing Wage Formula applies to all eligible Participants, including Highly Compensated Employees.

☐(ii) **Minimum age and service conditions.** Instead of no minimum age or service condition, Prevailing Wage contributions are subject to a one Year of Service (as defined in AA§4-3) and age 21 minimum age and service requirement with semi-annual Entry Dates.

☐(iii) **Allocation conditions.** Instead of no allocation conditions, the Prevailing Wage contributions are subject to a 1,000 Hours of Service and last day employment allocation condition, as set forth under Section 3.09 of the Plan.

☐(iv) **Vesting.** Instead of 100% immediate vesting, Prevailing Wage contributions will vest under the following vesting schedule (as defined in Section 7.02 of the Plan):

☐(A) 6-year graded vesting schedule

☐(B) 3-year cliff vesting schedule

☐(v) **Describe: __**

[***Note:*** *Overriding the default provisions under this subsection (3) may restrict the ability of the Employer to take full credit for Prevailing Wage Contributions for purposes of satisfying its obligations under applicable federal, state or municipal prevailing wage laws. Any modifications must satisfy the nondiscrimination requirements under Code §401(a)(4) and should be consistent with the applicable federal, state or municipal prevailing wage laws. See Section 3.02(a)(5) of the Plan.*]

☐(f) **Describe special rules for determining contributions under Plan: __**

[***Note:*** *Any special rules must be described in a manner that precludes Employer discretion and must satisfy the nondiscrimination requirements of Code §401(a)(4) and the regulations thereunder.*]

3. The Adoption Agreement is amended to read:

6-3 **ALLOCATION FORMULA.**

☐(a) **Pro rata allocation.** The discretionary Employer Contribution under AA §6-2 will be allocated:

☐(1) as a uniform percentage of Plan Compensation.
☐(2) as a uniform dollar amount.

☐(b) **Fixed contribution.** The fixed Employer Contribution under AA §6-2 will be allocated in accordance with the selections made under AA §6-2.

☐(c) **Permitted disparity allocation.** The discretionary Employer Contribution under AA §6-2 will be allocated under the two-step method (as defined in Section 3.02(a)(1)(ii)(A) of the Plan), using the Taxable Wage Base (as defined in Section 1.136 of the Plan) as the Integration Level. However, for any Plan Year in which the Plan is Top Heavy, the four-step method (as defined in Section 3.02(a)(1)(ii)(B) of the Plan) applies, unless provided otherwise under subsection (2) below.

To modify these default rules, complete the appropriate provision(s) below.

☐(1) **Integration Level.** Instead of the Taxable Wage Base, the Integration Level is:

☐(i) __% of the Taxable Wage Base, increased (but not above the Taxable Wage Base) to the next higher:

☐ (A) N/A ☐ (B) $1
☐ (C) $100 ☐ (D) $1,000

☐(ii) $ (not to exceed the Taxable Wage Base)

☐(iii) 20% of the Taxable Wage Base

[***Note:*** *See Section 3.02(a)(1)(ii) of the Plan for rules regarding the Maximum Disparity Rate that may be used where an Integration Level other than the Taxable Wage Base is selected.*]

☐(2) **Four-step method.**

☐(i) Instead of applying only when the Plan is top heavy, the four-step method will always be used.

☐(ii) The four-step method will never be used, even if the Plan is Top Heavy.

☐(iii) In applying step one and step two under the four-step method, instead of using Total Compensation, the Plan will use Plan Compensation. (See Section 3.02(a)(1)(ii)(B) of the Plan.)

☐(3) **Describe** special rules for applying permitted disparity allocation formula: __

[***Note:*** *Any special rules must satisfy the nondiscrimination requirements of Code §401(a)(4) and the regulations thereunder.*]

☐(d) **Uniform points allocation.** The discretionary Employer Contribution designated in AA §6-2 will be allocated to each Participant in the ratio that each Participant's total points bears to the total points of all Participants. A Participant will receive the following points:

☐(1) __point(s) for each year(s) of age (attained as of the end of the Plan Year).

☐(2) __point(s) for each $__(not to exceed $200) of Plan Compensation.

☐(3) __point(s) for each__Year(s) of Service. For this purpose, Years of Service are determined:

☐(i) In the same manner as determined for eligibility.

☐(ii) In the same manner as determined for vesting.

☐(iii) Points will not be provided with respect to Years of Service in excess of__.

☐(e) **Employee group allocation.** The Employer may make a separate Employer Contribution to the Participants in the following allocation groups. The Employer must notify the Trustee in writing of the amount of the contribution to be allocated to each allocation group.

☐(1) A separate discretionary Employer Contribution may be made to each Participant of the Employer (i.e., each Participant is in his/her own allocation group).

☐(2) A separate discretionary or fixed Employer Contribution may be made to the following allocation groups. If no fixed amount is designated for a particular allocation group, the contribution made for such allocation group will be allocated as a uniform percentage of Plan Compensation or as a uniform dollar amount to all Participants within that allocation group.

[***Note****: The allocation groups designated above must be clearly defined in a manner that will not violate the definite allocation formula requirement of Treas. Reg. §1.401-1(b)(1)(ii). See Section 3.02(a)(1)(iv)(B)(V) of the Plan for restrictions that apply with respect to "short-service" Employees. In the case of self-employed individuals (i.e., sole proprietorships or partnerships), the requirements of 1.401(k)-1(a)(6) continue to apply, and the allocation method should not be such that a cash or deferred election is created for a self-employed individual as a result of application of the allocation method.*]

☐(3) **Special rules.** The following special rules apply to the Employee group allocation formula.

☐(i) **Family Members.** In determining the separate groups under (2) above, each Family Member (as defined in Section 1.65 of the Plan) of a Five Percent Owner is always in a separate allocation group. If there are more than one Family Members, each Family Member will be in a separate allocation group.

☐(ii) **Benefiting Participants who do not receive Minimum Gateway Contribution.** In determining the separate groups under (2) above, Benefiting Participants who do not receive a Minimum Gateway Contribution are always in a separate allocation group. If there are more than one Benefiting Participants who do not receive a Minimum Gateway Contribution, each will be in a separate allocation group. (See Section 3.02(a)(1)(iv)(B)(III) of the Plan.)

☐(iii) **More than one Employee group.** Unless designated otherwise under this subsection (iii), if a Participant is in more than one allocation group described in (2) above during the Plan Year, the Participant will receive an Employer Contribution based on the Participant's status on the last day of the Plan Year. (See Section 3.02(a)(1)(iv)(A) of the Plan.)

☐(A) **Determined separately for each Employee group.** If a Participant is in more than one allocation group during the Plan Year, the Participant's share of the Employer Contribution will be based on the Participant's status for the part of the year the Participant is in each allocation group.

☐(B) **Describe:** __

[***Note:*** *Any language under this subsection (B) must be definitely determinable and may not violate the nondiscrimination requirements under Code §401(a)(4).*]

☐(f) **Age-based allocation.** The discretionary Employer Contribution designated in AA §6-2 will be allocated under the age- based allocation formula so that each Participant receives a pro rata allocation based on adjusted Plan Compensation. For this purpose, a Participant's adjusted Plan Compensation is determined by multiplying the Participant's Plan Compensation by an Actuarial Factor (as described in Section 1.04 of the Plan).

A Participant's Actuarial Factor is determined based on a specified interest rate and mortality table. Unless designated otherwise under (1) or (2) below, the Plan will use an applicable interest rate of 8.5% and a UP-1984 mortality table.

☐ (1) **Applicable interest rate.** Instead of 8.5%, the Plan will use an interest rate of __% (must be between 7.5% and 8.5%) in determining a Participant's Actuarial Factor.

☐ (2) **Applicable mortality table.** Instead of the UP-1984 mortality table, the Plan will use the following mortality table in determining a Participant's Actuarial Factor: __

☐ (3) **Describe special rules applicable to age-based allocation:** __

[***Note:*** *See Exhibit A of the Plan for sample Actuarial Factors based on an 8.5% applicable interest rate and the UP-1984 mortality table. If an interest rate or mortality table other than 8.5% or UP-1984 is selected, appropriate Actuarial Factors must be calculated. Any alternative interest or mortality factors must meet the requirements for standard interest and mortality assumptions as defined in Treas. Reg. §1.401(a)(4)-12. Any special rules described under subsection (3) may not violate the nondiscrimination requirements under Code §401(a)(4).*]

☐(g) **Service-based allocation formula.** The service-based Employer Contribution selected in AA §6-2 will be allocated in accordance with the selections made under the service-based allocation formula in AA §6-2.

☐(h) **Year of Service allocation formula.** The Year of Service Employer Contribution selected in AA §6-2 will be allocated in accordance with the selections made under the Year of Service allocation formula in AA §6-2.

☐(i) **Prevailing Wage allocation formula.** The Prevailing Wage Employer Contribution selected in AA §6-2 will be allocated in accordance with the selections made under the Prevailing Wage allocation formula in AA §6-2. The Employer may attach an Addendum to the Adoption Agreement setting forth the hourly contribution rate for the employment classifications eligible for Prevailing Wage contributions.

☑ (j) **Describe special rules for determining allocation formula:** The Contribution (known as Enhanced Retirement contribution) will equal 3% of an Eligible Employee's compensation.

[***Note:*** *Any special rules must be described in a manner that precludes Employer discretion and must satisfy the nondiscrimination requirements of Code §401(a)(4) and the regulations thereunder.*]

4. The Adoption Agreement is amended to read:

6-4 **SPECIAL RULES.** No special rules apply with respect to Employer Contributions under the Plan, except to the extent designated under this AA §6-4. Unless designated otherwise, in determining the amount of the Employer Contributions to be allocated under this AA §6, the Employer Contribution will be based on Plan Compensation earned during the Plan Year. (See Section 3.02(c) of the Plan.)

☐(a) **Period for determining Employer Contributions.** Instead of the Plan Year, Employer Contributions will be determined based on Plan Compensation earned during the following period: [*The Plan Year must be used if the permitted disparity allocation method is selected under AA §6-3 above.*]

☐(1) Plan Year quarter

☐(2) calendar month

☐(3) payroll period

☐(4) Other: __

[***Note:*** *Although Employer Contributions are determined on the basis of Plan Compensation earned during the period designated under this subsection, this does not require the Employer to actually make contributions or allocate contributions on the basis of such period. Employer Contributions may be contributed and allocated to Participants at any time within the contribution period permitted under Treas. Reg. §1.415(c)-1(b)(6)(B), regardless of the period selected under this subsection. Any alternative period designated under subsection (4) may not exceed a 12-month period and will apply uniformly to all Participants.*]

☐(b) **Limit on Employer Contributions.** The Employer Contribution elected in AA §6-2 may not exceed:

☐(1) ___% of Plan Compensation

☐ (2) $___

☐(3) Describe: __

[***Note:*** *Any limitations under this subsection (3) must satisfy the nondiscrimination requirements of Code §401(a)(4) and the regulations thereunder.*]

☐(c) **Offset of Employer Contribution.**

☐ (1) A Participant's allocation of Employer Contributions under AA §6-2 of this Plan is reduced by contributions under__[***insert name of plan(s)***]. (See Section 3.02(d)(2) of the Plan.)

☐(2) In applying the offset under this subsection, the following rules apply: __

[***Note:*** *Any language regarding the offset of benefits must satisfy the nondiscrimination requirements under Code §401(a)(4) and the regulations thereunder.*]

☐(d) **Special rules:** __

[***Note:*** *Any special rules must satisfy the nondiscrimination requirements under Code §401(a)(4).*]

5. The Adoption Agreement is amended to read:

8-2 **VESTING SCHEDULE.** The vesting schedule under the Plan is as follows for both Employer Contributions and Matching Contributions, to the extent authorized under AA §6 and AA §6B. See Section 7.02 of the Plan for a description of the various vesting schedules under this AA §8-2. [***Note:*** *Any Prevailing Wage Contributions under AA §6-2, any Safe Harbor Contributions under AA §6C and any QNECs or QMACs under AA §6D are always 100% vested, regardless of any contrary selections in this AA §8-2 (unless provided otherwise under AA §6-2 for Prevailing Wage Contributions or under this AA §8-2 for any QACA Safe Harbor Contributions).*]

☑ (a) **Vesting schedule for Employer Contributions and Matching Contributions:**

ER	**Match**	
☐	☐	(1) Full and immediate vesting.
☐	☐	(2) 3-year cliff vesting schedule
☐	☐	(3) 6-year graded vesting schedule
☑	☑	(4) 5-year graded vesting schedule
☐	☐	(5) Modified vesting schedule

__% after 1 Year of Service

__% after 2 Years of Service

__% after 3 Years of Service

__% after 4 Years of Service

__% after 5 Years of Service

100% after 6 Years of Service

[***Note:*** *If a modified vesting schedule is selected under this subsection (a), the vested percentage for every Year of Service must satisfy the vesting requirements under the 6-year graded vesting schedule, unless 100% vesting occurs after no more than 3 Years of Service.*]

☐(b) **Special vesting schedule for QACA Safe Harbor Contributions.** Unless designated otherwise under this subsection, any QACA Safe Harbor Contributions will be 100% vested. However, if this subsection is checked, the following vesting schedule applies for QACA Safe Harbor Contributions. [***Note:*** *This subsection may be checked only if a QACA Safe Harbor Contribution is selected under AA §6C-2.*]

Instead of being 100% vested, QACA Safe Harbor Contributions are subject to the following vesting schedule:

☐(i) 2-year cliff vesting

☐(ii) 1-year cliff vesting

☐(iii) Graduated vesting

__% after 1 Year of Service

100% after 2 Years of Service

☑ (c) **Special provisions applicable to vesting schedule:** A Participant who experiences a Change in Control as that term is defined in the Retirement Plan for Salaried Employees of Rayonier Inc. shall become 100% vested.

[***Note:*** *Any special provisions must satisfy the nondiscrimination requirements under Code §401(a)(4) and must satisfy the vesting requirements under Code §411.*]

6. The Adoption Agreement is amended to read:

10-1 **AVAILABILITY OF IN-SERVICE DISTRIBUTIONS.** A Participant may withdraw all or any portion of his/her vested Account Balance, to the extent designated, upon the occurrence of any of the event(s) selected under this AA §10-1. If more than one option is selected for a particular contribution source under this AA §10-1, a Participant may take an in-service distribution upon the occurrence of any of the selected events, unless designated otherwise under this AA §10-1.

Deferral	Match	ER		
☐	☐	☐	(a)	No in-service distributions are permitted.
☑	☐	☐	(b)	Attainment of age 59½.
☐	☑	☑	(c)	Attainment of age 70 1/2 .
☑	☐	☐	(d)	A Hardship that satisfies the safe harbor rules under Section 8.10(e)(1) of the Plan. [***Note:*** *Not applicable to QNECs, QMACs, or Safe Harbor Contributions.*]
☐	☐	☐	(e)	A non-safe harbor Hardship described in Section 8.10(e)(2) of the Plan. [***Note:*** *Not applicable to QNECs, QMACs, or Safe Harbor Contributions.*]
☐	☐	☐	(f)	Attainment of Normal Retirement Age.
☐	☐	☐	(g)	Attainment of Early Retirement Age.
N/A	☑	☐	(h)	The Participant has participated in the Plan for at least 60 (cannot be less than 60) months.
N/A	☑	☐	(i)	The amounts being withdrawn have been held in the Trust for at least two years.
☐	☐	☐	(j)	Upon a Participant becoming Disabled (as defined in AA §9- 4(b)).
☐	**N/A**	**N/A**	(k)	As a Qualified Reservist Distribution as defined under Section 8.10(d) of the Plan.
☐	☐	☐	(l)	Describe: _________

[***Note:*** *Any distribution event described in this AA §10-1 may not discriminate in favor of Highly Compensated Employees. No in- service distribution of Salary Deferrals is permitted prior to age 59½, except for Hardship, Disability or as a Qualified Reservist Distribution. If Normal Retirement Age or Early Retirement Age is earlier than age 59½, such age is deemed to be age 59½ for purposes of determining eligibility to distribute Salary Deferrals. If this Plan has accepted a transfer of assets from a pension plan (e.g., a Money Purchase Plan), no in-service distribution from amounts attributable to such transferred assets is permitted prior to age 62, except for Disability. See AA §11-7 for special rules that may apply to distributions of Qualifying Employer Securities and/or Qualifying Employer Real Property.*]

7. The Adoption Agreement is amended to read:

11-11 **PROTECTED BENEFITS.** There are no protected benefits (as defined in Code §411(d)(6)) other than those described in the Plan.

To designate protected benefits other than those described in the Plan, complete this AA §11-11.

☑ (a) **Additional protected benefits.** In addition to the protected benefits described in this Plan, certain other protected benefits are protected from a prior plan document. See the Addendum attached to this Adoption Agreement for a description of such protected benefits.

☐ (b) **Money Purchase Plan assets.** This Plan contains assets that were held under a Money Purchase Plan (e.g., Money Purchase Plan assets were transferred to this Plan by merger, trust-to-trust transfer or conversion). See the Addendum attached to this Adoption Agreement for a description of any special provisions that apply with respect to the transferred assets. See Section 14.05(c) of the Plan for rules regarding the treatment of transferred assets.

☐ (c) **Elimination of distribution options.** Effective___, the distribution options described in subsection (1) below are eliminated.

☐ (1) **Describe eliminated distribution options:** __

☐ (2) **Application to existing Account Balances.** The elimination of the distribution options described in subsection (1) applies to:

☐ (i) All benefits under the Plan, including existing Account Balances.

☐ (ii) Only benefits accrued after the effective date of the elimination (as described in subsection (c) above).

[***Note:*** *The elimination of distribution options must not violate the "anti-cutback" requirements of Code §411(d)(6) and the regulations thereunder. See Section 14.01(d) of the Plan.*]

ADDENDUM – PROTECTED BENEFITS

In addition to the protected benefits described in this Plan, certain other benefits are protected from a prior plan document. This Addendum describes any additional benefits protected under this Plan.

Additional protected benefits: Employees hired prior to July 1, 2012 reach Early Retirement Age if employed after attainment of age 50, and upon reaching age 50 the Employee's vesting percentage increases to 100%. There is no Early Retirement Age for Employees hired on or after July 1, 2012.

Effective as of June 27, 2014,(the "merger date"), the Rayonier Inc. Savings Plan for Non-Bargaining Unit Hourly Employees at Certain Locations (the "merged plan") is merged with and into the Plan. A Participant's vested interest in his account balance attributable to amounts transferred to the Plan from the "merged plan" shall be at all times 100%.

Effective June 27, 2014, the "RYAM Share Fund" means the Investment Fund established under this Plan to hold all shares of Rayonier Advanced Materials Inc. that are received by the Employer stock Investment Fund in connection with the spin-off of Rayonier Advanced Materials Inc from the Employer. Participants shall be prohibited from investing in the RYAM Share Fund. The RYAM Share Fund shall be a frozen investment option, provided that Participants may elect to transfer all or a portion of their interest in the RYAM Share Fund to any other Investment Fund at any point in time. No Participant shall have any voting or tender rights with respect to his interest in the RYAM Share Fund.

Effective January 1, 2017, the Employer Retirement contribution is discontinued. The contribution is 100% vested and available for in- service withdrawal at the attainment of age 59 1/2.

EMPLOYER SIGNATURE PAGE

PURPOSE OF EXECUTION. This Signature Page is being executed for Rayonier Investment and Savings Plan for Salaried Employees to effect:

☐ (a) The adoption of a **new plan**, effective ____ [*insert Effective Date of Plan*]. [***Note:*** *Date can be no earlier than the first day of the Plan Year in which the Plan is adopted.*]

☐ (b) The **restatement** of an existing plan, in order to comply with the requirements of PPA, pursuant to Rev. Proc. 2011-49.

(1) Effective date of restatement: __. [***Note:*** *Date can be no earlier than January 1, 2007. Section 14.01(f)(2) of Plan provides for retroactive effective dates for all PPA provisions. Thus, a current effective date may be used under this subsection (1) without jeopardizing reliance.*]

(2) Name of plan(s) being restated: __

(3) The original effective date of the plan(s) being restated: __

☑ (c) An **amendment or restatement** of the Plan (other than to comply with PPA). If this Plan is being amended, a snap-on amendment may be used to designate the modifications to the Plan or the updated pages of the Adoption Agreement may be substituted for the original pages in the Adoption Agreement. All prior Employer Signature Pages should be retained as part of this Adoption Agreement.

(1) Effective Date(s) of amendment/restatement: 1-1-2017

(2) Name of plan being amended/restated: Rayonier Investment and Savings Plan for Salaried Employees

(3) The original effective date of the plan being amended/restated: 3-1-1994

(4) If Plan is being amended, identify the Adoption Agreement section(s) being amended: 5-3(l), 6-2(f), 6-3(j), 6-4, 8-2(c), 10-1(l), and 11-11(a) to remove the "Employer Retirement" contribution from the Plan.

VOLUME SUBMITTER SPONSOR INFORMATION. The Volume Submitter Sponsor (or authorized representative) will inform the Employer of any amendments made to the Plan and will notify the Employer if it discontinues or abandons the Plan. To be eligible to receive such notification, the Employer agrees to notify the Volume Submitter Sponsor (or authorized representative) of any change in address. The Employer may direct inquiries regarding the Plan or the effect of the Favorable IRS Letter to the Volume Submitter Sponsor (or authorized representative) at the following location:

Name of Volume Submitter Sponsor (or authorized representative): Massachusetts Mutual Life Insurance Company **Address:** 1295 State Street Springfield, MA 01111-0001 **Telephone number:** (800) 309-3539

IMPORTANT INFORMATION ABOUT THIS VOLUME SUBMITTER PLAN. A failure to properly complete the elections in this Adoption Agreement or to operate the Plan in accordance with applicable law may result in disqualification of the Plan. The Employer may rely on the Favorable IRS Letter issued by the National Office of the Internal Revenue Service to the Volume Submitter Sponsor as evidence that the Plan is qualified under Code §401(a), to the extent provided in Rev. Proc. 2011-49. The Employer may not rely on the Favorable IRS Letter in certain circumstances or with respect to certain qualification requirements, which are specified in the Favorable IRS Letter issued with respect to the Plan and in Rev. Proc. 2011-49. In order to obtain reliance in such circumstances or with respect to such qualification requirements, the Employer must apply to the office of Employee Plans Determinations of the Internal Revenue Service for a determination letter. See Section 1.66 of the Plan.

By executing this Adoption Agreement, the Employer intends to adopt the provisions as set forth in this Adoption Agreement and the related Plan document. By signing this Adoption Agreement, the individual below represents that he/she has the authority to execute this Plan document on behalf of the Employer. This Adoption Agreement may only be used in conjunction with Basic Plan Document #04. The Employer understands that the Volume Submitter Sponsor has no responsibility or liability regarding the suitability of the Plan for the Employer's needs or the options elected under this Adoption Agreement. It is recommended that the Employer consult with legal counsel before executing this Adoption Agreement.

Rayonier Inc.
(Name of Employer)

(Name of authorized representative) *(Title)*

(Signature) *(Date)*

FIRST AMENDMENT

TO THE

RETIREMENT PLAN FOR SALARIED EMPLOYEES OF RAYONIER INC.

Pursuant to Section 10.01 of the Retirement Plan for Salaried Employees of Rayonier Inc. (the "Plan"), Rayonier Inc. (the "Company") hereby amends the Plan, effective as of December 31, 2016 (except as may be otherwise indicated), as follows:

1. The foreword is amended by adding the following paragraph to the end thereof

   "Effective December 31, 2016, no further Benefit Service will be credited to any Participant."

2. Section 1.11, the definition of Compensation, is amended by adding the following paragraph to the end of said Section:

   "Subject to the following sentence, but otherwise notwithstanding anything in the Plan to the contrary, Compensation earned after December 31, 2016, shall not be considered in determining a Member's Accrued Benefit. Bonuses earned in 2016 and paid before April 1, 2017, shall be counted as Compensation when determining a Member's Accrued Benefit. Such bonuses shall be treated as Compensation for 2017."

3. Section 1.14, the definition of Eligibility Service, is amended in its entirety by replacing said Section with the following:

   "1.14 **Eligibility Service** shall mean any employment recognized as such for the purposes of meeting the eligibility requirements for membership in the Plan as provided in Article 2 and for meeting the eligibility for benefits under the Plan as provided under Article 4."

4. Section 1.18, the definition of Final Average Compensation is amended by adding the following new subparagraph (c) to the end of said Section:

"c) Subject to the following sentence, but otherwise notwithstanding anything in the Plan to the contrary, Final Average Compensation will not include Compensation earned by the Member after December 31, 2016, or other amounts payable to a Member by or on behalf of the Company after December 31, 2016. Bonuses earned in 2016 and paid before April 1, 2017, may be taken into account as Final Average Compensation. Final Average Compensation under the Plan will not exceed the average of the annual compensation limits under Code Section 401(a)17 for the 5-year period ending December 31, 2016."

5. Section 1.37, the definition of Social Security Benefit, is amended in its entirety by deleting said section and replacing it with the following (modified language is highlighted for convenience):

"1.37 **Social Security Benefit** shall mean the amount of annual old age or disability insurance benefit under Title II of the Federal Social Security Act as determined by the Plan Administration Committee under reasonable rules uniformly applied, on the basis of such Act as in effect at the time of retirement or termination to which a Member or former Member is or would upon application be entitled, even though the Member does not receive such benefit because of his or her failure to apply therefor or he or she is ineligible therefor by reason of earnings he or she may be receiving in excess of any limit on earnings for full entitlement to such benefit. In computing the Member's Social Security Benefit, no wage index adjustment or cost of living adjustment shall be assumed with respect to any period after the end of the calendar year in which the Member retires or terminates service. For all years prior to retirement or other termination of employment with the Company where actual earnings are not available, the Member's Social Security Benefit shall be determined on the basis of the Member's actual earnings in conjunction with a salary increase assumption based on the actual yearly change in national average wages as determined by the Social Security Administration. If within 180 days after the later of (i) the earlier of (a) a Member's date of retirement or other termination of employment or (b) December 31, 2016, or (ii) the date on which a Member is notified of the retirement allowance or vested benefit to which he or she is entitled under the Plan, the Member provides documentation from the Social Security Administration as to his or her actual earnings history with respect to those prior years, his or her Social Security Benefit shall be redetermined using the actual earnings history. If this recalculation results in a different Social Security Benefit, his or her retirement allowance or vested benefit shall be adjusted to reflect this change. Any adjustment to his or her retirement allowance or vested benefit shall be made retroactive to the date his or her payments commenced. The Plan Administration Committee shall resolve any questions arising under this Section on a basis uniformly applicable to all Employees similarly situated.

Notwithstanding the preceding paragraph, effective December 31, 2016, the following modifications to the definition of the Social Security Benefit will apply:

a) The Social Security Benefit for a Member who is eligible for a retirement benefit under Sections 4.01, 4.02, 4.03, or 4.04 as of December 31, 2016, shall remain fixed at the amount determined by assuming the Member terminated employment on December 31, 2016.

b) The Social Security Benefit for a Member who is actively employed on December 31, 2016, who thereafter commences a vested retirement benefit under Section 4.05, and who is not eligible for a retirement benefit under Sections 4.01, 4.02, 4.03 or 4.04 as of his Benefit Commencement Date shall remain fixed at the amount determined by assuming the Member terminated employment on December 31, 2016.

c) The Social Security Benefit for a Member who is actively employed as of December 31, 2016 and is not eligible for a retirement benefit under Sections 4.01, 4.02, 4.03 or 4.04 but becomes eligible thereafter shall be determined by assuming the Member had terminated employment on the day he or she would have first become eligible for a retirement allowance under Sections 4.01, 4.02, 4.03, or 4.04. The Social Security compensation to be used for the period beginning January 1, 2017, and ending on the date specified in the previous sentence shall be equal to the rate of Social Security compensation received by the Member during the 2016 calendar year, and zero thereafter. For purposes of this subsection (c), the Social

Security Benefit will be assumed to commence on the later of age 62 or the first day of the month commencing after the Member first becomes eligible for a benefit under Sections 4.01, 4.02, 4.03 or 4.04. In computing the Member's Social Security Benefit, no wage index adjustment or cost of living adjustment shall be assumed with respect to any period after December 31, 2016."

6. Section 2.02, Benefit Service, is amended by replacing the second paragraph following subparagraph (d)(vii) with the following paragraph (new language highlighted for convenience):

"The Compensation of a Member during the periods of absence covered by clause (i), (ii), (iv) or (vi) above shall be the Compensation the Member actually receives during such period. The Compensation of a Member during the period of absence covered by clause (iii) above shall be deemed to be the Member's Final Average Compensation based on his or her Eligibility Service up to such absence. Any Compensation described in the previous sentence will cease to be credited to a Member after December 31, 2016. Unless the Plan Administration Committee determines otherwise on a basis uniformly applicable to all persons similarly situated, the Social Security Benefit of a Member covered by clause (iii) above shall be based on the benefit awarded by the Social Security Administration at the date of his or her total and permanent disability."

7. Section 2.02, Benefit Service, is amended by adding the following subsection (g) to the end of said Section:

"(g) Notwithstanding the foregoing provisions of this Section 2.02, periods of employment completed after December 31, 2016, and recognized periods absences occurring after December 31, 2016, shall not be considered in determining Benefit Service for any purposes under the Plan."

* * * * ***************

IN WITNESS WHEREOF, Rayonier Inc. has caused this First Amendment to the Retirement Plan for Salaried Employees of Rayonier Inc. to be executed by a duly authorized officer on this ____ day of ______________________ 2016, but to be effective as of December 31, 2016, except as otherwise indicated.

RAYONIER INC.

By:__

Title:__

Exhibit 10.3

Rayonier Inc.
Amended and Restated
Executive Severance Pay Plan

Human Resources
December 31, 2016

RAYONIER INC.

EXECUTIVE SEVERANCE PAY PLAN

1. Purpose

The Compensation and Management Development Committee of the Board of Directors of Rayonier Inc. recognizes that, as with many publicly held corporations, there exists the possibility of a Change in Control of the Company. This possibility and the uncertainty it creates may result in the loss or distraction of senior executives of the Company, to the detriment of the Company and its shareholders.

Accordingly, the Committee has determined that appropriate steps should be taken to assure the Company of the continued employment, attention and dedication to duty of its senior executives-including maintaining professionalism, indifference and objectivity in negotiating with a potential acquirer and to seek to ensure the availability of their continued service, notwithstanding the possibility, threat, or occurrence of a Change in Control.

Therefore**,** in order to fulfill the above purposes, this Executive Severance Pay Plan is adopted and amended effective as specified in Section 17.

The definitions of capitalized terms are located in Section 8.

2. Covered Employees

Covered employees under this Plan are those full-time, regular executive salaried employees of the Company, who are identified and designated as Tier I or Tier II on Appendix A attached hereto (each an "Executive"), as such Appendix A may be amended by the Committee from time to time prior to a Change in Control.

An Executive shall cease to be a participant in this Plan only as a result of termination or amendment of this Plan complying with Section 13, or when he or she ceases to be a full time employee of the Company, unless, at the time he or she ceases to be an employee, such Executive is entitled to payment of Separation Benefits as provided in this Plan or there has been an event or occurrence that constitutes Good Reason after a Change in Control that would enable Executive to terminate his or her employment and receive Separation Benefits. An Executive entitled to payment of Separation Benefits under the Plan shall remain a participant in the Plan until the full amount of the Separation Benefits has been paid to Executive.

3. Upon a Qualifying Termination

A. Qualifying Termination. If, within two years following a Change in Control, (a) an Executive terminates his or her full time employment for Good Reason, or (b) the Company terminates an Executive's full time employment, the Executive shall be provided Scheduled Severance

Pay and Additional Severance (collectively, “Separation Benefits”) in accordance with the terms of this Plan, except that Separation Benefits shall not be payable where Executive:

- is terminated for Cause;
- voluntarily resigns (including normal retirement), other than for Good Reason;
- voluntarily fails to return from an approved leave of absence (including a medical leave of absence); or
- terminates employment as a result of Executive's death or Disability.

Any non-excepted termination is a "Qualifying Termination."

B. Definitions Related to Qualifying Termination. For purposes of this Section 3, the following terms have the indicated definitions:

"Cause" shall mean with respect to any Executive: (i) the willful and continued failure of Executive for a period of ninety (90) days to perform substantially Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Executive by the Board of Directors of the Company that specifically identifies the manner in which the Board believes that Executive has not substantially performed Executive's duties, or (ii) the engaging by Executive in illegal conduct or gross misconduct that is demonstrably injurious to the Company. For purposes of this definition, no act or failure to act on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and, in the best interests of the Company. An Executive shall be deemed to have engaged in illegal conduct and shall be subject to termination for Cause if Executive has been indicted or charged by any prosecuting agency with the commission of a felony.

"Disability" shall mean an illness or injury that has prevented Executive from performing his or her duties (as they existed immediately prior to the illness or injury) on a full-time basis for 180 consecutive business days.

"Good Reason" shall mean, with respect to any Executive: (i) the assignment to Executive of any duties inconsistent in any respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately before the Change in Control, or any other action by the Company that results in a significant diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by Executive; (ii) any material reduction in Executive's Base Pay, opportunity to earn annual bonuses or other compensation or employee benefits, other than as a result of an isolated and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by Executive; (iii) the Company's requiring Executive to relocate his or her principal place of business to a place which is more than thirty-five (35) miles from his or her previous principal place of business; or (iv) any purported termination of this Plan otherwise than as expressly permitted by this Plan. Notwithstanding the foregoing, no termination shall be deemed to be for Good Reason unless (1) Executive gives written notice to the Company of the event or condition claimed to constitute Good Reason within ninety (90) days of the first occurrence of such event or condition, (2) the Company fails to cure such event or condition within thirty (30) days of such notice, and (3) Executive gives a notice of termination specifying a date of termination not later than one hundred and twenty (120) days after delivery by Executive of the written notice to the Company of the event or condition claimed to constitute Good Reason.

4. Plan Benefits

For purposes of this Plan, "Plan Benefits" consist of (i) Scheduled Severance Pay calculated as provided in Section 4A, (ii) Additional Severance calculated as provided in Section 4B and Section 4C, and (iii) Equity Benefits as provided in Section 4D. The Company shall pay the Scheduled Severance Pay and Additional Severance to Executive in a lump sum not later than ten (10) days after the Effective Date of the Executive's Qualifying Termination; provided that, no portion of the Scheduled Severance Pay or Additional Severance that is payable on account of an Executive's Separation from Service shall be paid earlier than the end of the Separation Delay Period if the payment is on account of such Separation from Service and at that date the Executive is a Specified Employee; provided that, such delay in payment shall not apply to any portion of the Scheduled Severance Pay or Additional Severance that is excepted from such delay under the Code Section 409A Rules as a Short-Term Deferral or Separation Pay. The Company shall pay the Equity Benefits as provided in Section 4D upon the Executive's Qualifying Termination; provided that, no portion of the Equity Benefits that is payable as a result of the Executive's Separation from Service, shall be paid prior to the end of the Separation Delay Period if on the date of such Separation from Service the Executive was a Specified Employee; and provided further that, such delay in payment shall not apply to any such amounts that are excepted from such delay under the Code Section 409A Rules as Short-Term Deferrals or Separation Pay.

A. An Executive's "Scheduled Severance Pay" is the product of the Executive's Base Pay times the Executive's Applicable Tier Multiplier.

B. An Executive's "Additional Severance" is the sum of the Executive's Benefits Continuation Amount, calculated as provided in Section 4C below, and the Executive's Bonus Severance, calculated as provided in this Section 4B.

(i) An Executive's "Bonus Severance" is the product of the Executive's Applicable Bonus times the Executive's Applicable Tier Multiplier, together with an additional amount equal to the Executive's Current Pro-rata Bonus.

(1) An Executive's "Applicable Bonus" is the greatest of (A) the average of the bonus amounts actually paid to the Executive under the Rayonier annual incentive bonus plan (the "Bonus Plan") in the three year period comprised of the year of the Qualifying Termination and the two immediately preceding calendar years, (B) the Executive's Target Bonus Award under the Bonus Plan for the year in which the Change in Control takes place or (C) the Executive's Target Bonus Award under the Bonus Plan in the year of Qualifying Termination. The Executive's Applicable Bonus shall be determined without regard to any election the Executive may have made to defer receipt of all or any portion thereof as if there had been no deferral election in effect.

(2) An Executive's "Current Pro-rata Bonus" is equal to the product of the Executive's Applicable Bonus times a fraction the numerator of which is the number of months or portion thereof lapsed in the then current year prior to the Qualifying Termination and the denominator of which is twelve.

C. Benefits Continuation Amounts. The Executive's Benefits Continuation Amount is the sum of the Executive's Retirement Savings Adjustment and Other Benefits Adjustment. The Executive's Retirement Savings Adjustment shall be in addition to amounts to which Executive is entitled under the Retirement Plan for Salaried Employees of Rayonier Inc., the Retirement Plan for Salaried Employees of ITT Corporation, the Rayonier Investment and Savings Plan for Salaried Employees and the Supplemental Plans (collectively, the "Retirement Plans"), in effect on the Effective Date of the Qualifying Termination. (Capitalized terms in this Section 4C that are not otherwise defined here or elsewhere in this Plan shall have the meaning ascribed to them in the applicable Retirement Plans.)

(i) An Executive's "Retirement Savings Adjustment" is an amount equal to the excess of (X) over (Y), where (X) is the "Equivalent Actuarial Value" of the benefit to which Executive would have been entitled under the terms of the Retirement Plans, without regard to "vesting" thereunder, had Executive accumulated an additional 3 years of eligibility service as a fully vested participant in the Retirement Plans and an additional 3 years of benefit service in all the Retirement Plans other than the Retirement Plan for Salaried Employees of ITT Corporation and the ITT Supplemental Plans and as if Executive were 3 years older, solely for purposes of benefit eligibility and determining the amount of reduction in benefit on account of payment commencing prior to the Executive's normal retirement date, and by defining Executive's "Final Average Compensation" as equal to the greater of Executive's Base Pay on the Effective Date of Executive's Qualifying Termination or Executive's Final Average Compensation as determined under the terms of the Retirement Plan for Salaried Employees of Rayonier Inc., and (Y) is the Equivalent Actuarial Value of the amounts otherwise actually payable to Executive under the Retirement Plans. The Equivalent Actuarial Value shall be determined using the same assumptions utilized under the Rayonier Inc. Excess Benefit Plan upon the date of payment of the Benefits Continuation Amount and based on Executive's age on such date.

Notwithstanding the foregoing, for purposes of calculating the Retirement Savings Adjustment, Executive shall not be required to contribute to the Rayonier Investment and Savings Plan for Salaried Employees (the "Savings Plan") or the Rayonier Inc. Excess Savings and Deferred Compensation Plan (the "Excess Plan") as a condition to receiving the Retirement Savings Adjustment nor shall the Company be required to include in the Retirement Savings Adjustment amounts attributable to contributions Executive would have made under the Savings Plan or the Excess Plan had Executive continued to participate in those plans. The Company shall only be obligated to include in the Retirement Savings Adjustment the Company contributions that would have been made under the Savings Plan and the Excess Plan had Executive continued to participate in those plans at the level of compensation and rate of contribution in effect as of the pay date immediately preceding the Effective Date of the Qualifying Termination, without allocating any deemed earnings to said Company contributions.

(ii) Other Benefits Adjustment. The "Other Benefits Adjustment" is an amount equal to the sum of the Medical Benefits Payment and the Outplacement Services, determined as provided in subsections (1) - (3) below.

(1) An Executive's "Medical Benefits Payment" is the product of the employer contribution component of the health and welfare plans maintained for the Executive as of the Change in Control under the applicable employee welfare benefit plan (within the meaning of Section 3(1) of ERISA) maintained by the Company for the benefit of the Company's employees at such date, times the Executive's Applicable Tier Multiplier, discounted for present value applying a 4% discount rate.

(2) "Outplacement Services" means the cost of outplacement services, the scope and provider of which shall be selected by Executive in his or her sole discretion, for a period not to extend beyond twelve (12) months after the Effective Date of Executive's Qualifying Termination, in an amount not to exceed $30,000 in the aggregate.

D. Equity Benefits. Company shall provide to Executive the following additional benefits upon a Qualifying Termination of the Executive, to the extent not actually provided under an Applicable Incentive Stock Plan of the Company (collectively, the "Equity Benefits"). Terms used in this Section 4D not otherwise defined in this Plan shall have the meaning assigned in the Applicable Incentive Stock Plan.

(i) Options. The Company shall cause (a) all of the options to purchase the Common Shares of the Company ("Stock Options") granted to Executive prior to the Qualifying Termination by the Company to become immediately exercisable in full in accordance with the terms of the Applicable Incentive Stock Plan pursuant to which they were issued (provided that no Stock Option shall be exercisable after the termination date of such Stock Option).

(ii) Restricted Stock. The Company shall (a) cause Executive to immediately vest in all outstanding shares of Restricted Stock that were the subject of an Award under an Incentive Stock Plan of the Company which Restricted Stock is held by or for the benefit of the Executive immediately prior to the Qualifying Termination without any remaining restrictions other than those imposed by applicable securities laws, (b) issue stock certificates in respect thereof to Executive without a restrictive legend and (c) permit Executive to tender within 60 days of the Qualifying Termination all such Restricted Stock to the Company and in the event of such a tender forthwith pay to the Executive the Fair Market Value therefore.

(iii) Performance Share Awards. In the event of a Qualifying Termination, Awards of "Performance Shares" under all "Performance Share Award Programs" shall be settled as follows: (a) with respect to any Award for which the applicable Performance Period is more than 50% completed, the Performance Period shall be deemed to end as of the Qualifying Termination and the Executive shall receive the greater of (1) the Award resulting from utilizing the Fair Market Value in calculating total shareholder return for the Company for purposes of measuring Company performance with that of the comparison group under the applicable program, and (2) the Award at 100% of target performance under the applicable program; and (b) with respect to any Award as to which the applicable Performance Period is not more than 50% completed, the Executive shall receive the Award at 100% of target performance under the applicable program. Performance Shares due hereunder shall be settled in cash and paid on the basis of the Fair Market Value.

(iv) Coordination with Incentive Stock Plans. Any amounts paid hereunder shall be an offset against amounts otherwise due from the Company under the Applicable Incentive Stock Plan in respect of the same Award covered herein.

(v) Coordination with Section 409A. If at any time the payment of an Equity Benefit would be deemed to be payable to an Executive as a result of the Executive's Separation from Service, payment of such Equity Benefit shall not be made earlier than the end of the Separation Delay Period where on the date of the Separation from Service the Executive was a Specified Employee; provided that, such delay in payment shall not apply to any portion of the Equity Benefit that is excepted from such delay under the Code Section 409A Rules as a Short-Term Deferral, Separation Pay or otherwise

5. Dispute Resolution

A. In the event any dispute arises between Executive and the Company as to the validity, enforceability and/or interpretation of any right or benefit afforded by this Plan, at Executive's option such dispute shall be resolved by binding arbitration proceedings in accordance with the rules of the American Arbitration Association. The arbitrators shall presume that the rights and/or benefits afforded by this Plan which are in dispute are valid and enforceable and that Executive is entitled to such rights and/or benefits. The Company shall be precluded from asserting that such rights and/or benefits are not valid, binding and enforceable and shall stipulate before such arbitrators that the Company is bound by all the provisions of this Plan. The burden of overcoming by clear and convincing evidence the presumption that Executive is entitled to such rights and/or benefits shall be on the Company. The results of any arbitration shall be conclusive on both parties and shall not be subject to judicial interference or review on any ground whatsoever, including without limitation any claim that the Company was wrongfully induced to enter into this agreement to arbitrate such a dispute.

The Company shall pay the cost of any arbitration proceedings under this Plan. Executive shall be entitled (within two (2) business days of requesting such advance) to an advance of the actual legal fees and expenses incurred by such Executive in connection with such proceedings and Executive shall be obligated to reimburse the Company for such fees and expenses in connection with such arbitration proceedings only if it is finally and specifically determined by the arbitrators that Executive's position in initiating the arbitration was frivolous and completely without merit.

B. In the event Executive is required to defend in any legal action or other proceeding the validity or enforceability of any right or benefit afforded by this Plan, the Company will pay any and all actual legal fees and expenses incurred by such Executive regardless of the outcome of such action and, if requested by Executive, shall (within two business days of such request) advance such expenses to Executive. The Company shall be precluded from asserting in any judicial or other proceeding commenced with respect to any right or benefit afforded by this Plan that such rights and benefits are not valid, binding and enforceable and shall stipulate in any such proceeding that the Company is bound by all the provisions of this Plan.

C. Amounts payable by the Company under this Section 5 shall in the first instance be paid by the trustee under the trust established by that certain Trust Agreement, known as the "Legal Resources Trust" authorized by the Compensation and Management Development Committee on July 20, 2001, to the extent such amounts were previously transferred by the Company to the trustee of the Legal Resources Trust.

6. Covenants of Executive

A. As a condition to the receipt of a designated portion of the Equity Benefits and the other Plan Benefits otherwise payable hereunder (such portion, the "Covenant Amount") and in consideration thereof, Executive shall be deemed to have made and be bound by the "Change in Control Covenants" (defined below), which at the request of the Company shall be acknowledged by Executive in a simple declarative statement "I hereby confirm that I am bound by the Change in Control Covenants" attested to in writing by the Executive. The Covenant Amount shall be equal to so much of the identified amount payable in cash as the Company shall designate in a written notice to Executive given within thirty (30) days of the Qualifying Termination; provided that, the Covenant Amount shall not exceed an amount equal to the Base Pay of Executive immediately before the Qualifying Termination, multiplied by the Executive's Applicable Tier Multiplier and determined by the Company in good faith to be reasonable compensation for the Change in Control Covenants. By way of explanation and clarification, the Covenant Amount shall not be an additional payment beyond whatever is otherwise provided for within this Plan; rather, a portion of the payments that the Executive will otherwise receive hereunder shall be allocated as the Covenant Amount. An Executive who receives a benefit under this Plan cannot opt to forego making the Change in Control Covenants.

B. The Executive's "Change in Control Covenants" are the Confidentiality Covenants set forth in this Section 6B.

(i) Confidentiality Covenants. While employed by the Company following the Change in Control, and for a period of two (2) years following a Qualifying Termination (the "Confidential Information Period"), Executive covenants that Executive shall not disclose or make available to any person or entity any "Confidential Information" (as defined below) and shall not use or cause to be used any Confidential Information for any purpose other than fulfilling Executive's employment obligations to the Company, without the express prior written authorization of the Company. For this purpose, "Confidential Information" means all information about the Company relating to any of its products or services or any phase of operations, including, without limitation, business plans and strategies, trade secrets, know-how, contracts, financial statements, pricing strategies, costs, customers and potential customers, vendors and potential vendors, marketing and distribution information, business results, software, hardware, databases, processes, procedures, technologies, designs, concepts, ideas, and methods not generally known through legitimate means to any of its competitors with which Executive became acquainted during the term of employment by the Company. Confidential Information also includes confidential information of third parties made available to the Company on a confidential basis, but does not include information which is generally known to the public without breach by Executive, (b) was given to Executive by a third party without any obligation of confidentiality, or (c) was obtained or independently developed by Executive prior to or following employment by the Company without the use of information that is otherwise Confidential Information.

C. Remedies Limited to Equitable Relief. By accepting payment of the Covenant Amount, Executive shall be deemed (a) to have acknowledged that in the event Executive breaches any of the Change in Control Covenants, the damages to the Company would be irreparable and that the Company shall have the right to seek injunctive and/or other equitable relief in any court of competent jurisdiction to enforce the Change in Control Covenants and (b) to have consented to the issuance of a temporary restraining order to maintain the status quo pending the outcome of any proceeding. The foregoing shall be the exclusive remedy of the Company for a breach of the Change in Control Covenants and under no circumstances shall the Company be entitled to seek return of all or any portion of the Covenant Amount or of any other amount payable hereunder, nor shall the Company be awarded or accept monetary damages for any such breach.

7. Section 280G Cutback

A. Notwithstanding any provision of this Plan to the contrary, in the event that the payments and other benefits payable under this Plan or otherwise payable to an Executive under any other plan, program, arrangement or agreement maintained by the Company or one of its affiliates (i) would constitute an "excess parachute payment" (as defined under Code Section 280G) and (ii) would be subject to the excise tax imposed by Section 4999 of the Code, then such payments and other benefits shall be payable either (x) in full or (y) in a reduced amount that would result in no portion of such payments and other benefits being subject to the excise tax imposed under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state, and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by such Executive on an after-tax basis, of the greatest amount of severance benefits under this Plan or otherwise, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

B. The determination of whether it is necessary to decrease a payment or benefit to be paid under this Plan must be made in good faith by a nationally recognized certified public accounting firm (the "Accounting Firm") selected by the Company. This determination will be conclusive and binding upon the Executive and the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control, the Company shall appoint another nationally recognized certified public accounting firm to make the determination required under this Plan. The Company shall bear all fees of the Accounting Firm. If a reduction is necessary, the Executive will have the right to designate the particular payment or benefit to be reduced or eliminated so that no portion of the payment or benefit to be paid to the Executive will be an excess parachute payment subject to the deduction limits under Section 280G of the Code and the excise tax under Section 4999 of the Code. However, no payment of "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) may be reduced to the extent that a reduction can be made to any payment or benefit that is not "deferred compensation."

8. Definitions

The following terms used in this Plan have the indicated meaning:

"Additional Severance" with respect to an Executive means the sum of Executive's Benefits Continuation Amount and Executive's Bonus Severance as set forth in Section 4B.

"Applicable Bonus" has the definition set forth in Section 4B(i)(1).

"Applicable Incentive Stock Plan" means the 2004 Rayonier Incentive Stock and Management Bonus Plan, as amended, or the Rayonier Incentive Stock Plan, as amended, as the context dictates, as in effect immediately prior to a Change in Control.

"Applicable Tier Multiplier" means three (3) for Tier I Executives and two (2) for Tier II Executives.

"Award" has the meaning set forth in the Applicable Incentive Stock Plan, as the context requires.

"Base Pay" means the annual base salary rate payable to Executive at the Effective Date of the Qualifying Termination, including compensation converted to other benefits under a flexible pay arrangement maintained by the Company or deferred pursuant to a written plan or agreement with the Company, provided that, such annual base salary rate shall in no event be less than the highest annual base salary rate paid to Executive at any time during the twenty-four (24) month period immediately preceding the Change in Control.

"Benefits Continuation Amount" with respect to an Executive means the amount calculated as provided in Section 4C and payable upon a Qualifying Termination.

"Bonus Plan" has the definition set forth in Section 4B(i)(1).

"Bonus Severance" with respect to an Executive means the sum of the amount calculated under Section 4B(i)(1) and the Current Pro-rata Bonus calculated under Section 4B(i)(2), and payable upon a Qualifying Termination.

"Cause" has the definition provided in Section 3B.

"Change in Control" means the occurrence of any one or more of the following events:

(i) subject to the conditions contained in the final paragraph of this definition, the filing of a report on Schedule 13D with the Securities and Exchange Commission pursuant to Section 13(d) of the Act disclosing that any person, other than the Company or any employee benefit plan sponsored by the Company, is the beneficial owner (as the term is defined in Rule 13d-3 under the Act) directly or indirectly, of securities representing 50 percent or more of the total voting power represented by the Company's then outstanding Voting Securities (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Voting Securities); or

(ii) the purchase by any person, other than the Company or any employee benefit plan sponsored by the Company, of shares pursuant to a tender offer or exchange offer to acquire any Voting Securities of the Company (or securities convertible into such Voting Securities) for cash, securities, or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner, directly or indirectly, of securities representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding Voting Securities (all as calculated under clause (i)); or

(iii) the approval by the shareholders of the Company, and the subsequent occurrence, of (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation (other than a merger of the Company in which holders of Common Shares of the Company immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as immediately before), or pursuant to which Common Shares of the Company would be converted into cash, securities, or other property, or (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company; or

(iv) a change in the composition of the Board of the Company at any time during any consecutive 24-month period such that "continuing directors" cease for any reason to constitute at least a 70 percent majority of the Board.

For purposes of this definition of "Change in Control," the term "Voting Securities" means any securities of the Company that vote generally in the election of members of the Board and the term "continuing directors" means those members of the Board who either were directors at the beginning of a consecutive 24-month period or were elected during such period by or on the nomination or recommendation of at least a 70 percent majority of the then-existing Board. So long as there has not been a Change in Control within the meaning of clause (iv) above, the Board may adopt by a 70 percent majority vote of the "continuing directors" a resolution to the effect that the occurrence of an event described in clause (i) (a "Clause (i) Event") does not constitute a "Change in Control" (an "Excluding Resolution") or a resolution to the effect that the occurrence of a Clause (i) Event does constitute a "Change in Control" (an" Including Resolution"). The adoption of an Excluding Resolution with respect to any Clause (i) Event shall not deprive the Board of the right to adopt an Including Resolution with respect to such Clause (i) Event at a later date. A Clause (i) Event shall not in and of itself constitute a "Change in Control" until the earlier of (x) the effective date of an Including Resolution with respect thereto or (y) the passage of a period of 30 calendar days after the occurrence thereof without an Excluding Resolution having been adopted with respect thereto; notwithstanding the adoption of an Excluding Resolution within the 30-day period referred to in (y), an Including Resolution may subsequently be adopted with respect to the relevant Clause (i) Event while it continues to exist, in which event a "Change in Control" shall be deemed to have occurred for purposes of this definition upon the effective date of such Including Resolution. The provisions of this paragraph of the definition of "Change in Control" relate only to situations where a Clause (i) Event has occurred and no Change in Control within the meaning of clause (ii), (iii), or (iv) of the preceding paragraph has occurred, and nothing in this paragraph shall derogate from the principle that the occurrence of an event described in clause (ii), (iii), or (iv) of the preceding paragraph shall be deemed an immediate Change in Control regardless of whether or not a Clause (i) Event has occurred and an Excluding Resolution or Including Resolution become effective.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and "Code Section 409A Rules" shall mean Section 409A of the Code and the final regulations and other IRS guidance promulgated thereunder, as in effect from time to time.

"Committee" means the Compensation and Management Development Committee of the Board of Directors of the Company.

"Company" means Rayonier Inc. and any successor to, or assignee of, the business or assets thereof that becomes bound by this Plan as provided in Section 10.

"Confidentiality Covenants" with respect to an Executive are the covenants set forth in Section 6B(i) and for which purpose "Confidential Information" has the definition set forth in Section 6B(i).

"Covenant Amount" with respect to an Executive is the cash portion of Plan Benefits designated as provided in Section 6A.

"Current Pro-rata Bonus" has the definition set forth in Section 4B(i)(2).

"Disability" has the definition provided in Section 3B.

"Effective Date of the Qualifying Termination" is the date the Company selects as the Executive's last day of active full-time employment.

"Equity Benefits" with respect to an Executive means the Plan Benefits payable as provided in Section 4D upon a Qualifying Termination, for which purpose (1) "Performance Period" and "Restricted Stock" have the meanings set forth in the Applicable Incentive Stock Plan, and (2) "Stock Options," "Performance Shares," and "Performance Share Award Programs" have the meanings set forth in Section 4D.

"Equivalent Actuarial Value" has the definition applicable under the Retirement Plans.

"Excess Plan" has the definition provided in Section 4C(i).

"Executive" means a person identified on Appendix A, as amended from time to time by the Committee prior to a Change in Control.

"Fair Market Value" means the value of the Stock as the Committee may determine in good faith by reference to the price of such stock on any established stock exchange or a national market system on the day of determination if the Stock is so listed on any established stock exchange or a national market system. If the Stock is not listed on any established stock exchange or a national market system, the value of the Stock will be determined by the Committee in good faith.

"Final Average Compensation" has the meaning applicable under the Retirement Plans.

"Good Reason" has the definition provided in Section 3B.

"Legal Resources Trust" has the definition provided in Section 5C.

"Medical Benefits Payment" means the amount calculated in accordance with Section 4C(ii)(1).

"Other Benefits Adjustment" has the definition in Section 4C(ii).

"Outplacement Services" has the definition set forth in Section 4C(ii)(3)."Performance Shares" and "Performance Share Award Programs" mean the right to receive contingent performance shares or performance shares (or other Awards) to be made at the end of a performance period under programs adopted by the Committee under Section 6 of the Applicable Incentive Stock Plan under which such program was authorized, upon attainment of the comparative performance measures provided for in such program.

"Plan Benefits" has the definition provided in Section 4.

"Plan Change" has the definition set forth in Section 13

"Plan" means this Executive Severance Pay Plan effective as provided in Section 17.

"Qualifying Termination" has the definition provided in Section 3A.

"Retirement Plans" has the definition provided in Section 4C.

"Retirement Savings Adjustment" with respect to an Executive means the amount calculated in accordance with Section 4C(i), for which purpose "normal retirement date" means the first of the month that coincides with or follows Executive's 65th birthday.

"Savings Plan" has the definition set forth in Section 4C(i).

"Scheduled Severance Pay" with respect to an Executive means the amount calculated as provided in Section 4A and payable upon a Qualifying Termination.

"Separation Benefits" as provided in Section 3A means with respect to an Executive means the sum of the Executive's Scheduled Severance Pay and Additional Severance payable in respect of a Qualifying Termination.

"Separation Delay Period" shall mean the six month period following the date of a Executive's Separation from Service (or such other applicable period as may be provided for by Section 409A(a)(2)(B)(i) of the Code as in effect at the time), or earlier upon the death of the Executive, such that any payment delayed during the Separation Delay Period is to be paid on the first business day of the seventh month following the Separation from Service or, if earlier, such Executive's death.

"Separation from Service" and "Separation Pay" and "Short-Term Deferral" and "Specified Employee" shall have the respective meanings assigned such terms under the Code Section 409A Rules.

"Severance Trust" has the definition provided in Section 11. "Stock" has the meaning set forth in the applicable Incentive Stock Plan.

“Supplemental Plans” means any excess benefit plan, within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder (“ERISA”), or any supplemental executive retirement plan or other employee pension benefit plan, within the meaning of Section 3(2) of ERISA, not intended to be qualified under Section 401 (a) of the Code, maintained by the Company or by ITT Corporation, subject to the terms and conditions of such plans, in which the Executive is entitled to benefits by virtue of his employment with the Company or prior employment by ITT Corporation.

“Target Bonus Award” means the standard bonus target percentages of base salaries, as defined under the Bonus Plan for the respective executive salary grades as determined pursuant to Company base salary compensation schedules in effect for eligible executives at a 100 percent performance factor as of December 31 of the year in which the Change in Control takes place.

“Tier I” or “Tier II” means the designation assigned to an Executive on Appendix A as adopted and in effect immediately prior to a Change in Control.

9. Release

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

10. Successor to Company

This Plan shall bind any successor of the Company, its assets, or its businesses (whether direct or indirect, by purchase, merger, consolidation, or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place.

In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

11. Administration of Plan/Coordination with Severance Trust

The Company is the Named Fiduciary for the Plan under ERISA. The Committee is the Plan Administrator, which shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and, except as otherwise provided in this Plan, decide any and all matters arising under this Plan. All interpretations and decisions by the Committee shall be final, conclusive and binding on all parties affected thereby.

Amounts payable by the Company under this Plan (except under Section 5) may be made by direction of the Company to the trustee under the trust established by that certain Trust Agreement for the Rayonier Inc. Supplemental Senior Executive Pay Plan and for the Change in Control Agreement for W. Lee Nutter authorized by the Compensation and Management Development Committee on July 20, 2001 (the "Severance Trust"), to the extent such amounts were previously transferred by the Company to the trustee of the Severance Trust, but shall be deemed to have been paid only upon receipt by the Executive.

12. Claims Procedure

If an employee or former employee makes a written request alleging a right to receive benefits under this Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Company shall treat it as a claim for benefit. All claims for benefit under the Plan shall be sent to the Company's Senior Vice President, Administration, or such other officer as may be designated by the Committee, and must be received within thirty (30) days after termination of employment. If the Company determines that any individual who has claimed a right to receive benefits, or different benefits, under the Plan is not entitled to receive all or any part of the benefits claimed, it will inform the claimant in writing of its determination and the reasons therefor in terms calculated to be understood by the claimant. The notice will be sent within ninety (90) days of the claim unless the Company determines additional time, not exceeding ninety (90) days, is needed. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and describe any additional material or information as necessary. Such notice shall, in addition, inform the claimant what procedure the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within ninety (90) days thereafter submit in writing to the Company a notice that the claimant contests the denial of his or her claim by the Company and desires a further review. The Company shall within sixty (60) days thereafter review the claim and authorize the claimant to appear personally and review pertinent documents and submit issues and comments relating to the claim to the persons responsible for making the determination on behalf of the Company. The Company will render its final decision with specific reasons therefor in writing and will transmit it to the claimant within sixty (60) days of the written request for review, unless the Company determines additional time, not exceeding sixty (60) days, is needed, and so notifies the employee. If the Company fails to respond to a claim filed in accordance with the foregoing within sixty (60) days or any such extended period, the Company shall be deemed to have denied the claim. If the appeal is denied, the Committee's written notification to the claimant shall set forth: (1) the specific reason for the adverse determination; (2) specific reference to pertinent provisions on which the Committee based its adverse determination; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies, of, all documents, records and other information relevant to the claimant's claim for benefits; and (4) a statement that the claimant has a right to bring a civil action under Section 502(a) of ERISA.

13. Termination or Amendment

The Committee or the Company's Board of Directors may amend or terminate this Plan (a "Plan Change") at any time, except that no such Plan Change may reduce or adversely affect Separation

Benefits for any Executive who has a Qualifying Termination within two years of the effective date of such Plan Change provided that Executive was a Covered Employee under this Plan on the date of the Plan Change; provided that (a) a change in Appendix A prior to a Change in Control shall not be deemed to be a Plan Change and (b) an Executive by accepting any benefit under this Plan that was introduced prior to a Change in Control and not available prior to the Plan Change, shall be deemed to have waived the two-year limitation. Notwithstanding the foregoing, for two years after the occurrence of a Change in Control event, this Plan may not be terminated or amended until after all Executives who become entitled to any payments hereunder shall have received such payments in full. Any extension, amendment, or termination of this Plan in accordance with the foregoing shall be made in accordance with the Company's charter and bylaws and applicable law, and shall be evidenced by a written instrument signed by a duly authorized officer of the Company, certifying that such action has been taken.

14. Plan Supersedes Prior Plans

This Plan supersedes and replaces all prior severance policies, plans, or practices maintained by the Company with respect to all Covered Employees other than individualized written agreements executed by the Company and Executive.

15. Unfunded Plan Status

This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Section 401 of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Executive or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may but shall not be obligated to create one or more grantor trusts, such as the Legal Resources Trust and the Severance Trust, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

16. Miscellaneous

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

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

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

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

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

17. Adoption Date and Amendment

This Plan was first adopted effective March 1, 1994. On May 16, 1997, changes to the Plan were approved effective as of June 1, 1997. Subsequently on July 18, 1997, additional changes to the Plan were approved effective retroactive to June 1, 1997.

On September 2, 2005, this amended and restated Plan was approved and adopted and renamed the Rayonier Inc. Executive Severance Pay Plan, effective as of that date, and on December 6, 2007, the Plan was amended to make certain changes to reflect the Code Section 409A Rules. In February 2015, additional changes were made and the Plan was amended and restated. Effective as of December 31, 2016, the Plan was again amended and restated.

EXHIBIT 31.1

CERTIFICATION

I, David L. Nunes, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 4, 2016

/s/ DAVID L. NUNES

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

EXHIBIT 31.2

CERTIFICATION

I, Mark McHugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 4, 2016

/s/ MARK MCHUGH

Mark McHugh
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 of Rayonier Inc. (the "Company") for the period ended September 30, 2016 (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 4, 2016

/s/ DAVID L. NUNES	/s/ MARK MCHUGH
David L. Nunes	Mark McHugh
President and Chief Executive Officer, Rayonier Inc.	*Senior Vice President and* *Chief Financial Officer, Rayonier Inc.*