

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2019

OR

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.**

(Exact name of registrant as specified in its charter)  
Incorporated in the State of North Carolina

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

**1 RAYONIER WAY  
WILDLIGHT, FL 32097  
(Principal Executive Office)**

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

Securities registered pursuant to Section 12(b) of the Exchange Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Exchange</u>
COMMON SHARES, NO PAR VALUE	RYN	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes  No

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the Common Shares of the registrant held by non-affiliates at the close of business on June 30, 2019 was \$3,904,678,995 based on the closing sale price as reported on the New York Stock Exchange.

As of February 14, 2020, there were outstanding 129,333,462 Common Shares of the registrant.

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the 2020 annual meeting of the shareholders of the registrant scheduled to be held May 14, 2020, are incorporated by reference in Part III hereof.

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## PART I

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” or “Note” refer to the Notes to the Consolidated Financial Statements of Rayonier Inc. included in [Item 8](#) of this Report.

### NOTE ABOUT 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, business strategies, harvest schedules, timberland acquisitions, timberland sales, the anticipated benefits of Rayonier’s business strategies, and other similar statements relating to 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 this Annual Report on 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.

## Item 1. BUSINESS

### GENERAL

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 U.S. and New Zealand. The focus of our business is to invest in timberlands and to actively manage them to provide current income and attractive long-term returns to our shareholders. As of December 31, 2019, we owned, leased or managed approximately 2.6 million acres of timberlands located in the U.S. South (1.84 million acres), U.S. Pacific Northwest (379,000 acres) and New Zealand (414,000 gross acres, or 295,000 net plantable acres). In addition, we engage in the trading of logs from New Zealand and Australia to Pacific Rim markets, primarily to support our New Zealand export operations. We have an added focus to maximize the value of our land portfolio by pursuing higher and better use (“HBU”) land sale opportunities.

We originated as the Rainier Pulp & Paper Company founded in Shelton, Washington in 1926. On June 27, 2014, Rayonier completed the tax-free spin-off of its Performance Fibers manufacturing business from its timberland and real estate operations, thereby becoming a “pure-play” timberland REIT.

Under our REIT structure, we are generally not required to pay U.S. federal income taxes on our earnings from timber harvest operations and other REIT-qualifying activities contingent upon meeting applicable distribution, income, asset, shareholder and other tests. As of December 31, 2019 and as of the date of the filing of this Annual Report on Form 10-K, we believe the Company is in compliance with all REIT tests. See [Note 10 — Income Taxes](#) for further discussion of REIT and non-REIT qualifying operations.

Our shares are publicly traded on the NYSE under the symbol RYN. We are a North Carolina corporation with executive offices located at 1 Rayonier Way, Wildlight, Florida 32097. Our telephone number is (904) 357-9100.

## OUR COMPETITIVE STRENGTHS

We believe that we distinguish ourselves from other timberland owners and managers through the following competitive strengths:

- *Leading Pure-Play Timberland REIT.* We are differentiated from other publicly-traded timberland REITs in that we are invested exclusively in timberlands and real estate and do not own any pulp, paper or wood products manufacturing assets. We are the largest publicly-traded “pure-play” timberland REIT, which provides our investors with a focused, large-scale timberland investment alternative without taking on the risks and volatility inherent in direct ownership of forest products manufacturing assets.
- *Located in Premier Softwood Growing Regions with Access to Strong Markets.* Our geographically diverse timberland holdings are strategically located in core softwood producing regions, including the U.S. South, U.S. Pacific Northwest and New Zealand. Our most significant timberland holdings are located in the U.S. South, in close proximity to a variety of established pulp, paper and wood products manufacturing facilities, which provide a steady source of competitive demand for both pulpwood and higher-value sawtimber products. Our Pacific Northwest and New Zealand timberlands benefit from strong domestic sawmilling markets and are located near ports to capitalize on export markets serving the Pacific Rim.
- *Sophisticated Log Marketing Capabilities Serving Various Pacific Rim Markets.* We conduct a log trading operation based in New Zealand that serves timberland owners in New Zealand and Australia, providing access to key export markets in China, South Korea and India. This operation provides us with superior market intelligence and economies of scale, both of which add value to our New Zealand timber portfolio. It also provides additional market intelligence that helps our Southern and Pacific Northwest export log marketing and contributes to the Company's earnings and cash flows, with minimal investment.
- *Attractive Land Portfolio with HBU Potential.* We own approximately 200,000 acres of timberlands located in the vicinity of Interstate 95 primarily north of Daytona Beach, FL and south of Savannah, GA, some of which have the potential to transition to HBU over time as market conditions support increased demand. These properties further provide us with select opportunities to add value to our portfolio through real estate development activities, which we believe will allow us to periodically sell parcels of such land at favorable valuations relative to timberland values through one of our taxable REIT subsidiaries.
- *Dedicated HBU Platform with Established Track Record.* We have a dedicated HBU platform led by an experienced team with an established track record of selling rural and development HBU properties across our U.S. South holdings at strong premiums to timberland values. We maintain a detailed land classification analysis of our portfolio, which allows us to identify the highest-value use of our lands and then capitalize on identified HBU opportunities through strategies uniquely tailored to maximize value, including selectively pursuing land-use entitlements and infrastructure improvements.
- *Advantageous Structure and Capitalization.* Under our REIT structure, we are generally not required to pay federal income taxes on our earnings from timber harvest operations and other REIT-qualifying activities, which allows us to optimize the value of our portfolio in a tax efficient manner. We also maintain a strong credit profile and have an investment grade debt rating. As of December 31, 2019, our net debt to enterprise value was 19%. We believe that our advantageous REIT structure and conservative capitalization provide us with a competitive cost of capital and significant financial flexibility to pursue growth initiatives.

## OUR STRATEGY

Our business strategy consists of the following key elements:

- *Manage our Timberlands on a Sustainable Yield Basis for Long-term Results.* We generate recurring income and cash flow from the harvest and sale of timber and intend to actively manage our timberlands to maximize net present value over the long term by achieving an optimal balance among biological timber growth, generation of cash flow from harvesting activities, and responsible environmental stewardship. Our harvesting strategy is designed to produce a long-term, sustainable yield, although we may adjust harvest levels periodically in response to then-current market conditions.
- *Apply Advanced Silviculture to Increase the Productivity of our Timberlands.* We use our forestry expertise and disciplined financial approach to determine the appropriate silviculture programs and investments to maximize returns. This includes re-planting a significant portion of our harvested acres with improved seedlings we have developed through decades of research and cultivation. Over time, we expect these improved seedlings will result in higher volumes per acre and a higher value product mix.
- *Increase the Size and Quality of our Timberland Holdings through Acquisitions.* We intend to selectively pursue timberland acquisition opportunities that improve the average productivity of our timberland holdings and support cash flow generation from our annual harvesting activities. We expect there will be an ample supply of attractive timberlands available for sale as a result of anticipated sales from a number of Timberland Investment Management Organizations (“TIMOs”). Our acquisition strategy employs a disciplined approach with rigorous adherence to strategic and financial metrics. Generally, we expect to focus our acquisition efforts on the most commercially desirable timber-producing regions of the U.S. South, the U.S. Pacific Northwest and New Zealand, particularly on timberlands with a geographic distribution and age-class profile that are complementary to our existing timberland holdings. We may also consider acquisition opportunities outside of our existing operating areas where we anticipate favorable long-term market dynamics and financial returns. We acquired 69,000 acres of fee timberland in 2019, 26,000 acres in 2018 and 90,000 acres in 2017. Additionally, we acquired leases or long-term forestry rights covering approximately 2,000 acres in 2019, 4,000 acres in 2018, and 19,000 acres in 2017.
- *Optimize our Portfolio Value.* We continuously assess potential alternative uses of our timberlands, as some of our properties may become more valuable for development, residential, recreation or other purposes. We intend to capitalize on such higher-valued uses by opportunistically monetizing HBU properties in our portfolio. While the majority of our HBU sales involve rural and recreational land, we also selectively pursue various land-use entitlements on certain properties for residential, commercial and industrial development in order to fully realize the enhanced long-term value potential of such properties. For selected development properties, we also invest in infrastructure improvements, such as roadways and utilities, to accelerate the marketability and improve the value of such properties. We generally expect that sales of HBU property will comprise approximately 1% to 2% of our Southern timberland holdings on an annual basis.
- *Focus on Timberland Operations to Support Cash Flow Generation.* As described above, we rely primarily on annual harvesting activities and ongoing sales of HBU properties to generate cash flow from our timberland holdings. However, we also periodically generate income and cash flow from the sale of non-strategic and/or non-HBU timberlands, in particular as we seek to optimize our portfolio by disposing of less desirable properties or to fund capital allocation priorities, including share repurchases, debt repayment or acquisitions. Our strategy is to limit reliance on planned sales of non-HBU timberlands to augment cash flow generation and instead rely primarily on supporting cash flow from the operation, rather than sale, of our timberlands. We believe this strategy will support the sustainability of our harvesting activities over the long term.
- *Promote Responsible Stewardship and Best-in-Class Disclosure.* We are committed to responsible stewardship and environmentally and economically sustainable forestry. As such, we are focused on continuing to develop and integrate robust environmental, social and governance (“ESG”) policies and best practices within our business. We further intend to be an industry leader in transparent disclosure, particularly relating to our timberland holdings, harvest schedules, inventory, age-class profiles and other meaningful data regarding our long-term sustainability. We believe our continued commitment to transparency and the stewardship of our assets and capital will allow us to maintain our timberlands’ productivity, more effectively attract and deploy capital and enhance our reputation as a preferred timber industry supplier and employer.

**SEGMENT INFORMATION**

Rayonier operates in five reportable business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading. See [Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations](#) and [Note 5 — Segment and Geographical Information](#) for information on sales and operating income by reportable segment and geographic region.

**TIMBER**

The Company’s timber businesses are disaggregated into Southern Timber, Pacific Northwest Timber and New Zealand Timber segments. Sales in the Timber segments include all activities related to the harvesting of timber in addition to lease and license activities, other non-timber activities and carbon credit sales.

**DISCUSSION OF TIMBER INVENTORY AND SUSTAINABLE YIELD**

We define gross timber inventory as an estimate of all standing timber volume beyond the specified age at which we commence calculating our timber inventory for inclusion in our inventory tracking systems. The age at which we commence calculating our timber inventory is 10 years for our Southern timberlands, 20 years for our Pacific Northwest timberlands, and 20 years for our New Zealand timberlands. Our estimate of gross timber inventory is based on an inventory system that involves periodic statistical sampling and growth modeling. Periodic adjustments are made on the basis of growth estimates, harvest information, and environmental and operational restrictions. Gross timber inventory includes certain timber that we do not deem to be of a merchantable age as well as certain timber located in restricted, environmentally sensitive or economically inaccessible areas.

We define merchantable timber inventory as an estimate of timber volume beyond a specified age that approximates such timber’s earliest economically harvestable age. Our estimate includes certain timber located in restricted or environmentally sensitive areas based on an estimate of lawfully recoverable volumes from such areas. The estimate does not include volumes in restricted or environmentally sensitive areas that may not be lawfully harvested or volumes located in economically inaccessible areas. The merchantable age (*i.e.*, the age at which timber moves from pre-merchantable to merchantable) is 15 years for our Southern timberlands, with the exception of Oklahoma which is 17 years, 35 years for our Pacific Northwest timberlands, and 20 years for radiata pine and 30 years for Douglas-fir in our New Zealand timberlands. Our estimated merchantable timber inventory changes over time as timber is harvested, as pre-merchantable timber transitions to merchantable timber, as existing merchantable timber inventory grows, as we acquire and sell timberland and as we periodically update our statistical sampling and growth and yield models. We estimate our merchantable timber inventory annually for purposes of calculating per unit depletion rates.

Timber inventory is generally measured and expressed in short green tons (SGT) in our Southern timberlands, in thousand board feet (MBF) or million board feet (MMBF) in our Pacific Northwest timberlands, and in cubic meters (m<sup>3</sup>) in our New Zealand timberlands. For conversion purposes, one MBF and one m<sup>3</sup> is equal to approximately 8.0 and 1.12 short green tons, respectively. For comparison purposes, we provide inventory estimates for our Pacific Northwest and New Zealand timberlands in MBF and cubic meters, respectively, as well as in short green tons.

The following table sets forth the estimated volumes of merchantable timber inventory by location in short green tons as of September 30, 2019 for the South and Pacific Northwest and as of December 31, 2019 for New Zealand:

(volumes in thousands of SGT)		
Location	Merchantable Inventory (a)	%
South	67,742	74
Pacific Northwest	7,120	8
New Zealand	16,350	18
	<u>91,212</u>	<u>100</u>

(a) For all regions, depletion rate calculations for the upcoming year are based on estimated volumes of merchantable inventory at December 31, 2019.

We define sustainable yield as the average harvest level that can be sustained into perpetuity based on our estimates of biological growth and the expected productivity resulting from our reforestation and silvicultural efforts. Our estimated sustainable yield may change over time based on changes in silvicultural techniques and resulting timber yields, changes in environmental laws and restrictions, changes in the statistical sampling and estimates of our merchantable timber inventory, acquisitions and dispositions of timberlands, the expiration or renewal of timberland leases, casualty losses, and other factors. Moreover, our harvest level in any given year may deviate from our estimated sustainable yield due to variations in the age class of our timberlands, the product mix of our harvest (*i.e.*, pulpwood versus sawtimber), our deliberate acceleration or deferral of harvest in response to market conditions, our thinning activity (in which we periodically remove some smaller trees from a stand to enhance long-term sawtimber potential of the remaining timber), or other factors. We estimate sustainable yield for each of our Timber segments as of December 31, 2019.

We manage our U.S. timberlands in accordance with the requirements of the Sustainable Forestry Initiative® (“SFI”) program. The timberland holdings of the New Zealand subsidiary are certified under the Forest Stewardship Council® (“FSC”). The majority of our New Zealand timberland holdings are also certified under the Programme for the Endorsement of Forest Certification (“PEFC”). All programs are comprehensive systems of environmental principles, objectives and performance measures that combine the perpetual growing and harvesting of trees with the protection of wildlife, plants, soil and water quality. Through application of our site-specific silvicultural expertise and financial discipline, we manage timber in a way that is designed to optimize site preparation, tree species selection, competition control, fertilization, timing of thinning and final harvest. We also have a genetic seedling improvement program to enhance the productivity and quality of our timberlands and overall forest health. In addition, non-timber income opportunities associated with our timberlands such as recreational licenses, as well as considerations for the future HBU of the land, are integral parts of our site-specific management philosophy. All of these activities are designed to maximize value while complying with SFI, FSC and PEFC requirements.

## SOUTHERN TIMBER

As of December 31, 2019, our Southern timberlands acreage consisted of approximately 1.84 million acres (including approximately 161,000 acres of leased lands) located in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, South Carolina and Texas. Approximately two-thirds of this land supports intensively managed plantations of predominantly loblolly and slash pine. The other one-third of this land is too wet to support pine plantations, but supports productive natural stands primarily consisting of natural pine and a variety of hardwood species. Rotation ages typically range from 21 to 28 years for pine plantations and from 35 to 60 years for natural stands. Key consumers of our timber include pulp, paper, wood products and biomass facilities.

We estimate that the gross timber inventory and merchantable timber inventory of our Southern timberlands was 85 million tons and 68 million tons, respectively, as of September 30, 2019. We estimate that the sustainable yield of our Southern timberlands, including both pine and hardwoods, is approximately 6.1 to 6.5 million tons annually. We expect that the average annual harvest volume of our Southern timberlands over the next five years (2020 to 2024) will be generally in line with our sustainable yield. For additional information, see [Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield](#) and [Item 1A — Risk Factors](#).

In 2019, we acquired approximately 60,000 acres of timberland in the Southern region. For additional information, see [Note 3 — Timberland Acquisitions](#).

The following table provides a breakdown of our Southern timberlands acreage and timber inventory by product and age class as of September 30, 2019 (inventory volumes are estimated at December 31 to calculate a depletion rate for the upcoming year):

(volumes in thousands of SGT)						
Age Class	Acres (000's)	Pine Pulpwood	Pine Sawtimber	Hardwood Pulpwood	Hardwood Sawtimber	Total
<b>Pine Plantation</b>						
0 to 4 years (a)	224	—	—	—	—	—
5 to 9 years	192	—	—	—	—	—
10 to 14 years	220	8,912	1,013	37	—	9,962
15 to 19 years	255	13,671	4,549	110	1	18,331
20 to 24 years	185	7,206	6,812	112	2	14,132
25 to 29 years	62	2,217	3,179	82	2	5,480
30 + years	42	1,258	2,769	111	1	4,139
Total Pine Plantation	1,180	33,264	18,322	452	6	52,044
<b>Natural Pine (Plantable) (b)</b>	42	425	977	780	248	2,430
<b>Natural Mixed Pine/Hardwood (c)</b>	540	4,283	7,125	14,986	4,356	30,750
<b>Forested Acres and Gross Inventory</b>	1,762	37,972	26,424	16,218	4,610	85,224
Plus: Non-Forested Acres (d)	63					
<b>Gross Acres</b>	1,825					
Less: Pre-Merchantable Age Class Inventory (e)						(10,092)
Less: Volume in Environmentally Sensitive/Legally Restricted Areas						(7,390)
<b>Merchantable Timber Inventory</b>						67,742

(a) 0 to 4 years includes clearcut acres not yet replanted.

(b) Consists of natural stands that are convertible into pine plantations once harvested.

(c) Consists of all non-plantable natural stands, including those that are in environmentally sensitive or economically inaccessible areas.

(d) Includes roads, rights of way and all other non-forested areas.

(e) Includes inventory that is less than 15 years old or less than 17 years old in Oklahoma.



## PACIFIC NORTHWEST TIMBER

As of December 31, 2019, our Pacific Northwest timberlands consisted of approximately 379,000 acres located in Oregon and Washington, of which approximately 300,000 acres were designated as productive acres, meaning land that is capable of growing merchantable timber and where the harvesting of timber is not constrained by physical, environmental or regulatory restrictions. These timberlands primarily comprise second and third rotation western hemlock and Douglas-fir, as well as a small amount of other softwood species, such as western red cedar. A small percentage also consists of natural hardwood stands of predominantly red alder. In the Pacific Northwest, rotation ages typically range from 35 to 50 years. Our product mix in the Pacific Northwest is heavily weighted to sawtimber, which is sold to domestic wood products facilities as well as exported primarily to Pacific Rim markets.

We estimate that the gross timber inventory and merchantable timber inventory of our Pacific Northwest timberlands was 2,811 MMBF and 891 MMBF, respectively, as of September 30, 2019. We estimate that the sustainable yield of our Pacific Northwest timberlands is approximately 175 to 180 MMBF (or 1.4 million tons) annually. We expect that the average annual harvest volume of our Pacific Northwest timberlands over the next five years (2020 to 2024) will be modestly below our sustainable yield. For additional information, see [Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield](#) and [Item 1A — Risk Factors](#).

In 2019, we acquired approximately 2,000 acres of timberlands in the Pacific Northwest region. For additional information, see [Note 3 — Timberland Acquisitions](#).

The following table provides a breakdown of our Pacific Northwest timberlands acreage and timber inventory by product and age class as of September 30, 2019 (inventory volumes are estimated at December 31 to calculate a depletion rate for the upcoming year):

(volumes in MBF, except as noted)				
Age Class	Acres (000's)	Softwood Pulpwood (e)	Softwood Sawtimber (e)	Total
<b>Commercial Forest</b>				
0 to 4 years (a)	41	—	—	—
5 to 9 years	42	—	—	—
10 to 14 years	43	—	—	—
15 to 19 years	31	—	—	—
20 to 24 years	22	30,061	53,146	83,207
25 to 29 years	29	54,511	246,568	301,079
30 to 34 years	45	103,199	609,855	713,054
35 to 39 years	24	57,201	386,158	443,359
40 to 44 years	8	19,954	137,358	157,312
45 to 49 years	3	9,006	63,365	72,371
50+ years	7	21,053	162,017	183,070
Total Commercial Forest	295	294,985	1,658,467	1,953,452
<b>Non-Commercial Forest (b)</b>	5	4,788	30,831	35,619
Productive Forested Acres	300			
<b>Restricted Forest (c)</b>	66	99,170	723,147	822,317
<b>Total Forested Acres and Gross Inventory</b>	366	398,943	2,412,445	2,811,388
Plus: Non-Forested Acres (d)	13			
<b>Gross Acres</b>	379			
Less: Pre-Merchantable Age Class Inventory				(1,097,920)
Less: Restricted Forest Inventory				(822,317)
<b>Total Merchantable Timber</b>				891,151
Conversion factor for MBF to SGT				7.99
<b>Total Merchantable Timber (thousands of SGT)</b>				7,120

(a) 0 to 4 years includes clearcut acres not yet replanted.

(b) Includes non-commercial forests with limited productivity.

(c) Includes significant portions of riparian management zones, legally restricted forests, and environmentally sensitive areas.

(d) Includes roads, rights of way, and all other non-forested areas.

(e) Includes a minor component of hardwood in red alder and other species.

## NEW ZEALAND TIMBER

As of December 31, 2019, our New Zealand timberlands consisted of approximately 414,000 acres (including approximately 229,000 acres of leased lands), of which approximately 295,000 acres (including approximately 154,000 acres of leased lands) were designated as productive or plantation acres, meaning land that is capable of growing merchantable timber and where the harvesting of timber is not constrained by physical, environmental or regulatory restrictions. The leased acres are generally leased through long-term arrangements including Crown Forest Licenses (“CFLs”), forestry rights and other leases. Our New Zealand timberlands serve a domestic sawmilling market and also export logs to Pacific Rim markets.

Our New Zealand timber operations are conducted by Matariki Forestry Group, a joint venture with Stafford Capital Partners Limited. The Company maintains a controlling financial interest of 77% in the New Zealand subsidiary and, accordingly, consolidates the New Zealand subsidiary’s balance sheet and results of operations. The minority owner’s interest in the New Zealand subsidiary and its earnings are reported as noncontrolling interest in our financial statements. Rayonier’s wholly-owned subsidiary, Rayonier New Zealand Limited (“RNZ”), serves as the manager of the New Zealand subsidiary. For additional information, see [Note 8 — New Zealand Subsidiary](#).

We estimate that the gross timber inventory and merchantable timber inventory of our New Zealand timberlands were both 14.6 million cubic meters as of December 31, 2019. We estimate that the sustainable yield of our New Zealand timberlands is approximately 2.1 to 2.4 million cubic meters (or 2.4 to 2.7 million tons) annually. We expect that the average annual harvest volume of our New Zealand timberlands over the next five years (2020 to 2024) will be at the higher end of our sustainable yield range. For additional information, see [Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield](#) and [Item 1A — Risk Factors](#).

In 2019, we acquired approximately 9,000 acres of timberland (including approximately 2,000 acres of leased land) in New Zealand. For additional information, see [Note 3 — Timberland Acquisitions](#).

The following table provides a breakdown of our New Zealand timberlands acreage and timber inventory by product and age class as of December 31, 2019 (inventory volumes at December 31 are used to calculate a depletion rate for the upcoming year):

(volumes in thousands of m <sup>3</sup> , except as noted)				
Age Class	Acres (000's)	Pulpwood	Sawtimber	Total
<b>Radiata Pine</b>				
0 to 4 years (a)	58	—	—	—
5 to 9 years	44	—	—	—
10 to 14 years	41	—	—	—
15 to 19 years	55	—	—	—
20 to 24 years	49	1,774	7,467	9,241
25 to 29 years	11	483	1,908	2,391
30 + years	3	184	530	714
Total Radiata Pine	261	2,441	9,905	12,346
<b>Other (b)</b>	34	1,082	1,205	2,287
<b>Forested Acres and Merchantable Timber Inventory</b>	295	3,523	11,110	14,633
Conversion factor for m <sup>3</sup> to SGT				1.12
<b>Total Merchantable Timber (thousands of SGT)</b>				16,350
Plus: Non-Productive Acres (c)	119			
<b>Gross Acres</b>	414			

(a) 0 to 4 years includes clearcut acres not yet replanted.

(b) Includes primarily Douglas-fir age 30 and over.

(c) Includes natural forest and other non-planted acres.

## REAL ESTATE

All of our U.S. and New Zealand land or leasehold sales, including HBU and non-HBU, are reported in our Real Estate segment. We report our Real Estate sales in five categories:

- Improved Development,
- Unimproved Development,
- Rural,
- Timberlands & Non-Strategic, and
- Large Dispositions.

The Improved Development category comprises properties sold for development for which Rayonier, through a taxable REIT subsidiary, has invested in site improvements such as infrastructure, roadways, utilities, amenities and/or other improvements designed to enhance marketability and create parcels, pads and/or lots for sale.

The Unimproved Development category comprises properties sold for development for which Rayonier has not invested in site improvements.

The Rural category comprises properties sold in rural markets to buyers interested in the property for rural residential, recreational or other higher and better use purposes.

The Timberlands & Non-Strategic category includes U.S. and New Zealand: 1) sales of non-core timberlands that do not meet our strategic criteria, 2) sales of core timberlands for which we obtain attractive values, and 3) sales of properties to conservation interests that wish to preserve the land for habitat, public recreation, natural growth, buffer zones or other environmental purposes.

The Large Dispositions category includes sales of timberland that exceed \$20 million in size and do not have a demonstrable premium relative to timberland value. Proceeds from Large Dispositions are generally used to fund capital allocation priorities, such as share repurchases, debt repayment or acquisitions. Sales designated as Large Dispositions are excluded from cash flow from operations and the calculation of Adjusted EBITDA and Cash Available for Distribution ("CAD"). See [Item 7 — Performance and Liquidity Indicators](#) for the definition of Adjusted EBITDA and CAD.

We maintain a detailed land classification analysis for all of our timberland and HBU acres. The vast majority of our HBU properties are managed as timberland and generate cash flow from timber operations prior to their sale or, in the case of Improved Development properties, prior to improvement.

## TRADING

Our Trading segment primarily reflects log trading activities in New Zealand and Australia conducted by our New Zealand subsidiary. Our Trading segment complements the New Zealand Timber segment by providing added market intelligence, increasing the scale of export operations and achieving cost savings that directly benefit the New Zealand Timber segment. This additional market intelligence also benefits our Southern and Pacific Northwest export log marketing efforts. Trading activities are broadly categorized into procured logs, managed export services or marketing fees.

For procured logs, the New Zealand subsidiary buys logs directly from other forest owners at New Zealand ports and exports them in its own name. Income from this business is generated by achieving a sales margin over the purchase price of the procured logs. The New Zealand subsidiary, through the Trading segment, also purchases standing timber from time to time, whereby it manages the harvest and sale of the logs for approximately one to three years. In these instances, the cost of standing timber is capitalized as a current asset on the Consolidated Balance Sheets and recognized as non-depletion cost of sales when sold. Revenue generated from procured log sales reflects the full sales price of the logs and is recorded as timber sales within the Trading segment. In 2019, Trading volume from procured logs was approximately 1.1 million tons. Of this volume, approximately 299,000 tons were sourced from outside New Zealand, primarily Australia. Approximately 770,000 tons were purchased directly from third parties in New Zealand, while the remaining 38,000 tons were harvested from stumpage purchases. Approximately 52% of third-party purchases in New Zealand were purchased at spot prices, with the New Zealand subsidiary thereby assuming some price risk on subsequent resale. The remaining 48% were purchased on a fixed margin basis, with the New Zealand subsidiary earning either a fixed percentage of the net export revenue or a spread on the resale price irrespective

of subsequent price fluctuations. The New Zealand subsidiary generally seeks to mitigate its risk of loss on procured logs by securing export orders prior to or concurrent with its spot purchases of logs.

For managed export services, the New Zealand subsidiary does not take title to the log cargo but arranges sales, shipping and export documentation services for other forest owners for an agreed commission. Managed export service arrangements are primarily used for logs sourced from third parties outside of New Zealand. Revenue generated from managed export services reflects only the commission earned on the sale, as the New Zealand subsidiary does not take title to the logs. Managed export service revenue is recorded as non-timber sales within the Trading segment.

The Trading segment also generates income from commissions and logistical services provided through our log trading activities. This income is recorded in other operating (expense) income, net as log trading marketing fees.

## FOREIGN SALES AND OPERATIONS

Sales from non-U.S. operations occur in our Real Estate, New Zealand Timber and Trading segments and comprised approximately 50% of consolidated 2019 sales. See [Note 5 — Segment and Geographical Information](#) for additional information.

## COMPETITION

### TIMBER

Timber markets in our Southern and Pacific Northwest regions are relatively fragmented with price being the principal method of competition. In New Zealand, there are four other major private timberland owners accounting for approximately 32% of New Zealand planted forests.

The following table provides an overview of certain major competitors in each of our Timber segments:

Segment	Competitors
<b>Southern Timber (a)</b>	Weyerhaeuser Company
	CatchMark Timber Trust
	Hancock Timber Resource Group
	Resource Management Service
	Forest Investment Associates
	Campbell Global
<b>Pacific Northwest Timber (a)</b>	Weyerhaeuser Company
	Hancock Timber Resource Group
	Green Diamond Resource Company
	Campbell Global
	Port Blakely Tree Farms
	Pope Resources
	State of Washington Department of Natural Resources
	Bureau of Indian Affairs
<b>New Zealand (b)</b>	Hancock Natural Resource Group
	Kaingaroa Timberlands
	Ernslaw One
	OneFortyOne Plantations

(a) In addition to the competitors listed, we also compete with numerous other large and small privately held timber companies.

(b) The New Zealand subsidiary competes with these and other smaller New Zealand timber companies for supply into New Zealand domestic and export markets, predominantly China, South Korea and India. Logs supplied into Asian markets also compete with export supply from other regions, including Europe, North America and Australia.

## **REAL ESTATE**

In our Real Estate business, we compete with other owners of entitled and unentitled properties. Each property has unique attributes, but overall quantity of supply and price for residential, commercial, industrial and rural properties in the geographic areas in which we operate are the most significant competitive drivers.

## **TRADING**

Our log trading operations are based out of New Zealand and performed by our New Zealand subsidiary. The New Zealand market remains very competitive with over 20 entities competing for export log supply at different ports across the country. We are one of the larger log trading companies in the region with access to multiple export ports and a range of different export markets.

## **CUSTOMERS**

In 2019, no individual customer (or group of customers under common control) represented 10% or more of 2019 consolidated sales.

## **SEASONALITY**

Across all our segments, results are normally not impacted significantly by seasonal changes. However, significant wet weather in areas of our Southern Timber operations can hinder access for harvesting, thereby temporarily reducing supply in the affected areas and generally strengthening prices. Conversely, extended dry weather in an area tends to suppress prices as timber is more accessible for harvesting.

## **ENVIRONMENTAL MATTERS**

See [Item 1A — Risk Factors](#).

## **RESEARCH AND DEVELOPMENT**

The research and development activities of our timber operations include genetic seedling improvement, growth and yield modeling, and applied silvicultural programs to identify management practices that will improve financial returns from our timberlands. We also contribute to research cooperatives that undertake forestry research and development.

## **INFORMATION ABOUT OUR EXECUTIVE OFFICERS**

**David L. Nunes, 58**, Mr. Nunes joined the Company in June 2014 as Chief Operating Officer, and shortly thereafter assumed the role of President and CEO following the Company's spin-off of its Performance Fibers business. Prior to joining the Company, Mr. Nunes served as President and CEO of Pope Resources/Olympic Resource Management from 2002 to 2014. He joined Pope in 1997 as director of portfolio management. The following year, he was named Vice President of portfolio development, and then served two years as Senior Vice President of acquisitions and portfolio development before being named President and COO in 2000. Previously, Mr. Nunes spent nine years with the Weyerhaeuser Company, joining the organization in 1988 as a business analyst and advancing through a number of leadership roles to become director of corporate strategic planning. Mr. Nunes holds a Bachelors of Arts and Economics from Pomona College and an MBA from the Tepper School of Business at Carnegie Mellon University.

**Mark D. McHugh, 44**, Mr. McHugh was appointed Senior Vice President and Chief Financial Officer in December 2014. He was previously Managing Director in the Real Estate Investment Banking group at Raymond James, where he worked since 2008. Prior to joining Raymond James, Mr. McHugh was a Director in the Paper & Forest Products Group within the Investment Banking Division at Credit Suisse, where he worked from 2000 to 2008. Mr. McHugh received his B.S.B.A. in Finance from the University of Central Florida and his JD from Harvard Law School.

**Douglas M. Long, 49**, Mr. Long currently serves as Senior Vice President, Forest Resources. Previously, he served as Vice President, U.S. Operations from November 2014 to December 2015 and as Director, Atlantic Region, U.S. Forest Resources from March 2014 to November 2014. He joined the Company in 1995 as a GIS Forestry Analyst and has held multiple positions of increasing responsibility within the forestry division. Mr. Long holds bachelor's and master's degrees in Forest Resources and Conservation from the University of Florida.

**Christopher T. Corr, 56**, Mr. Corr joined the Company in July 2013 and currently serves as Senior Vice President, Real Estate Development and President, Raydient LLC. Prior to joining Rayonier, he served as Executive Vice President, Buildings and Places for AECOM from 2008 to 2013. Prior to that, Mr. Corr held various positions with The St. Joe Company between 1998 and 2008, most recently as Executive Vice President. From 1992 to 1998, Mr. Corr was a senior manager with The Walt Disney Company, where he was a key member of the team that developed the visionary town of Celebration near Orlando, Florida. From 1990-1992, Mr. Corr served as an elected member of the Florida House of Representatives. He holds a Bachelor of Arts degree from the University of Florida and has completed programs with the Harvard Real Estate Institute and the Wharton School of Business at University of Pennsylvania.

**Mark R. Bridwell, 57**, Mr. Bridwell was promoted to Vice President and General Counsel in June 2014 and assumed the role of Corporate Secretary in March 2015. He joined the Company in 2006 as Associate General Counsel for Performance Fibers. In 2009, he became Associate General Counsel for Timber and Real Estate and in 2012 was promoted to Assistant General Counsel for Land Resources. Prior to joining Rayonier, Mr. Bridwell served as counsel for six years at Siemens Corporation. Previously, he was an attorney for five years with the international law firms of Jones, Day, Reavis & Pogue and Seyfarth, Shaw, Fairweather & Geraldson. Mr. Bridwell has a B.S.B.A. in Finance from the University of Central Florida, and an MBA and JD from Emory University.

**Shelby L. Pyatt, 49**, Ms. Pyatt was named Vice President, Human Resources and Information Technology in July 2014. Ms. Pyatt joined Rayonier in 2003 as Manager, Compensation and became Director, Compensation and Employee Services in 2006. She was named Director, Compensation, Benefits and Employee Services in 2009 before being promoted to her current position. Prior to joining Rayonier, Ms. Pyatt held human resources positions with CSX Corporation and Barnett Bank. Ms. Pyatt holds a bachelor's degree in Business Management.

**W. Rhett Rogers, 43**, Mr. Rogers was appointed to Vice President, Portfolio Management in February 2017. Mr. Rogers oversees the Company's acquisition and disposition activities, including HBU and non-strategic land sales, as well as its land information systems function. He joined Rayonier in 2001 as a District Technical Forester, and has held numerous roles of increasing responsibility, most recently as Director, Land Asset Management before being promoted to his current position. Mr. Rogers holds a BS in Forestry from Louisiana Tech University, and both an MBA and MS in Forest Resources from Mississippi State University.

**April J. Tice, 46**, Ms. Tice was promoted to Vice President, Financial Services and Corporate Controller in March 2019. In this position, she acts as the Company's principal accounting officer. She joined Rayonier in 2010 and has worked in various roles within the finance and financial reporting departments since that time. She previously served as Director, Financial Services and Corporate Controller before being promoted to her current position. Prior to joining Rayonier, Ms. Tice served in various accounting and/or audit roles at Deloitte & Touche, the State of Florida and two private companies located in Florida. Ms. Tice holds a Bachelor of Fine Arts from Florida State University and a Master of Accountancy with a tax concentration from the University of North Florida. Ms. Tice is a Certified Public Accountant in the State of Florida.

## EMPLOYEE RELATIONS

We employ 353 people, of which 260 are in the United States. We believe relations with our employees are satisfactory.

## AVAILABILITY OF REPORTS AND OTHER INFORMATION

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Sections 13(a) or 14 of the Securities Exchange Act of 1934 are made available to the public free of charge in the Investor Relations section of our website, [www.rayonier.com](http://www.rayonier.com), shortly after we electronically file such material with, or furnish them to, the Securities and Exchange Commission ("SEC"). Our corporate governance guidelines and charters of all committees of our board of directors are also available on our website. The information on the Company's website is not incorporated by reference into this Annual Report on Form 10-K.

## Item 1A. RISK FACTORS

Our operations are subject to a number of risks. When considering an investment in our securities, you should carefully read and consider these risks, together with all other information in this Annual Report on Form 10-K. If any of the events described in the following risk factors actually occur, our business, financial condition or operating results, as well as the market price of our securities, could be materially adversely affected.

***We are exposed to the cyclical nature of the markets in which we operate and other factors beyond our control, which could adversely affect our results of operations.***

Some of the industries in which our end-use customers participate, such as the construction and home building industries, the global pulp, packaging and paper industries and the real estate industry, are cyclical in nature, exposing us to risks beyond our control, including general macroeconomic conditions, both in the U.S. and globally, as well as local economic conditions.

In our Timber segments, the level of residential construction activity, including home repair and remodeling activity, is the primary driver of sawtimber demand. In addition, demand for logs can be affected by the demand for wood chips in the pulp and paper and engineered wood products markets, as well as the bio-energy production markets. The ongoing level of activity in these markets is subject to fluctuation due to future changes in economic conditions, interest rates, credit availability, population growth, weather conditions and other factors. Changes in global economic conditions, such as new timber supply sources and changes in currency exchange rates, foreign interest rates and foreign and domestic trade policies, can also negatively impact demand for our timber and logs. In addition, the industries in which our customers participate are highly competitive and may experience overcapacity or reductions in demand, all of which may affect demand for and pricing of our products.

In our Real Estate segment, our inability to sell our HBU properties at attractive prices could have a significant effect on our results of operations. Demand for real estate can be affected by the availability of capital, changes in interest rates, availability and terms of financing, changes in governmental agencies, changes in developer confidence, actions by conservation organizations, actions by anti-development organizations, our ability to obtain land use entitlements and other permits necessary for our development activities, local real estate market economic conditions, competition from other sellers of land and real estate developers, the relative illiquidity of real estate investments, employment rates, new housing starts, population growth, demographics and federal, state and local land use, zoning and environmental protection laws or regulations (including any changes in laws or regulations). In addition, changes in investor interest in purchasing timberlands could reduce our ability to execute sales of non-strategic timberlands.

These macroeconomic and cyclical factors impacting our operations are beyond our control and, if such conditions deteriorate, could have an adverse effect on our business.

***Weather and other natural conditions may limit our timber harvest and sales.***

Weather conditions, changes in timber growth cycles, limitations on access (for example, due to prolonged wet conditions) and other factors, including damage by fire, insect infestation, disease, prolonged drought and natural disasters such as wind storms and hurricanes, may limit harvesting of our timberlands. The volume and value of timber that can be harvested from our timberlands may be reduced by any such occurrence and other causes beyond our control. As is typical in the forestry industry, we do not maintain insurance for any loss to our timber, including losses due to fire and these other causes. These and other factors beyond our control could reduce our timber inventory and our sustainable yield, thereby adversely affecting our financial results and cash flows.

***We are subject to various risks related to the proposed merger transaction with Pope Resources.***

As described elsewhere in this Annual Report on Form 10-K, the Company has entered into a definitive merger agreement (the "Merger Agreement") with Pope Resources, A Delaware Limited Partnership ("Pope Resources") pursuant to which the Company will acquire Pope Resources for consideration consisting of a mix of cash and equity. The risks, contingencies and other uncertainties that could result in the failure of the transactions anticipated in the Merger Agreement (the "Proposed Merger Transactions") to be completed or, if completed, that could have a material adverse effect on the results of operations, cash flows and financial position of the Company following the Proposed Merger Transactions, and any anticipated benefits of the Proposed Merger Transactions to the Company, include:

- the failure to obtain necessary regulatory or other approvals of the Proposed Merger Transactions, which could result in a material delay in, or the abandonment of, the Proposed Merger Transactions or otherwise have a material adverse effect on Rayonier or Pope Resources, or if obtained, the possibility of Rayonier being



subjected to conditions that could reduce or delay the expected cost savings and other benefits of the Proposed Merger Transactions;

- the failure to obtain necessary Pope Resources limited partnership unitholder and general partnership stockholder approvals of the Proposed Merger Transactions;
- the obligation of Rayonier to complete the Proposed Merger Transactions even if financing is not available or is available only on terms other than those currently anticipated;
- the failure to satisfy required closing conditions or complete the Proposed Merger Transactions in a timely manner or at all;
- the effect of the announcement of the Proposed Merger Transactions on each company's ability to retain and hire key personnel, maintain business relationships, and on operating results and business generally;
- the risk that the Company may not be able to maintain its investment grade rating;
- the potential impact of the Proposed Merger Transactions on the stock price of the Company, and the dividends expected to be paid to Company stockholders in the future;
- the failure to realize projected cost savings and other benefits from the Proposed Merger Transactions;
- the incurrence of significant pre- and post-transaction related costs in connection with the Proposed Merger Transactions that are, and will be, incurred regardless of whether the Proposed Merger Transactions are completed; and
- the occurrence of any event giving rise to the right of a party to terminate the Merger Agreement.

***Entitlement and development of real estate entail a lengthy, uncertain and costly approval process, which could adversely affect our ability to grow the businesses in our Real Estate segment.***

Entitlement and development of real estate entail extensive approval processes involving multiple regulatory jurisdictions. It is common for a project to require multiple approvals, permits and consents from U.S. federal, state and local governing and regulatory bodies. For example, in Florida, real estate projects must generally comply with the provisions of the Community Planning Act and local land use, zoning and development regulations. In addition, development projects in Florida that exceed certain specified regulatory thresholds (and are not located in a jurisdiction classified as a dense urban land area or otherwise statutorily exempt) may require approval pursuant to the Comprehensive Plan process standards. Compliance with these and other regulations and standards is more time intensive and costly and may require additional long range infrastructure review and approvals, which can add to project cost. In addition, development of properties containing delineated wetlands may be affected by revisions to the definition of wetlands subject to state and/or federal regulation and may require one or more permits from the U.S. federal government and/or state and local governmental agencies. Any of these issues can materially affect the cost, timing and economic viability of our real estate projects.

The real estate entitlement process is frequently a political one, which involves uncertainty and often extensive negotiation and concessions in order to secure and maintain the necessary approvals and permits. In the U.S., a significant amount of our development property is located in jurisdictions in which local governments face challenging issues relating to growth and development, including zoning and future land use, public services, water availability, transportation and other infrastructure, and funding for same, and the requirements of state law, especially in the case of Florida under the Community Planning Act process standards. In addition, anti-development groups are active, especially in Florida, in filing litigation to oppose particular entitlement activities and development projects, and in seeking legislation and other anti-development limitations on real estate development activities. We expect this type of anti-development activity to continue in the future.

Entitlement and development of real estate are also subject to lengthy, uncertain and costly implementation processes. Real estate development requires adequate soil and land conditions, water resources, access and utility infrastructure, labor force, and weather conditions. Requirements for these items may vary depending upon the contemplated development of the land for residential, commercial or industrial users, and may change from time to



time, including from the period of entitlement to the delivery of a developed property. Large-scale developments may involve commitments from government agencies or third parties related to the delivery of infrastructure improvements (such as roads, bridges, sidewalks, water, sewer and other utilities), the certainty and timing of which are outside of our control. An adverse change in any of these items could materially affect the cost, timing and economic viability of our real estate projects.

Changes in the laws, or interpretation or enforcement thereof, regarding the use and development of real estate, changes in the political composition of state and local governmental bodies, and the identification of new facts regarding our properties could lead to new or greater costs, delays and liabilities that could materially adversely affect our business, profitability or financial condition.

***Changes in energy and fuel costs could affect our results of operations and financial condition.***

Energy costs are a significant operating expense for our logging and hauling contractors and for the contractors who support the customers of our standing timber. Energy costs can be volatile and are susceptible to rapid and substantial increases or decreases due to factors beyond our control, such as changing economic conditions, changing environmental regulations, political unrest, instability in energy-producing nations, and supply and demand considerations. Increases in the price of oil could adversely affect our business, financial condition and results of operations. In addition, an increase in fuel costs, and its impact on the cost and availability of transportation for our products, both domestically and internationally, and the cost and availability of third-party logging and hauling contractors, could have a material adverse effect on the operating costs of our contractors and our standing timber customers, as well as in defining economically accessible timber stands. Such factors could in turn have a material adverse effect on our business, financial condition and results of operations, particularly in our Timber segments and Trading segment.

***We depend on third parties for logging and transportation services and increases in the costs or decreases in the availability of quality service providers could adversely affect our business.***

Our Timber segments depend on logging and transportation services provided by third parties, both domestically and internationally, including by railroad, trucks, or ships. If any of our transportation providers were to fail to deliver timber supply or logs to our customers in a timely manner, or were to damage timber supply or logs during transport, we may be unable to sell it at full value, or at all. During the global financial crisis and subsequent downturn in U.S. housing starts, timber harvest volumes declined significantly. As a result, many logging contractors, particularly cable logging operators in the western U.S., permanently shut down their operations. As harvest levels have returned to higher levels with the recovery in U.S. housing starts, this shortage of logging contractors has resulted in sharp increases in logging costs and more limited availability of logging contractors. It is expected that the supply of qualified logging contractors will be impacted by the availability of debt financing for equipment purchases as well as the availability of adequately trained loggers. As housing starts continue to recover, harvest levels are expected to increase, placing more pressure on the existing supply of logging contractors. Any significant failure or unavailability of third-party logging or transportation providers, or increases in transportation rates or fuel costs, may result in higher logging costs or the inability to capitalize on stronger log prices to the extent logging contractors cannot be secured at a competitive cost. Such events could harm our reputation, negatively affect our customer relationships and adversely affect our business.

***We are subject to risks associated with doing business outside of the U.S.***

Although the majority of our customers are in the U.S., a significant portion of our sales are to end markets outside of the U.S., including China, South Korea, Japan, India, and New Zealand. The export of our products into international markets results in risks inherent in conducting business pursuant to international laws, regulations and customs. We expect that international sales will continue to contribute to future growth. The risks associated with our business outside the U.S. include:

- changes in and reinterpretations of the laws, regulations and enforcement priorities of the countries in which our products are sold;
- responsibility to comply with anti-bribery laws such as the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions;
- trade protection laws, policies and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, imposition of new tariffs and duties and import and export licensing requirements;

- continuing negative impacts from the imposition and/or threatened imposition of substantial tariffs on forest products imports into China in connection with current trade tensions between China and the U.S.;
- business disruptions arising from public health crises and outbreaks of communicable diseases, especially in China, including the recent outbreak of the virus known as the coronavirus;
- difficulty in establishing, staffing and managing non-U.S. operations;
- product damage or losses incurred during shipping;
- potentially negative consequences from changes in or interpretations of tax laws;
- economic or political instability, inflation, recessions and interest rate and exchange rate fluctuations;
- uncertainties regarding non-U.S. judicial systems, rules and procedures; and
- uncertainties regarding trade policies implemented and/or under consideration by the current U.S. presidential administration.

These risks could adversely affect our business, financial condition and results of operations.

***Our estimates of timber inventories and growth rates may be inaccurate, which could impair our ability to realize expected revenues.***

We rely upon estimates of merchantable timber inventories (which include judgments regarding inventories that may be lawfully and economically harvested), timber growth rates and end-product yields when acquiring and managing working forests. These estimates, which are inherently inexact and uncertain in nature, are central to forecasting our anticipated timber revenues and expected cash flows. Growth rates and end-product yield estimates are developed using statistical sampling, harvest results and growth and yield modeling, in conjunction with industry research cooperatives and by in-house forest biometricians, using measurements of trees in research plots spread across our timberland holdings. The growth equations predict the rate of height and diameter growth of trees so that foresters can estimate the volume of timber that may be present in a tree stand at a given age. Tree growth varies by species, soil type, geographic area, and climate. Errors in or inappropriate application of growth equations in forest management planning may lead to inaccurate estimates of future volumes. If the assumptions we rely upon change or these estimates are inaccurate, our ability to manage our timberlands in a sustainable or profitable manner may be diminished, which may cause our results of operations and our stock price to be adversely affected.

***Our businesses are subject to extensive environmental laws and regulations that may restrict or adversely affect our ability to conduct our business.***

*Environmental laws and regulations are constantly changing and are generally becoming more restrictive.* Laws, regulations and related judicial decisions and administrative interpretations affecting our business are subject to change, and new laws and regulations are frequently enacted. These changes may adversely affect our ability to harvest and sell timber, remediate contaminated properties and/or entitle real estate. These laws and regulations may relate to, among other things, the protection of timberlands and endangered species, recreation and aesthetics, protection and restoration of natural resources, surface water quality, timber harvesting practices, and remedial standards for contaminated property and groundwater. Over time, the complexity and stringency of these laws and regulations have increased and the enforcement of these laws and regulations has intensified. For example, the U.S. Environmental Protection Agency (“EPA”) has pursued a number of initiatives that, if implemented, could impose additional operational and pollution control obligations on industrial facilities like those of Rayonier’s customers, especially in the area of air emissions and wastewater and stormwater control. In addition, as a result of certain judicial rulings and state and federal initiatives, including some that would require timberland operators to obtain permits to conduct certain ordinary course forestry activities, silvicultural practices on our timberlands could be impacted in the future. Environmental laws and regulations will likely continue to become more restrictive and over time could adversely affect our business, financial condition and results of operations.

*If regulatory and environmental permits are delayed, restricted or rejected, a variety of our operations could be adversely affected.* We are required to seek permission from government agencies in the states and countries in which we operate to perform certain activities related to our properties. Any of these agencies could delay review of, or reject, any of our filings. In our Southern Timber, Pacific Northwest Timber and New Zealand Timber segments, any delay associated with a filing could result in a delay or restriction in replanting, thinning, insect control, fire control or harvesting, any of which could have an adverse effect on our operating results. For example, in Washington State, we are required

to file a Forest Practice Application for each unit of timberland to be harvested. These applications may be denied, conditioned or restricted by the regulatory agency. Actions by the regulatory agencies could delay or restrict timber harvest activities pursuant to these permits. Delays or harvest restrictions on a significant number of applications could have an adverse effect on our operating results.

*Environmental groups and interested individuals may seek to delay or prevent a variety of operations.* We expect that environmental groups and interested individuals will intervene with increasing frequency in the regulatory processes in the states and countries where we own, lease or manage timberlands. For example, in Washington State, environmental groups and interested individuals may appeal individual forest practice applications or file petitions with the Forest Practices Board to challenge the regulations under which forest practices are approved. These and other challenges could materially delay or prevent operations on our properties. For example, interveners at times may bring legal action in Florida in opposition to entitlement and change of use of timberlands to commercial, industrial or residential use. Delays or restrictions due to the intervention of environmental groups or interested individuals could adversely affect our operating results. In addition to intervention in regulatory proceedings, interested groups and individuals may file or threaten to file lawsuits that seek to prevent us from obtaining permits, implementing capital improvements or pursuing operating plans. Any threatened or actual lawsuit could delay harvesting on our timberlands, affect how we operate or limit our ability to modify or invest in our real estate. Among the remedies that could be enforced in a lawsuit is a judgment preventing or restricting harvesting on a portion of our timberlands.

*Third-party operators may create environmental liabilities.* We lease and/or grant easements across some of our properties to third-party operators for the purpose of operating communications towers, generating renewable energy (wind and solar), operating pipelines for the transport of gases and liquids, and exploring, extracting, developing and producing oil, gas, rock and other minerals. These activities are subject to federal, state and local laws and regulations. These operations may also create risk of environmental liabilities for an unlawful discharge of oil, gas, chemicals or other materials into the air, soil or water. Generally, these third-party operators indemnify us against any such liability, and we require that they maintain liability insurance to the extent practical to do so. However, if for any reason our third-party operators are not able to honor their obligations to us, or if insurance is not in effect, then it is possible that we could be responsible for costs associated with environmental liabilities caused by such third-party operators.

*The impact of existing regulatory restrictions on future harvesting activities may be significant.* U.S. federal, state and local laws and regulations, as well as those of other countries, which are intended to protect threatened and endangered species, as well as waterways and wetlands, limit and may prevent timber harvesting, road building and other activities on our timberlands. Restrictions relating to threatened and endangered species apply to activities that would adversely impact a protected species or significantly degrade its habitat. The size of the restricted area varies depending on the protected species, the time of year and other factors, but can range from less than one acre to several thousand acres. A number of species that naturally live on or near our timberlands, including, among others, the northern spotted owl, marbled murrelet, several species of salmon and trout in the Pacific Northwest, and the red cockaded woodpecker, red hills salamander, Louisiana pine snake and eastern indigo snake in the Southeast, are protected under the Federal Endangered Species Act (the "ESA") or similar U.S. federal and state laws. A significant number of other species, such as the southeastern gopher tortoise are currently under review for possible protection under the ESA. As we gain additional information regarding the presence of threatened or endangered species on our timberlands, or if other regulations, such as those that require buffers to protect water bodies, become more restrictive, the amount of our timberlands subject to harvest restrictions could increase.

*We formerly owned or operated or may own or acquire timberlands or properties that may require environmental remediation or otherwise be subject to environmental and other liabilities.* We owned or operated manufacturing facilities and discontinued operations that we do not currently own, and we may currently own or may acquire timberlands and other properties in the future that are subject to environmental liabilities, such as remediation of soil, sediment and groundwater contamination and other existing or potential liabilities. In connection with the spin-off of our Performance Fibers business, and pursuant to the related Separation and Distribution Agreement between us and Rayonier Advanced Materials, Rayonier Advanced Materials has assumed any environmental liability of ours in connection with the manufacturing facilities and discontinued operations related to the Performance Fibers business and has agreed to indemnify and hold us harmless in connection with such environmental liabilities. However, in the event we seek indemnification from Rayonier Advanced Materials, we cannot provide any assurance that a court will enforce our indemnification right if challenged by Rayonier Advanced Materials or that Rayonier Advanced Materials will be able to fund any amounts for indemnification owed to us. In addition, the cost of investigation and remediation of contaminated timberlands and properties that we currently own or acquire in the future could increase operating costs and adversely affect financial results. We could also incur substantial costs, such as civil or criminal fines, sanctions and enforcement actions (including orders limiting our operations or requiring corrective measures, installation of pollution control

equipment or other remedial actions), clean-up and closure costs, and third-party claims for property damage and personal injury as a result of violations of, or liabilities under, environmental laws and regulations related to such timberlands or properties.

***The industries in which we operate are highly competitive.***

The markets in which we operate are highly competitive, and we compete with companies that have substantially greater financial resources than we do in each of these businesses. The competitive pressures relating to our Timber segments are primarily driven by quantity of product supply and quality of the timber offered by competitors in the domestic and export markets, each of which may impact pricing. With respect to our Real Estate segment, we compete with other owners of entitled and unentitled properties. Each property has unique attributes, but overall quantity of supply and price for residential, commercial, industrial and rural properties in the geographic areas in which we operate are the most significant competitive drivers. The markets in which our Trading segment operates are very competitive with numerous entities competing for export log supply at different ports across New Zealand.

***Our strategy will be adversely affected if we are unable to make future acquisitions.***

We have pursued, and intend to continue to pursue, acquisitions of timberland and real estate properties that meet our investment criteria and achieve our strategic goals of growing the size and average quality of our land base. The ability to grow through acquisitions or other investments depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions or joint venture arrangements. In addition, the discount rate we use in our acquisition underwriting has to meet our internal hurdle rate while also being competitive with that of other timberland investors. In particular, our future success and growth depend upon our ability to make acquisitions that increase merchantable timber inventory and complement the existing age-class structure of our ownership. If we are unable to make acquisitions on acceptable terms or that do not support our strategic goals, our revenues and cash flows may stagnate or decline.

***Our inability to access the capital markets could adversely affect our business strategy and competitive position.***

Due to the REIT income distribution requirements, we rely significantly on external sources of capital to finance growth and acquisitions. Both our ability to obtain financing and the related cost of capital are affected by a number of factors, many of which are outside of our control, including a decline in general market conditions, decreased market liquidity, a downgrade to our public debt rating, increases in interest rates, an unfavorable market perception of our growth potential, a decrease in our current or estimated future earnings or a decrease in the market price of our common stock. If capital is not available when needed, or is available only on unfavorable terms relative to other timberland REITs or TIMOs, or not at all, we may be unable to complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures. As of December 31, 2019, our credit ratings from S&P and Moody's Investors Service (Moody's) were BBB- and Baa3, respectively. Any combination of the factors described above, including our failure to maintain our investment grade credit rating, could prevent us from obtaining the capital we require on terms that are acceptable to us, or at all, which could adversely affect our business, liquidity and competitive position.

***We are subject to risks associated with an increase in market interest rates.***

One of the factors that may influence the price of our common shares is our annual dividend yield as compared to yields on other financial instruments. Thus, an increase in market interest rates could result in higher yields on other financial instruments and could adversely affect the relative attractiveness of an investment in the Company and, accordingly, the trading price of our common shares. An increase in market interest rates could cause increases in discount rates and, accordingly, a decline in property values and total returns for timberland assets. An increase in market interest rates would also negatively impact financing costs on our floating rate debt as well as any additional debt we may raise.

***We are subject to risks associated with the discontinuation of LIBOR.***

The U.K. Financial Conduct Authority announced in 2017 that it intends to phase out the London Interbank Offered Rate ("LIBOR") by the end of 2021. Changes in the method of calculating LIBOR, or the replacement of LIBOR with an alternative rate or benchmark, may adversely affect interest rates and could result in higher borrowing costs. In addition, if changes are made to the method of calculating LIBOR or LIBOR ceases to exist, we may need to amend certain contracts, including our credit facility and swap arrangements, and we cannot predict what alternative rate or benchmark would be negotiated. This may also result in an increase in our interest rate expense.

***The impacts of climate-related initiatives, at the international, U.S. federal and state levels, remain uncertain at this time.***

There continue to be numerous international, U.S. federal and state-level initiatives and proposals to address domestic and global climate issues. Within the U.S., most of these proposals would regulate and/or tax the production of carbon dioxide and other “greenhouse gases” to facilitate the reduction of carbon compound emissions into the atmosphere, and provide tax and other incentives to produce and use “cleaner” energy.

In late 2009, the EPA issued an “endangerment finding” under the Clean Air Act with respect to certain greenhouse gases, leading to the regulation of carbon dioxide as a pollutant under the Clean Air Act and having significant ramifications for Rayonier and the industry in general. In this regard, the EPA has published various regulations, affecting the operation of existing and new industrial facilities that emit carbon dioxide. As a result of the EPA’s decision to regulate greenhouse gases under the Clean Air Act, states will now have to consider them in permitting new or modified facilities.

Overall, it is reasonably likely that legislative and regulatory activity in this area will in some way affect Rayonier and the U.S. customers of our Southern Timber and Pacific Northwest Timber segments, but it is unclear at this time what the nature of the impact will be. We continue to monitor political and regulatory developments in this area, but their overall impact on Rayonier, from a cost, benefit and financial performance standpoint, remains uncertain at this time. In addition, the EPA has yet to finalize the treatment of biomass under greenhouse gas regulatory schemes, leaving Rayonier’s biomass customers in a position of uncertainty.

## **REIT AND TAX-RELATED RISKS**

***Loss of our REIT status would adversely affect our cash flow and stock price.***

We intend to continue to operate in accordance with REIT requirements pursuant to the Internal Revenue Code of 1986, as amended (the “Code”), and related U.S. Treasury regulations and administrative guidance. Qualification as a REIT involves the application of highly technical and complex provisions of the Code, which are subject to change, perhaps retroactively, and which are not within our control. We cannot assure that we will remain qualified as a REIT or that new legislation, U.S. Treasury regulations, administrative interpretations or court decisions will not significantly affect our ability to remain qualified as a REIT or the U.S. federal income tax consequences of such qualification.

We continually monitor and test our compliance with all REIT requirements. In particular, we regularly test our compliance with the REIT “asset tests,” which require generally that, at the close of each calendar quarter: (1) at least 75% of the market value of our total assets must consist of REIT-qualifying interests in real property (such as timberlands), including leaseholds and options to acquire real property and leaseholds, as well as cash and cash items and certain other specified assets, (2) no more than 25% of the market value of our total assets may consist of other assets that are not qualifying assets for purposes of the 75% test in clause (1) above, and (3) no more than 20% (25% for calendar years prior to 2018) of the market value of our total assets may consist of the securities of one or more “taxable REIT subsidiaries.” As of December 31, 2019, Rayonier is in compliance with these asset tests.

If in any taxable year we fail to qualify as a REIT and are not entitled to relief under the Code, we will not be allowed a deduction for dividends paid to shareholders in computing our taxable income and we will be subject to U.S. federal income tax on our REIT taxable income. In addition, we will be disqualified from qualification as a REIT for the four taxable years following the year during which the qualification was lost, unless we are entitled to relief under certain provisions of the Code. As a result, our net income and the cash available for distribution to our shareholders could be reduced for up to five years or longer, which could have a material adverse effect on our financial condition.

If we fail to remain qualified as a REIT, we may also need to borrow funds or liquidate some investments or assets to pay any resulting additional tax liability. Accordingly, cash available for distribution to our shareholders would be reduced.

***Certain of our business activities are potentially subject to prohibited transactions tax.***

As a REIT, we will be subject to a 100% tax on any net income from “prohibited transactions.” In general, prohibited transactions are sales or other dispositions of property to customers in the ordinary course of business. Sales of logs, and dealer sales of timberlands or other real estate, constitute prohibited transactions unless the sale satisfies certain safe harbor provisions in the Code.

We intend to avoid the 100% prohibited transactions tax by complying with the prohibited transaction safe harbor provisions and conducting activities that would otherwise be prohibited transactions through one or more taxable REIT subsidiaries. We may not, however, always be able to identify timberland properties that become part of our “dealer” real estate sales business. Therefore, if we sell timberlands which we incorrectly identify as property not held for sale to customers in the ordinary course of business, we may be subject to the 100% prohibited transactions tax.

***Our cash dividends are not guaranteed and may fluctuate.***

Generally, REITs are required to distribute 90% of their ordinary taxable income, but not their net capital gains income. Accordingly, we do not generally believe that we are required to distribute material amounts of cash since substantially all of our taxable income is generally treated as capital gains income. However, a REIT must pay corporate level tax on its undistributed taxable income and capital gains.

Our Board of Directors, in its sole discretion, determines the amount of quarterly dividends to be paid to our shareholders based on consideration of a number of factors. These factors include, but are not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, harvest levels, changes in the price and demand for our products and general market demand for timberlands, including those timberland properties that have higher and better uses. Consequently, our dividend levels may fluctuate.

***Lack of shareholder ownership and transfer restrictions in our articles of incorporation may affect our ability to qualify as a REIT.***

In order to qualify as a REIT, an entity cannot have five or fewer individuals who own, directly or indirectly after applying attribution of ownership rules, 50% or more of the value of its outstanding shares during the last six months in each calendar year. Although it is not required by law or the REIT provisions of the Code, almost all REITs have adopted ownership and transfer restrictions in their articles of incorporation or organizational documents which seek to assure compliance with that rule. While we are not in violation of the ownership rules, we do not have, nor do we have any current plans to adopt, share ownership and transfer restrictions. As such, the possibility exists that five or fewer individuals could acquire 50% or more of the value of our outstanding shares, which could result in our disqualification as a REIT.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES**

The following table provides a breakdown of our timberland holdings as of September 30, 2019 and December 31, 2019:

(acres in 000s)	As of September 30, 2019			As of December 31, 2019		
	Owned	Leased	Total	Owned	Leased	Total
<b>Southern</b>						
Alabama	228	14	242	226	14	240
Arkansas	—	9	9	—	7	7
Florida	308	73	381	331	63	394
Georgia	631	79	710	628	77	705
Louisiana	128	—	128	128	—	128
Mississippi	67	—	67	67	—	67
Oklahoma	92	—	92	92	—	92
South Carolina	18	—	18	18	—	18
Texas	178	—	178	184	—	184
	<u>1,650</u>	<u>175</u>	<u>1,825</u>	<u>1,674</u>	<u>161</u>	<u>1,835</u>
<b>Pacific Northwest</b>						
Oregon	61	—	61	61	—	61
Washington	317	1	318	318	—	318
	<u>378</u>	<u>1</u>	<u>379</u>	<u>379</u>	<u>—</u>	<u>379</u>
<b>New Zealand (a)</b>						
	<u>185</u>	<u>229</u>	<u>414</u>	<u>185</u>	<u>229</u>	<u>414</u>
<b>Total</b>	<u>2,213</u>	<u>405</u>	<u>2,618</u>	<u>2,238</u>	<u>390</u>	<u>2,628</u>

(a) Represents legal acres owned and leased by the New Zealand subsidiary, in which Rayonier owns a 77% interest. As of December 31, 2019, legal acres in New Zealand were comprised of 295,000 plantable acres and 119,000 non-productive acres.



The following tables detail changes in our portfolio of owned and leased timberlands by state from December 31, 2018 to December 31, 2019:

(acres in 000s)	Acres Owned				December 31, 2019
	December 31, 2018	Acquisitions	Sales	Other (a)	
<b>Southern</b>					
Alabama	229	—	(3)	—	226
Florida	290	43	(2)	—	331
Georgia	622	10	(4)	—	628
Louisiana	129	—	(1)	—	128
Mississippi	67	—	—	—	67
Oklahoma	92	—	—	—	92
South Carolina	18	—	—	—	18
Texas	182	7	(5)	—	184
	1,629	60	(15)	—	1,674
<b>Pacific Northwest</b>					
Oregon	61	—	—	—	61
Washington	316	2	(1)	1	318
	377	2	(1)	1	379
<b>New Zealand (b)</b>	178	7	—	—	185
<b>Total</b>	2,184	69	(16)	1	2,238

(a) Includes adjustments for land mapping reviews.

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

(acres in 000s)	Acres Leased				December 31, 2019
	December 31, 2018	New Leases	Sold/Expired Leases (a)	Other (b)	
<b>Southern</b>					
Alabama	14	—	—	—	14
Arkansas	9	—	(1)	(1)	7
Florida	73	—	(10)	—	63
Georgia	81	—	(4)	—	77
	177	—	(15)	(1)	161
<b>Pacific Northwest</b>					
Washington	1	—	—	(1)	—
<b>New Zealand (c)</b>	230	2	(3)	—	229
<b>Total</b>	408	2	(18)	(2)	390

(a) Includes acres previously under lease that have been harvested and activity for the relinquishment of leased acres.

(b) Includes adjustments for land mapping reviews.

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



## TIMBERLAND LEASES & DEEDS

See [Note 4 - Leases](#) for more information on U.S. and New Zealand timberland leases including lease terms and renewal provisions.

The following table details the Company's acres under lease as of December 31, 2019 by type of lease and estimated lease expiration:

(acres in 000s)		Total	Lease Expiration			
Location	Type of Lease		2020-2029	2030-2039	2040-2049	Thereafter
Southern	Fixed Term	145	96	43	—	6
	Fixed Term with Renewal Option (a)	16	8	8	—	—
New Zealand	CFL - Perpetual (b)	77	—	—	—	77
	CFL - Fixed Term (b)	3	—	—	—	3
	CFL - Terminating (b)	9	1	—	8	—
	Forestry Right (b)	124	16	25	12	71
	Fixed Term Land Leases	16	—	1	1	14
<b>Total Acres under Long-term Leases</b>		<b>390</b>	<b>121</b>	<b>77</b>	<b>21</b>	<b>171</b>

(a) Includes approximately 7,000 acres of timber deeds.

(b) Estimated lease expiration / termination based on the earlier of: (1) the scheduled expiration / termination date, or (2) the estimated year of final harvest before such expiration / termination date.

The following table details the Company's estimated leased acres, lease expirations and lease costs over the next five years:

(acres and dollars in 000s, except per acre amounts)					
Location	2020	2021	2022	2023	2024
Southern					
Leased Acres Expiring (a)	7	6	10	36	2
Year-end Leased Acres (a)	154	148	138	102	100
Estimated Annual Lease Cost (a)(b)	\$4,552	\$4,491	\$4,196	\$3,970	\$3,337
Average Lease Cost per Acre (a)	\$30.21	\$30.26	\$30.80	\$32.22	\$35.45
New Zealand					
Leased Acres Expiring	2	—	—	—	—
Year-end Leased Acres	227	227	227	227	227
Estimated Annual Lease Cost (b)(d)	\$3,988	\$3,988	\$3,932	\$3,932	\$3,932
Average Lease Cost per Acre (c)(d)	\$21.71	\$21.71	\$21.64	\$21.64	\$21.64

(a) Includes timber deeds.

(b) Represents capitalized and expensed lease payments.

(c) Excludes lump sum payments.

(d) Based on the year-end foreign exchange rate.

## OTHER NON-TIMBERLAND LEASES

See [Note 4 - Leases](#) for information on other non-timberland leases.

### Item 3. LEGAL PROCEEDINGS

The information set forth under [Note 11 — Contingencies](#) is incorporated herein by reference.

### Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

**Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**MARKET FOR THE REGISTRANT'S COMMON EQUITY**

The Company's common shares are publicly traded on the NYSE, the only exchange on which our shares are listed, under the trading symbol **RYN**. Shares of the Company have no par value.

**TAX CHARACTERISTICS OF DIVIDENDS**

The table below summarizes the tax characteristics of the dividend paid to shareholders on a percentage basis for the three years ended December 31, 2019:

	2019	2018	2017
Total cash dividend per common share	\$1.08	\$1.06	\$1.00
<i>Tax characteristics:</i>			
Capital gain	100%	100%	100%

**HOLDERS**

There were approximately 5,351 shareholders of record of our common shares on February 14, 2020.

**ISSUER REPURCHASES**

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 and the Board of Directors' 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 fourth quarter of 2019. Based on the period-end closing stock price of \$32.76 at December 31, 2019, there was \$90.9 million, or approximately 2,774,133 shares, remaining under this program.

The following table provides information regarding our purchases of Rayonier common shares during the quarter ended December 31, 2019:

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)
October 1 to October 31	—	—	—	7,245,832
November 1 to November 30	29	\$30.95	—	6,844,434
December 1 to December 31	—	—	—	6,651,522
Total	29			

(a) Includes 29 shares of the Company's common shares purchased in November from employees in non-open market transactions. The shares were sold by employees of the Company in exchange for cash that was used to pay withholding taxes associated with the vesting of share-based awards under the Company's Incentive Stock Plan. The price per share surrendered is based on the closing price of the Company's common shares on the respective vesting dates of the awards.

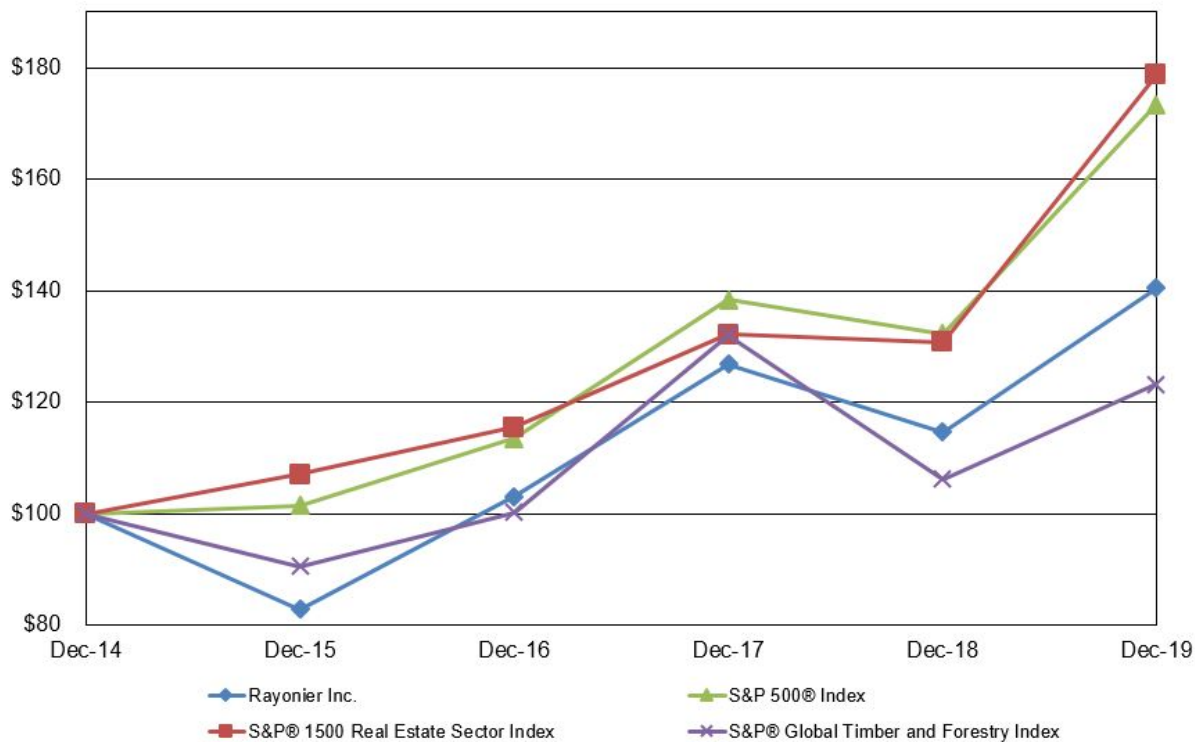
(b) Purchases made in open-market transactions under the \$100 million share repurchase program announced on February 10, 2016.

(c) Maximum number of shares authorized to be purchased as of December 31, 2019 includes 3,877,389 under the anti-dilutive program and approximately 2,774,133 under the share repurchase program. Maximum number of shares authorized to be purchased at the end of October, November and December are based on month-end closing stock prices of \$26.98, \$30.63 and \$32.76, respectively.

**STOCK PERFORMANCE GRAPH**

The following graph compares the performance of Rayonier's common shares (assuming reinvestment of dividends) with a broad-based market index (Standard & Poor's ("S&P") 500), and two industry-specific indices (the S&P Global Timber and Forestry Index and the S&P 1500 Real Estate Index).<sup>1</sup>

The table and related information below shall not be deemed to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.



The data in the following table was used to create the above graph as of December 31:

	2014	2015	2016	2017	2018	2019
Rayonier Inc.	\$100	\$83	\$103	\$127	\$115	\$140
S&P 500® Index	100	101	114	138	132	173
S&P® Global Timber and Forestry Index	100	91	100	132	106	123
S&P® 1500 Real Estate Sector Index <sup>1</sup>	100	107	115	132	131	179

<sup>1</sup> Based on constituents as of December 31, 2019 and excludes entities that were not publicly traded for the entire comparative period.

**Item 6. SELECTED FINANCIAL DATA**

The following financial data should be read in conjunction with our Consolidated Financial Statements.

	At or For the Years Ended December 31,				
	2019	2018	2017	2016	2015
	(dollar amounts in millions, except per share data)				
<b>Profitability:</b>					
Sales (a)	\$711.6	\$816.1	\$819.6	\$815.9	\$568.8
Operating income (b)	107.0	170.1	215.5	255.8	77.8
Income from continuing operations attributable to Rayonier Inc. (b)	59.1	102.2	148.8	212.0	46.2
Diluted earnings per common share from continuing operations	0.46	0.79	1.16	1.73	0.37
<b>Financial Condition:</b>					
Total assets	\$2,861.0	\$2,780.7	\$2,858.5	\$2,685.8	\$2,315.9
Total debt	1,055.1	972.6	1,025.4	1,061.9	830.6
Shareholders' equity	1,537.6	1,654.6	1,693.0	1,496.9	1,361.7
Shareholders' equity — per share	11.89	12.78	13.13	12.18	11.09
<b>Cash Flows:</b>					
Cash provided by operating activities	\$214.3	\$310.1	\$256.3	\$203.8	\$177.2
Cash used for investing activities	219.4	132.9	235.3	235.0	149.5
Cash used for (provided by) for financing activities	79.6	193.7	6.9	(114.4)	116.5
Depreciation, depletion and amortization	128.2	144.1	127.6	115.1	113.7
Cash dividends paid	141.1	136.8	127.1	122.8	124.9
Dividends paid — per share	\$1.08	\$1.06	\$1.00	\$1.00	\$1.00
<b>Non-GAAP Financial Measures:</b>					
Adjusted EBITDA (c)					
Southern Timber	\$119.7	\$102.8	\$91.6	\$92.9	\$101.0
Pacific Northwest Timber	16.7	40.9	33.1	21.2	21.7
New Zealand Timber	75.8	90.8	85.1	56.5	27.1
Real Estate	59.5	123.4	95.5	86.6	76.7
Trading	—	1.0	4.6	2.0	1.2
Corporate and other	(23.9)	(21.1)	(19.4)	(19.4)	(19.6)
Total Adjusted EBITDA (c)	<u>\$247.8</u>	<u>\$337.7</u>	<u>\$290.5</u>	<u>\$239.7</u>	<u>\$208.1</u>
<b>Other:</b>					
Timberland and real estate acres — owned, leased, or managed, in millions of acres	2.6	2.6	2.6	2.7	2.7

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
<b>Selected Operating Data:</b>					
Timber					
Sales volume (thousands of tons)					
Southern	6,066	5,718	5,314	5,317	5,492
Pacific Northwest	1,211	1,305	1,247	1,195	1,243
New Zealand Domestic	1,293	1,371	1,300	1,204	1,346
New Zealand Export	1,438	1,304	1,239	1,017	1,065
Total Sales Volume	10,008	9,698	9,100	8,733	9,146
Real Estate — acres sold					
Improved Development	44	44	23	47	74
Unimproved Development	1,196	751	1,449	206	699
Rural	7,656	5,008	6,344	6,684	8,754
Timberlands & Non-Strategic	8,254	27,811	25,653	28,751	29,737
Large Dispositions (d)	—	—	49,599	92,434	—
Total Acres Sold	17,151	33,614	83,068	128,121	39,264

- (a) The 2017 and 2016 results included sales of \$95.4 million and \$207.3 million, respectively, related to Large Dispositions.
- (b) The 2017 and 2016 results included a gain of \$67.0 million and \$143.9 million, respectively, related to Large Dispositions.
- (c) Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, non-operating income and expense, costs related to shareholder litigation, the gain on foreign currency derivatives and Large Dispositions. 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. A reconciliation of Adjusted EBITDA to Operating Income (Loss) and Net Income, respectively, is included in the following pages and [Item 7 — Performance and Liquidity Indicators](#).
- (d) Large Dispositions are defined as transactions involving the sale of timberland that exceed \$20 million in size and do not have a demonstrable premium relative to timberland value. Sales designated as Large Dispositions are excluded from our calculation of Adjusted EBITDA and CAD.

**Reconciliation of Operating Income (Loss) by Segment to Adjusted EBITDA by Segment**  
(dollars in millions)

	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and other	Total
<b>2019</b>							
Operating income (loss)	\$57.8	(\$12.4)	\$48.0	\$38.7	—	(\$25.1)	\$107.0
Add: Depreciation, depletion and amortization	61.9	29.2	27.8	8.2	—	1.2	128.2
Add: Non-cash cost of land and improved development	—	—	—	12.6	—	—	12.6
Adjusted EBITDA	<u>\$119.7</u>	<u>\$16.7</u>	<u>\$75.8</u>	<u>\$59.5</u>	<u>—</u>	<u>(\$23.9)</u>	<u>\$247.8</u>
<b>2018</b>							
Operating income	\$44.2	\$8.1	\$62.8	\$76.2	\$1.0	(\$22.3)	\$170.1
Add: Depreciation, depletion and amortization	58.6	32.8	28.0	23.6	—	1.2	144.1
Add: Non-cash cost of land and improved development	—	—	—	23.6	—	—	23.6
Adjusted EBITDA	<u>\$102.8</u>	<u>\$40.9</u>	<u>\$90.8</u>	<u>\$123.4</u>	<u>\$1.0</u>	<u>(\$21.1)</u>	<u>\$337.7</u>
<b>2017</b>							
Operating income	\$42.2	\$1.1	\$57.6	\$130.9	\$4.6	(\$20.9)	\$215.5
Add: Depreciation, depletion and amortization	49.4	32.0	27.5	17.9	—	0.8	127.6
Add: Non-cash cost of land and improved development	—	—	—	13.7	—	—	13.7
Add: Costs related to shareholder litigation (a)	—	—	—	—	—	0.7	0.7
Less: Large Dispositions	—	—	—	(67.0)	—	—	(67.0)
Adjusted EBITDA	<u>\$91.6</u>	<u>\$33.1</u>	<u>\$85.1</u>	<u>\$95.5</u>	<u>\$4.6</u>	<u>(\$19.4)</u>	<u>\$290.5</u>
<b>2016</b>							
Operating income (loss)	\$43.1	(\$4.0)	\$33.0	\$202.4	\$2.0	(\$20.8)	\$255.8
Add: Depreciation, depletion and amortization	49.8	25.2	23.4	16.3	—	0.4	115.1
Add: Non-cash cost of land and improved development	—	—	—	11.7	—	—	11.7
Add: Costs related to shareholder litigation (a)	—	—	—	—	—	2.2	2.2
Less: Gain on foreign currency derivatives (b)	—	—	—	—	—	(1.2)	(1.2)
Less: Large Dispositions	—	—	—	(143.9)	—	—	(143.9)
Adjusted EBITDA	<u>\$92.9</u>	<u>\$21.2</u>	<u>\$56.5</u>	<u>\$86.6</u>	<u>\$2.0</u>	<u>(\$19.4)</u>	<u>\$239.7</u>
<b>2015</b>							
Operating income	\$46.7	\$6.9	\$1.6	\$45.5	\$1.2	(\$24.1)	\$77.8
Add: Depreciation, depletion and amortization	54.3	14.8	25.5	18.7	—	0.4	113.7
Add: Non-cash cost of land and improved development	—	—	—	12.5	—	—	12.5
Add: Costs related to shareholder litigation (a)	—	—	—	—	—	4.1	4.1
Adjusted EBITDA	<u>\$101.0</u>	<u>\$21.7</u>	<u>\$27.1</u>	<u>\$76.7</u>	<u>\$1.2</u>	<u>(\$19.6)</u>	<u>\$208.1</u>

(a) Costs related to shareholder litigation include expenses incurred as a result of the shareholder derivative demands. In addition, these costs include the costs associated with class action securities litigation brought against the Company in a case styled *In re Rayonier Inc. Securities Litigation*, filed in the United States District Court for the Middle District of Florida (Case No. 3:14-cv01395-RJC-JBT) and the Company's response to a subpoena it received from the SEC in November 2014. In July 2016, the Division of Enforcement of the SEC notified the Company that it had concluded its investigation into the Company. In October 2017, the court entered orders approving the settlement of the class action securities litigation and dismissing the case against all defendants with prejudice.

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

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

### EXECUTIVE SUMMARY

#### 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 U.S. 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. We own or lease under long-term agreements approximately 2.2 million acres of timberland and real estate in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, Oregon, South Carolina, Texas and Washington. We also have a 77% ownership interest in Matariki Forestry Group, a joint venture ("New Zealand subsidiary"), that owns or leases approximately 414,000 gross acres (295,000 net plantable acres) of timberlands in New Zealand.

Across our timberland management segments, we sell standing timber (primarily at auction to third parties) and delivered logs. Sales from our timber segments include all activities related to the harvesting of timber and other value-added activities such as the licensing of properties for hunting and the leasing of properties for mineral extraction and cell towers. We believe we are the second largest publicly-traded timberland REIT and the fifth largest private timberland owner in the United States. Our Real Estate business manages all property sales and seeks to maximize the value of our properties that are more valuable for development, recreational or residential uses than for growing timber, and opportunistically sells non-strategic timberlands. Our Trading segment, also part of the New Zealand subsidiary, markets and sells timber owned or acquired from third parties in New Zealand and Australia.

#### CURRENT YEAR DEVELOPMENTS

During 2019, we acquired approximately 71,000 acres of timberlands for \$142.3 million. For additional information on acquisitions, see [Note 3 — Timberland Acquisitions](#).

#### 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 Timber 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, South 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 operating results of the segment in U.S. dollar terms.

In 2019, pricing in the U.S. South remained relatively flat versus the prior year, with a slight increase in pulpwood prices offset by a slight decrease in sawtimber prices. Both pulpwood and sawtimber pricing tend to be driven by local market supply and demand dynamics, which vary considerably based on the available inventory of logs, local market mill demand, and access to export markets. U.S. South exports declined significantly in 2019 versus 2018, due to the implementation of tariffs on log exports to China in the third quarter of 2018, which limited overall price momentum. In the Pacific Northwest, log prices were relatively flat throughout 2019, but considerably lower than 2018 average prices. Prices declined in 2019 due to the implementation of tariffs on log exports to China in the third quarter of 2018, which led to a significant decline in export demand. In New Zealand, export prices to China deteriorated during 2019 as salvage logs from Europe flooded the market. Towards the end of 2019, domestic prices also declined in response to the lower export prices.

In Real Estate, overall demand and pricing for HBU properties remained relatively strong in 2019. In addition, we saw increased interest in our improved development properties, specifically Wildlight, our development project north of Jacksonville, Florida, and Richmond Hill, our development project south of Savannah, Georgia.

## CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of financial statements requires us to establish accounting policies and make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities in our Annual Report on Form 10-K. 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.

### *CAPITALIZED COSTS INCLUDED IN TIMBER BASIS*

Timber is stated at the lower of cost or market value. Costs relating to acquiring, planting and growing timber, including real estate taxes, site preparation and direct support costs relating to facilities, vehicles and supplies, are capitalized. A portion of timberland lease payments are capitalized based on the proportion of acres with merchantable timber volume remaining to be harvested under the lease term and the residual portion of the lease payments are expensed as incurred. Payroll costs are capitalized for time spent on timber growing activities, while interest or any other intangible costs are not capitalized.

### *MERCHANTABLE INVENTORY AND DEPLETION COSTS AS DETERMINED BY TIMBER HARVEST MODELS*

An annual depletion rate is established for each particular region by dividing the cost of merchantable inventory (including costs described above) by standing merchantable inventory volume. Pre-merchantable records are maintained for each planted year age class, including acres planted, stems per acre and costs of planting and tending.

Significant assumptions and estimates are used in the recording of timber inventory and depletion costs. Factors that can impact timber volume include weather changes, losses due to natural causes, differences in actual versus estimated growth rates and changes in the age when timber is considered merchantable. A 3% company-wide change in estimated standing merchantable inventory would have caused an estimated change of approximately \$3.4 million to 2019 depletion expense.

Merchantable standing timber inventory is estimated by our land information services group annually, using industry-standard computer software. The inventory calculation takes into account growth, in-growth (annual transfer of oldest pre-merchantable age class into merchantable inventory), timberland sales and the annual harvest specific to each business unit. The age at which timber is considered merchantable is reviewed periodically and updated for changing harvest practices, future harvest age profiles and biological growth factors.

Acquisitions of timberland can also affect the depletion rate. Upon the acquisition of timberland, we make a determination whether to combine the newly-acquired merchantable timber with an existing depletion pool or to create a new pool. The determination is based on the geographic location of the new timber, the customers/markets that will be served and species mix. During 2019, we acquired 69,000 acres of timberlands in Florida, Georgia, Texas, Washington and New Zealand. These acquisitions did not have a material impact on 2019 depletion rates.

### *REVENUE RECOGNITION*

See [Note 1 - Summary of Significant Accounting Policies](#).

### *DETERMINING THE ADEQUACY OF PENSION AND OTHER POSTRETIREMENT BENEFIT ASSETS AND LIABILITIES*

We have one qualified non-contributory defined benefit pension plan covering a portion of our employees and an unfunded plan that provides benefits in excess of amounts allowable under current tax law in the qualified plan. The qualified and unfunded plans are closed to new participants.

In 2019, we recognized \$0.6 million of pension and postretirement benefit cost due to the expected return on plan assets partially offsetting interest costs and amortization of losses (gains). Numerous estimates and assumptions are required to determine the proper amount of pension and postretirement liabilities and annual expense to record in our financial statements. The key assumptions include discount rate, return on assets, health care cost trends, mortality rates and longevity of employees. Although there is authoritative guidance on how to select most of the assumptions, some degree of judgment is exercised in selecting these assumptions. Different assumptions, as well as actual versus expected results, would change the periodic benefit cost and funded status of the benefit plans recognized in the financial statements. Effective December 31, 2016, the Company froze benefits for all employees participating in the pension plans. See [Note 16 — Employee Benefit Plans](#) for additional information.



*DEFERRED TAX ITEMS*

The Timber and Real Estate operations conducted within our REIT are generally not subject to U.S. income taxation. We expect any variability in our effective tax rate and the amount of cash taxes to be paid to be driven primarily by our New Zealand Timber and Trading segments, as our other business operations are conducted within our U.S. REIT subsidiaries. However, the assessment of the ability to realize certain deferred tax assets, or estimate deferred tax liabilities, remains subjective. See [Note 10 — Income Taxes](#) for additional information about our unrecognized tax benefits.

**RESULTS OF OPERATIONS**

Summary of our results of operations for the three years ended December 31:

Financial Information (in millions of dollars)	2019	2018	2017
<b>Sales</b>			
Southern Timber	\$194.1	\$170.0	\$144.5
Pacific Northwest Timber	85.4	109.8	91.9
New Zealand Timber	241.9	249.0	223.3
<b>Real Estate</b>			
Improved Development	5.9	8.4	6.9
Unimproved Development	19.5	8.6	16.4
Rural	29.9	22.7	18.6
Timberlands & Non-Strategic - U.S.	19.1	71.0	46.3
Timberlands & Non-Strategic - N.Z.	—	27.9	24.3
Large Dispositions	—	—	95.4
Other (a)	0.5	—	(0.6)
<b>Total Real Estate</b>	<b>74.9</b>	<b>138.6</b>	<b>207.3</b>
Trading	115.4	148.8	152.6
Intersegment Eliminations	(0.1)	(0.1)	—
<b>Total Sales</b>	<b>\$711.6</b>	<b>\$816.1</b>	<b>\$819.7</b>
<b>Operating Income (Loss)</b>			
Southern Timber	\$57.8	\$44.2	\$42.2
Pacific Northwest Timber	(12.4)	8.1	1.1
New Zealand Timber	48.0	62.8	57.6
Real Estate (b)	38.7	76.2	130.9
Trading	—	1.0	4.6
Corporate and other	(25.1)	(22.3)	(20.9)
<b>Operating Income</b>	<b>107.0</b>	<b>170.1</b>	<b>215.5</b>
Interest Expense	(31.7)	(32.1)	(34.1)
Interest and other miscellaneous income, net	5.3	4.6	1.9
Income Tax Expense	(12.9)	(25.3)	(21.8)
<b>Net Income (b)</b>	<b>67.7</b>	<b>117.3</b>	<b>161.5</b>
Less: Net Income Attributable to Noncontrolling Interest	(8.6)	(15.1)	(12.7)
<b>Net Income Attributable to Rayonier Inc. (b)</b>	<b>\$59.1</b>	<b>\$102.2</b>	<b>\$148.8</b>
<b>Adjusted EBITDA (c)</b>			
Southern Timber	\$119.7	\$102.8	\$91.6
Pacific Northwest Timber	16.7	40.9	33.1
New Zealand Timber	75.8	90.8	85.1
Real Estate	59.5	123.4	95.5
Trading	—	1.0	4.6
Corporate and other	(23.9)	(21.1)	(19.4)
<b>Total Adjusted EBITDA (c)</b>	<b>\$247.8</b>	<b>\$337.7</b>	<b>\$290.5</b>

(a) Includes marketing fees and deferred revenue adjustments related to Improved Development sales. See [Note 1 - Summary of Significant Accounting Policies](#) for a discussion of the current year reclassification of marketing fees and deferred revenue adjustments for the Real Estate segment from Improved Development to Other.

(b) The 2017 results included \$67.0 million related to Large Dispositions.

(c) Adjusted EBITDA is a non-GAAP measure defined and reconciled at [Item 6 — Selected Financial Data](#).

<b>Southern Timber Overview</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Sales Volume (in thousands of tons)</b>			
Pine Pulpwood	3,640	3,444	3,103
Pine Sawtimber	2,191	2,034	1,933
<b>Total Pine Volume</b>	<b>5,831</b>	<b>5,478</b>	<b>5,036</b>
Hardwood	235	240	278
<b>Total Volume</b>	<b>6,066</b>	<b>5,718</b>	<b>5,314</b>
Percentage Delivered Sales	33%	30%	22%
Percentage Stumpage Sales	67%	70%	78%
<b>Net Stumpage Prices (dollars per ton)</b>			
Pine Pulpwood	\$16.42	\$16.20	\$16.14
Pine Sawtimber	24.86	25.59	25.64
<b>Weighted Average Pine</b>	<b>\$19.59</b>	<b>\$19.69</b>	<b>\$19.79</b>
Hardwood	16.93	12.27	12.58
<b>Weighted Average Total</b>	<b>\$19.49</b>	<b>\$19.37</b>	<b>\$19.41</b>
<b>Summary Financial Data (in millions of dollars)</b>			
Timber Sales	\$159.2	\$143.9	\$122.6
Less: Cut, Haul & Freight	(41.0)	(33.1)	(19.5)
<b>Net Stumpage Sales</b>	<b>\$118.2</b>	<b>\$110.8</b>	<b>\$103.1</b>
Non-Timber Sales	\$35.0	\$26.1	\$21.9
<b>Total Sales</b>	<b>\$194.1</b>	<b>\$170.0</b>	<b>\$144.5</b>
Operating Income	\$57.8	\$44.2	\$42.2
(+) Depreciation, depletion and amortization	61.9	58.6	49.4
<b>Adjusted EBITDA (a)</b>	<b>\$119.7</b>	<b>\$102.8</b>	<b>\$91.6</b>
<b>Other Data</b>			
Year-End Acres (in thousands)	1,835	1,807	1,820

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at [Item 6 — Selected Financial Data](#).

<b>Pacific Northwest Timber Overview</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Sales Volume (in thousands of tons)</b>			
Pulpwood	254	299	276
Sawtimber	956	1,007	971
<b>Total Volume</b>	<b>1,211</b>	<b>1,305</b>	<b>1,247</b>
<b>Sales Volume (converted to MBF)</b>			
Pulpwood	24,109	28,307	25,973
Sawtimber	126,717	132,795	125,577
<b>Total Volume</b>	<b>150,826</b>	<b>161,102</b>	<b>151,550</b>
Percentage Delivered Sales	94%	86%	83%
Percentage Sawtimber Sales	79%	77%	78%
<b>Delivered Log Pricing (in dollars per ton)</b>			
Pulpwood	\$41.09	\$47.82	\$40.62
Sawtimber	78.41	96.24	84.55
Weighted Average Log Price	\$70.34	\$84.29	\$73.89
<b>Summary Financial Data (in millions of dollars)</b>			
Timber Sales	\$82.7	\$106.5	\$88.7
Less: Cut and Haul	(45.9)	(44.9)	(36.7)
<b>Net Stumpage Sales</b>	<b>\$36.8</b>	<b>\$61.5</b>	<b>\$52.0</b>
Non-Timber Sales	\$2.7	\$3.4	\$3.2
<b>Total Sales</b>	<b>\$85.4</b>	<b>\$109.8</b>	<b>\$91.9</b>
Operating (Loss) Income	(\$12.4)	\$8.1	\$1.1
(+) Depreciation, depletion and amortization	29.2	32.8	32.0
Adjusted EBITDA (a)	\$16.7	\$40.9	\$33.1
<b>Other Data</b>			
Year-End Acres (in thousands)	379	378	378
Sawtimber (in dollars per MBF) (b)	\$587	\$725	\$665
Estimated Percentage of Export Volume	17%	23%	26%

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at [Item 6 — Selected Financial Data](#).

(b) Delivered Sawtimber excluding chip-n-saw.

<b>New Zealand Timber Overview</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Sales Volume (in thousands of tons)</b>			
Domestic Pulpwood (Delivered)	490	507	448
Domestic Sawtimber (Delivered)	803	864	852
Export Pulpwood (Delivered)	148	94	106
Export Sawtimber (Delivered)	1,290	1,210	1,133
<b>Total Volume</b>	<b>2,731</b>	<b>2,675</b>	<b>2,539</b>
<b>Delivered Log Pricing (in dollars per ton)</b>			
Domestic Pulpwood	\$37.93	\$37.00	\$33.84
Domestic Sawtimber	77.85	83.29	81.12
Export Sawtimber	105.65	117.03	112.74
Weighted Average Log Price	\$84.75	\$90.44	\$87.61
<b>Summary Financial Data (in millions of dollars)</b>			
Timber Sales	\$231.4	\$241.9	\$222.5
Less: Cut and Haul	(88.1)	(85.9)	(80.6)
Less: Port and Freight Costs	(51.0)	(49.5)	(39.7)
<b>Net Stumpage Sales</b>	<b>\$92.3</b>	<b>\$106.5</b>	<b>\$102.2</b>
Non-Timber Sales / Carbon Credits	10.5	7.1	0.8
<b>Total Sales</b>	<b>\$241.9</b>	<b>\$249.0</b>	<b>\$223.3</b>
Operating Income	\$48.0	\$62.8	\$57.6
(+) Depreciation, depletion and amortization	27.8	28.0	27.5
Adjusted EBITDA (a)	\$75.8	\$90.8	\$85.1
<b>Other Data</b>			
New Zealand Dollar to U.S. Dollar Exchange Rate (b)	0.6615	0.6935	0.7108
Net Plantable Year-End Acres (in thousands)	295	289	293
Export Sawtimber (in dollars per JAS m <sup>3</sup> )	\$122.84	\$136.07	\$131.08
Domestic Sawtimber (in \$NZD per tonne)	\$129.46	\$132.22	\$125.43

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at [Item 6 — Selected Financial Data](#).

(b) Represents the period average rates for each year.

Real Estate Overview	2019	2018	2017
<b>Sales (in millions of dollars)</b>			
Improved Development (a)	\$5.9	\$8.4	\$6.9
Unimproved Development	19.5	8.6	16.4
Rural	29.9	22.7	18.6
Timberlands & Non-Strategic - U.S.	19.1	71.0	46.3
Timberlands & Non-Strategic - N.Z.	—	27.9	24.3
Large Dispositions (b)	—	—	95.4
Other (c)	0.5	—	(0.6)
<b>Total Sales</b>	<b>\$74.9</b>	<b>\$138.6</b>	<b>\$207.3</b>
<b>Acres Sold</b>			
Improved Development (a)	44	44	23
Unimproved Development	1,196	751	1,449
Rural	7,656	5,008	6,344
Timberlands & Non-Strategic - U.S.	8,254	22,815	16,007
Timberlands & Non-Strategic - N.Z. (d)	—	4,996	9,645
Large Dispositions (b)	—	—	49,599
<b>Total Acres Sold</b>	<b>17,151</b>	<b>33,614</b>	<b>83,068</b>
<b>Price per Acre (dollars per acre)</b>			
Improved Development (a)	\$132,412	\$189,154	\$296,550
Unimproved Development	16,290	11,486	11,318
Rural	3,899	4,530	2,937
Timberlands & Non-Strategic - U.S.	2,318	3,110	2,891
Timberlands & Non-Strategic - N.Z.	—	5,588	2,520
Large Dispositions (b)	—	—	1,922
Weighted Average (Total) (e)	\$4,335	\$4,121	\$3,362
Weighted Average (Adjusted) (f)	\$4,002	\$3,878	\$3,158
<b>Total Sales (Excluding Large Dispositions)</b>	<b>\$74.9</b>	<b>\$138.6</b>	<b>\$111.9</b>
<b>Operating Income</b>	<b>\$38.7</b>	<b>\$76.2</b>	<b>\$130.9</b>
(+) Depreciation, depletion and amortization - U.S.	8.2	19.1	9.0
(+) Depreciation, depletion and amortization - N.Z.	—	4.5	8.9
(+) Non-cash cost of land and improved development - U.S.	12.6	23.6	13.6
(+) Non-cash cost of land and improved development - N.Z.	—	—	0.1
(-) Large Dispositions (b)	—	—	(67.0)
<b>Adjusted EBITDA (g)</b>	<b>\$59.5</b>	<b>\$123.4</b>	<b>\$95.5</b>

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

(b) Large Dispositions are defined as transactions involving the sale of timberland that exceed \$20 million in size and do not have a demonstrable premium relative to timberland value. In 2017, the Company completed two dispositions of approximately 50,000 total acres for a combined sales price and gain of approximately \$95.4 million and \$67.0 million, respectively.

(c) Includes marketing fees and deferred revenue adjustments related to Improved Development sales. See [Note 1 - Summary of Significant Accounting Policies](#) for a discussion of the current year reclassification of marketing fees and deferred revenue adjustments for the Real Estate segment from Improved Development to Other.

(d) New Zealand Timberlands & Non-Strategic represents productive acres.

(e) Excludes Large Dispositions.

(f) Excludes Improved Development and Large Dispositions.

(g) Adjusted EBITDA is a non-GAAP measure defined and reconciled at [Item 6 — Selected Financial Data](#).

Capital Expenditures By Segment	2019	2018	2017
<b>Timber Capital Expenditures (in millions of dollars)</b>			
Southern Timber			
Reforestation, silvicultural and other capital expenditures	\$18.8	\$20.0	\$17.9
Property taxes	7.1	6.6	8.1
Lease and timber deed payments	4.4	4.6	4.8
Allocated overhead	4.3	4.2	3.7
<b>Subtotal Southern Timber</b>	<b>\$34.6</b>	<b>\$35.4</b>	<b>\$34.5</b>
Pacific Northwest Timber			
Reforestation, silvicultural and other capital expenditures	7.4	6.2	7.3
Property taxes	0.7	0.8	0.9
Allocated overhead	3.1	2.4	2.0
<b>Subtotal Pacific Northwest Timber</b>	<b>\$11.2</b>	<b>\$9.3</b>	<b>\$10.2</b>
New Zealand Timber			
Reforestation, silvicultural and other capital expenditures	9.4	9.7	9.1
Property taxes	0.6	0.7	0.7
Lease and timber deed payments	4.7	4.1	4.4
Allocated overhead	2.6	2.8	2.9
<b>Subtotal New Zealand Timber</b>	<b>\$17.4</b>	<b>\$17.3</b>	<b>\$17.1</b>
<b>Total Timber Segments Capital Expenditures</b>	<b>\$63.2</b>	<b>\$62.0</b>	<b>\$61.8</b>
Real Estate	0.2	0.3	1.3
Corporate	0.6	—	2.2
<b>Total Capital Expenditures</b>	<b>\$64.0</b>	<b>\$62.3</b>	<b>\$65.3</b>
<b>Timberland Acquisitions</b>			
Southern Timber	\$98.9	\$45.9	\$220.0
Pacific Northwest Timber	7.3	—	1.5
New Zealand Timber	36.0	11.7	21.4
<b>Total Timberland Acquisitions</b>	<b>\$142.3</b>	<b>\$57.6</b>	<b>\$242.9</b>
<b>Real Estate Development Investments</b>	<b>\$6.8</b>	<b>\$9.5</b>	<b>\$15.8</b>
<b>Rayonier Office Building</b>	<b>—</b>	<b>—</b>	<b>\$6.1</b>

**RESULTS OF OPERATIONS, 2019 VERSUS 2018**

(millions of dollars)

The following tables summarize sales, operating income and Adjusted EBITDA variances for 2019 versus 2018:

<b>Sales</b>	<b>Southern Timber</b>	<b>Pacific Northwest Timber</b>	<b>New Zealand Timber</b>	<b>Real Estate</b>	<b>Trading</b>	<b>Elim.</b>	<b>Total</b>
<b>2018</b>	\$170.0	\$109.8	\$249.0	\$138.6	\$148.8	(0.1)	\$816.1
Volume	6.7	(4.5)	4.9	(67.9)	(23.0)	—	(83.8)
Price	0.7	(20.2)	(17.1)	3.7	(10.5)	—	(43.4)
Non-timber sales	8.8	(0.7)	3.7	—	0.1	—	11.9
Foreign exchange (a)	—	—	(4.5)	—	—	—	(4.5)
Other	7.9 (b)	1.0 (b)	5.9 (c)	0.5 (d)	—	—	15.3
<b>2019</b>	<b>\$194.1</b>	<b>\$85.4</b>	<b>\$241.9</b>	<b>\$74.9</b>	<b>\$115.4</b>	<b>(0.1)</b>	<b>\$711.6</b>

(a) Net of currency hedging impact.

(b) Includes variance due to stumpage versus delivered sales.

(c) Includes variance due to domestic versus export sales.

(d) Includes \$0.5 million of marketing fees and deferred revenue adjustments related to Improved Development sales.

<b>Operating Income</b>	<b>Southern Timber</b>	<b>Pacific Northwest Timber</b>	<b>New Zealand Timber</b>	<b>Real Estate</b>	<b>Trading</b>	<b>Corporate and Other</b>	<b>Total</b>
<b>2018</b>	\$44.2	\$8.1	\$62.8	\$76.2	\$1.0	(\$22.3)	\$170.1
Volume	3.1	(1.5)	1.7	(44.2)	—	—	(40.9)
Price (a)	0.7	(20.2)	(17.1)	3.7	—	—	(32.9)
Cost	0.5	0.6	(1.2)	(1.1)	(1.0)	(1.1)	(3.3)
Non-timber income	9.1	(0.7)	3.2	—	—	—	11.6
Foreign exchange (b)	—	—	(0.9)	—	—	—	(0.9)
Depreciation, depletion & amortization	0.2	1.3	(0.5)	3.9	—	—	4.9
Non-cash cost of land and improved development	—	—	—	(0.3)	—	—	(0.3)
Other (c)	—	—	—	0.5	—	(1.7)	(1.2)
<b>2019</b>	<b>\$57.8</b>	<b>(\$12.4)</b>	<b>\$48.0</b>	<b>\$38.7</b>	<b>—</b>	<b>(\$25.1)</b>	<b>\$107.0</b>

(a) For Timber segments, price reflects net stumpage (i.e. net of cut and haul and shipping costs).

(b) Net of currency hedging impact.

(c) Real Estate includes \$0.5 million of marketing fees and deferred revenue adjustments related to Improved Development sales. Corporate and Other includes legal expenses of \$1.1 million and the sale of unused Internet Protocol addresses of \$0.6 million in the prior year.



<b>Adjusted EBITDA (a)</b>	<b>Southern Timber</b>	<b>Pacific Northwest Timber</b>	<b>New Zealand Timber</b>	<b>Real Estate</b>	<b>Trading</b>	<b>Corporate and Other</b>	<b>Total</b>
<b>2018</b>	\$102.8	\$40.9	\$90.8	\$123.4	\$1.0	(\$21.1)	\$337.7
Volume	6.6	(3.9)	2.2	(67.0)	—	—	(62.1)
Price (b)	0.7	(20.2)	(17.1)	3.7	—	—	(32.9)
Cost	0.5	0.6	(1.2)	(1.1)	(1.0)	(1.1)	(3.3)
Non-timber income	9.1	(0.7)	3.2	—	—	—	11.6
Foreign exchange (c)	—	—	(2.1)	—	—	—	(2.1)
Other (d)	—	—	—	0.5	—	(1.7)	(1.2)
<b>2019</b>	<b>\$119.7</b>	<b>\$16.7</b>	<b>\$75.8</b>	<b>\$59.5</b>	<b>—</b>	<b>(\$23.9)</b>	<b>\$247.8</b>

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at [Item 6 — Selected Financial Data](#).

(b) For Timber segments, price reflects net stumpage (i.e. net of cut and haul and shipping costs).

(c) Net of currency hedging impact.

(d) Real Estate includes \$0.5 million of marketing fees and deferred revenue adjustments related to Improved Development sales. Corporate and Other includes legal expenses of \$1.1 million and the sale of unused Internet Protocol addresses of \$0.6 million in the prior year.

### SOUTHERN TIMBER

Full-year sales of \$194.1 million increased \$24.1 million, or 14%, versus the prior year, which includes an increase in non-timber sales of \$8.8 million versus the prior year. Harvest volumes increased 6% to 6.07 million tons versus 5.72 million tons in the prior year. Average pine sawtimber stumpage prices decreased 3% to \$24.86 per ton versus \$25.59 per ton in the prior year, while average pine pulpwood stumpage prices of \$16.42 per ton were slightly above the prior year. The decrease in average sawtimber prices was driven primarily by weaker export demand, particularly in the second half of the year, due to the ongoing U.S.-China trade dispute.

Operating income of \$57.8 million increased \$13.6 million versus the prior year due to higher volumes (\$3.1 million), higher prices (\$0.7 million), higher non-timber income (\$9.1 million), lower costs (\$0.5 million) and lower depletion rates (\$0.2 million). Full-year Adjusted EBITDA of \$119.7 million was \$16.9 million above the prior year.

### PACIFIC NORTHWEST TIMBER

Full-year sales of \$85.4 million decreased \$24.5 million, or 23%, versus the prior year. Harvest volumes decreased 7% to 1.21 million tons versus 1.31 million tons in the prior year, as we deferred planned harvest in response to weak market conditions. Average delivered sawtimber prices decreased 19% to \$78.41 per ton versus \$96.24 per ton in the prior year, and average delivered pulpwood prices decreased 14% to \$41.09 per ton versus \$47.82 per ton in the prior year. The decrease in delivered sawtimber prices was driven primarily by weaker export market conditions due to the ongoing U.S.-China trade dispute as well as competition from lower-priced European salvage timber. The decrease in delivered pulpwood prices was driven primarily by excess supply in the market.

Operating loss of \$12.4 million versus operating income of \$8.1 million in the prior year was primarily due to lower prices (\$20.2 million), lower volumes (\$1.5 million), and lower non-timber income (\$0.7 million), partially offset by lower costs (\$0.6 million) and lower depletion rates (\$1.3 million). Full-year Adjusted EBITDA of \$16.7 million was \$24.2 million below the prior year.

## *NEW ZEALAND TIMBER*

Full-year sales of \$241.9 million decreased \$7.2 million, or 3%, versus the prior year. Harvest volumes increased 2% to 2.73 million tons versus 2.68 million tons in the prior year. Average delivered prices for export sawtimber decreased 10% to \$105.65 per ton versus \$117.03 per ton in the prior year, while average delivered prices for domestic sawtimber decreased 6% to \$77.85 per ton versus \$83.29 in the prior year. The decrease in export sawtimber prices was primarily due to increased competition from lower-cost log and lumber imports, predominantly from Europe, into China. The decrease in domestic sawtimber prices (in U.S. dollar terms) was driven primarily by the NZ\$/US\$ exchange rate (US\$0.66 per NZ\$1.00 versus US\$0.69 per NZ\$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices decreased 2% from the prior year.

Operating income of \$48.0 million decreased \$14.7 million versus the prior year due to lower prices (\$17.1 million), higher forest management costs (\$1.2 million), unfavorable foreign exchange impacts (\$0.9 million), and higher depletion rates (\$0.5 million), which were partially offset by higher non-timber income (\$3.2 million) and higher volumes (\$1.7 million). Full-year Adjusted EBITDA of \$75.8 million was \$15.0 million below the prior year.

## *REAL ESTATE*

Full-year sales of \$74.9 million decreased \$63.7 million versus the prior year, while operating income of \$38.7 million decreased \$37.6 million versus the prior year. Sales and operating income decreased primarily due to lower volumes (17,151 acres sold versus 33,614 acres sold in the prior year), partially offset by higher weighted average prices (\$4,335 per acre versus \$4,121 per acre in the prior year). Full-year Adjusted EBITDA of \$59.5 million was \$63.9 million below the prior year.

## *TRADING*

Full-year sales of \$115.4 million decreased \$33.4 million versus the prior year due to lower volumes and prices. Sales volumes decreased 16% to 1.11 million tons versus 1.31 million tons in the prior year period. Average prices decreased 8% to \$103.49 per ton versus \$112.96 per ton in the prior year. Operating income decreased \$1.0 million versus the prior year due to lower trading margins resulting from lower volumes and prices.

## *CORPORATE AND OTHER EXPENSE/ELIMINATIONS*

Full-year corporate and other operating expense of \$25.1 million increased \$2.8 million versus the prior year due to elevated legal expenses (\$1.6 million), prior year income from the sale of unused Internet Protocol addresses (\$0.6 million), acquisition related costs (\$0.3 million) and higher compensation and benefit expense (\$0.3 million).

## *INTEREST EXPENSE*

Full-year interest expense of \$31.7 million decreased \$0.3 million versus the prior year due to an increase in accrued patronage payments.

## *INTEREST AND OTHER MISCELLANEOUS INCOME, NET*

Other non-operating income of \$5.3 million increased \$0.7 million versus the prior year. The 2019 results include a favorable mark-to-market adjustment on marketable equity securities, interest income, dividend income and net periodic pension costs.

## *INCOME TAX EXPENSE*

Full-year income tax expense of \$12.9 million decreased \$12.3 million versus the prior year period as a result of lower taxable income. The New Zealand subsidiary is the primary driver of income tax expense.

## **RESULTS OF OPERATIONS, 2018 VERSUS 2017**

Refer to Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in the [Company's Annual Report on Form 10-K for the year ended December 31, 2018](#) for the results of operations discussion for the fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017.

## OUTLOOK FOR 2020

In 2020, we expect to achieve full-year harvest volumes in our Southern Timber segment of 6.3 to 6.5 million tons, while we expect overall pricing to be slightly below 2019 average pricing due to geographic mix.

In our Pacific Northwest Timber segment, we expect to achieve harvest volumes of 1.4 to 1.5 million tons, while we expect relatively stable pricing as markets have adjusted to lower log export volumes resulting from China tariffs and competition from European salvage volume.

We remain cautiously optimistic that export market conditions in both Southern Timber and Pacific Northwest Timber will gradually improve as the U.S.-China Phase 1 trade agreement is implemented and as additional details of the agreement become clear, although we expect near-term headwinds associated with the coronavirus outbreak in China.

In our New Zealand Timber segment, we expect to achieve harvest volumes of 2.6 to 2.7 million tons, while we expect lower average export and domestic pricing due to challenging export market conditions resulting from competition from European salvage volume as well as the recent impacts from the coronavirus outbreak. We further expect that Adjusted EBITDA in the New Zealand Timber segment will be negatively impacted by higher shipping costs due to the implementation of low-sulfur fuel requirements.

In our Real Estate segment, we expect a significant increase in Adjusted EBITDA based on our current pipeline of transactions, although we anticipate that real estate activity will be heavily weighted to the second half of the year.

Our 2020 outlook excludes the impact of our anticipated mid-year acquisition of Pope Resources and is subject to a number of variables and uncertainties, including those discussed at [Item 1A — Risk Factors](#).

## 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 Large Dispositions.

## SUMMARY OF LIQUIDITY AND FINANCING COMMITMENTS

(in millions of dollars)	As of December 31,		
	2019	2018	2017
Cash and cash equivalents	\$68.7	\$148.4	\$112.7
Total debt (a)	1,057.0	975.0	1,028.4
Shareholders' equity	1,537.6	1,654.6	1,693.0
Net Income Attributable to Rayonier Inc.	59.1	102.2	148.8
Adjusted EBITDA (b)	247.8	337.7	290.5
Total capitalization (total debt plus equity)	2,594.6	2,629.6	2,721.4
Debt to capital ratio	41%	37%	38%
Debt to Adjusted EBITDA (b)	4.3	2.9	3.5
Net debt to Adjusted EBITDA (b)(c)	4.0	2.4	3.2
Net debt to enterprise value (c)(d)	19%	19%	18%

(a) Total debt as of December 31, 2019, 2018 and 2017 is presented gross of deferred financing costs of \$1.9 million, \$2.4 million and \$3.0 million, respectively.

(b) For a reconciliation of Adjusted EBITDA to net income see [Management's Discussion and Analysis of Financial Condition and Results of Operations—Performance and Liquidity Indicators](#).

(c) Net debt is calculated as total debt less cash and cash equivalents.

(d) Enterprise value is calculated as the number of shares outstanding multiplied by the Company's share price, plus net debt, at year-end.

## LIQUIDITY FACILITIES

See [Note 6 — Debt](#) for information on liquidity facilities and other outstanding debt, as well as for information on covenants that must be met in connection with our Senior Notes, Term Credit Agreement, Incremental Term Loan Agreement and Revolving Credit Facility.

## CASH FLOWS

The following table summarizes our cash flows from operating, investing and financing activities for each of the three years ended December 31 (in millions of dollars):

	2019	2018	2017
Total cash provided by (used for):			
Operating activities	\$214.3	\$310.1	\$256.3
Investing activities	(219.4)	(132.9)	(235.3)
Financing activities	(79.6)	(193.7)	(6.9)
Effect of exchange rate changes on cash	(1.8)	0.6	0.6
Change in cash, cash equivalents and restricted cash	<u>(\$86.5)</u>	<u>(\$15.9)</u>	<u>\$14.7</u>

### *CASH PROVIDED BY OPERATING ACTIVITIES*

Cash provided by operating activities decreased \$95.8 million versus the prior year primarily due to lower operating results.

### *CASH USED FOR INVESTING ACTIVITIES*

Cash used for investing activities increased \$86.5 million versus the prior year primarily due to an \$84.7 million increase in cash used for timberland acquisitions, a \$1.7 million increase in capital expenditures and a \$2.8 million increase in other investing activities, partially offset by a \$2.7 million decrease in real estate development investments.

### *CASH USED FOR FINANCING ACTIVITIES*

Cash used for financing activities in 2019 reflects dividend payments of \$141.1 million, \$12.7 million of share repurchases (\$8.4 million made under the share repurchase program) and \$9.2 million of distributions to the minority shareholder, partially offset by an \$82.0 million draw on the Revolving Credit Facility and \$1.3 million of proceeds from the issuance of common stock under the incentive stock plan.

## RESTRICTED CASH

See [Note 20 — Restricted Cash](#) for further information regarding funds deposited with a third-party intermediary.

## CREDIT RATINGS

Both our ability to obtain financing and the related costs of borrowing are affected by our credit ratings, which are periodically reviewed by the rating agencies. As of December 31, 2019, our credit ratings from S&P and Moody's were "BBB-" and "Baa3," respectively, with both agencies listing our outlook as "Stable."

## STRATEGY

We continuously evaluate our capital structure. Our strategy is to maintain a weighted-average cost of capital competitive with other timberland REITs and TIMOs, while maintaining an investment grade debt rating as well as retaining the flexibility to actively pursue capital allocation opportunities as they become available. Overall, we believe we have adequate liquidity and sources of capital to run our businesses efficiently and effectively and to maximize the value of our timberland and real estate assets under management.

## EXPECTED 2020 EXPENDITURES

Capital expenditures in 2020 are forecasted to be between \$65 million and \$69 million, excluding any strategic timberland acquisitions we may make. Capital expenditures are expected to be primarily comprised 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 2020 are expected to be between \$12 million and \$15 million, net of anticipated reimbursements from community development bonds. Expected real estate development investments are primarily related to Wildlight, our mixed-use community development project located north of Jacksonville, Florida, and our Richmond Hill mixed-use development project located south of Savannah, Georgia.

Our 2020 dividend payments are expected to be approximately \$140 million assuming no change in the quarterly dividend rate of \$0.27 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 made \$1.3 million of required pension contributions in 2019. We have approximately \$3.6 million of pension contribution requirements in 2020 and may make discretionary contributions in the future.

Cash income tax payments in 2020 are expected to be approximately \$2 million, primarily due to the New Zealand subsidiary.

## 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 considers these measures to be important to estimate the enterprise and shareholder values of the Company as a whole and of its core segments, and for allocating capital resources. In addition, analysts, investors and creditors use these measures when analyzing our operating performance, financial condition and cash generating ability. Management uses Adjusted EBITDA as a performance measure and CAD as a liquidity measure. Adjusted EBITDA and CAD as defined may not be comparable to similarly titled measures reported by other companies. These measures should not be considered in isolation from, and are not intended to represent an alternative to, our results reported in accordance with GAAP.

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, non-operating income and expense, costs related to shareholder litigation, the gain on foreign currency derivatives, and Large Dispositions. Below is a reconciliation of Net Income to Adjusted EBITDA for the five years ended December 31 (in millions of dollars):

	2019	2018	2017	2016	2015
<b>Net Income to Adjusted EBITDA Reconciliation</b>					
Net Income	\$67.7	\$117.3	\$161.5	\$217.8	\$43.9
Interest, net, continuing operations	29.1	29.7	32.2	33.0	34.7
Income tax expense (benefit), continuing operations	12.9	25.2	21.8	5.0	(0.9)
Depreciation, depletion and amortization	128.2	144.1	127.6	115.1	113.7
Non-cash cost of land and improved development	12.6	23.6	13.7	11.7	12.5
Non-operating (income) expense	(2.7)	(2.2)	—	—	0.1
Costs related to shareholder litigation (a)	—	—	0.7	2.2	4.1
Gain on foreign currency derivatives (b)	—	—	—	(1.2)	—
Large Dispositions (c)	—	—	(67.0)	(143.9)	—
<b>Adjusted EBITDA</b>	<b>\$247.8</b>	<b>\$337.7</b>	<b>\$290.5</b>	<b>\$239.7</b>	<b>\$208.1</b>

- (a) Costs related to shareholder litigation include expenses incurred as a result of the shareholder derivative demands that ultimately resulted in litigation brought against certain former officers and directors of the Company in a case styled Molloy, et al. v. Boynton, et al., filed in the United States District Court for the Middle District of Florida (Case No. 3:17-cv-01157-TJC-MCR). In addition, these costs include the costs associated with class action securities litigation brought against the Company in a case styled In re Rayonier Inc. Securities Litigation, filed in the United States District Court for the Middle District of Florida (Case No. 3:14-cv01395-RJC-JBT) and the Company's response to a subpoena it received from the SEC in November 2014. In July 2016, the Division of Enforcement of the SEC notified the Company that it had concluded its investigation into the Company. In October 2017, the court entered orders approving the settlement of the class action securities litigation and dismissing the case against all defendants with prejudice. In November 2018, the court entered orders approving the settlement of the derivative demands and entering final judgment in the litigation arising therefrom, thus ending the shareholder litigation matters.
- (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 subsidiary.
- (c) Large Dispositions are defined as transactions involving the sale of timberland that exceed \$20 million in size and do not have a demonstrable premium relative to timberland value.

See [Item 6 — Selected Financial Data](#) for a reconciliation of Adjusted EBITDA to Operating Income by segment as well as [Item 7 — Results of Operations](#) for an analysis of changes in Adjusted EBITDA from the prior year.

Cash Available for Distribution (CAD) is defined as cash provided by operating activities adjusted for capital spending (excluding timberland acquisitions, real estate development investments and spending on the Rayonier office building), and working capital and other balance sheet changes. CAD is a non-GAAP measure of cash generated during a period that is available for common stock dividends, distributions to the New Zealand minority shareholder, repurchase of the Company's common shares, debt reduction, timberland acquisitions and real estate development investments. In compliance with SEC requirements for non-GAAP measures, we reduce CAD by mandatory debt repayments, which results in the measure entitled "Adjusted CAD." CAD and Adjusted CAD generated in any period is not necessarily indicative of the CAD that may be generated in future periods.

Below is a reconciliation of Cash Provided by Operating Activities to Adjusted CAD for the five years ended December 31 (in millions):

	2019	2018	2017	2016	2015
Cash provided by operating activities	\$214.3	\$310.1	\$256.3	\$203.8	\$177.2
Capital expenditures from continuing operations (a)	(64.0)	(62.3)	(65.3)	(58.7)	(57.3)
Working capital and other balance sheet changes	(0.9)	(7.7)	(2.3)	(0.8)	(2.5)
CAD	\$149.4	\$240.1	\$188.7	\$144.3	\$117.4
Mandatory debt repayments (b)	(82.0)	—	—	(31.5)	(131.0)
Adjusted CAD	\$67.4	\$240.1	\$188.7	\$112.8	(\$13.6)
Cash used for investing activities	(\$219.4)	(\$132.9)	(\$235.3)	(\$235.0)	(\$149.5)
Cash (used for) provided by financing activities	(\$79.6)	(\$193.7)	(\$6.9)	\$114.4	(\$116.5)

(a) Capital expenditures exclude timberland acquisitions, real estate development investments and spending on the Rayonier office building.

(b) Excludes debt repayments on the New Zealand subsidiary noncontrolling interest shareholder loan.

The following table provides supplemental cash flow data for the five years ended December 31 (in millions):

	2019	2018	2017	2016	2015
Purchase of timberlands	(\$142.3)	(\$57.6)	(\$242.9)	(\$366.5)	(\$98.4)
Real Estate Development Investments	(6.8)	(9.5)	(15.8)	(8.7)	(2.7)
Distributions to New Zealand minority shareholder (a)	(9.2)	(14.4)	(15.8)	(4.9)	(1.4)
Rayonier Office Building	—	—	(6.1)	(6.3)	(0.9)

(a) Includes debt repayments on the New Zealand subsidiary noncontrolling interest shareholder loan.

## OFF-BALANCE SHEET ARRANGEMENTS

We utilize off-balance sheet arrangements to provide credit support for certain suppliers and vendors in case of their default on critical obligations, and collateral for outstanding claims under the Company's previous workers' compensation self-insurance programs. These arrangements consist of standby letters of credit and surety bonds. As part of our ongoing operations, we also periodically issue guarantees to third parties. Off-balance sheet arrangements are not considered a source of liquidity or capital resources and do not expose us to material risks or material unfavorable financial impacts. See [Note 12 — Guarantees](#) for further discussion.

## CONTRACTUAL FINANCIAL OBLIGATIONS

In addition to using cash flow from operations and proceeds from Large Dispositions, we finance our operations and acquisitions 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 Sheets, 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 December 31, 2019 and anticipated cash spending by period:

Contractual Financial Obligations (in millions)	Total	Payments Due by Period			
		2020	2021-2022	2023-2024	Thereafter
Long-term debt (a)	\$975.0	—	325.0	\$350.0	\$300.0
Current maturities of long-term debt	82.0	82.0	—	—	—
Interest payments on long-term debt (b)	153.8	36.1	63.2	40.1	14.4
Operating leases — timberland (c)	183.1	7.9	15.9	14.4	144.9
Operating leases — PP&E, offices	8.0	2.0	2.2	1.6	2.2
Commitments — derivatives (d)	9.4	2.2	4.0	3.2	—
Commitments — other (e)	12.7	8.3	1.2	0.4	2.8
<b>Total contractual cash obligations</b>	<b>\$1,424.0</b>	<b>\$138.5</b>	<b>\$411.5</b>	<b>\$409.7</b>	<b>\$464.3</b>

(a) The book value of long-term debt, net of deferred financing costs, is currently recorded at \$973.1 million on the Company's Consolidated Balance Sheet, but upon maturity the liability will be \$975.0 million.

(b) Projected interest payments for variable-rate debt were calculated based on outstanding principal amounts and interest rates as of December 31, 2019.

(c) Includes 20 years of future minimum payments for perpetual Crown Forest Licenses ("CFL"). A CFL is a license arrangement to use government or privately owned lands to operate a commercial forest. CFLs generally extend indefinitely and may only be terminated upon a 35-year termination notice. If no termination notice is given, the CFLs renew automatically each year for a one-year term. Alternatively, some CFLs extend for a specific term. As of December 31, 2019, the New Zealand subsidiary has two CFLs under termination notice that are currently being relinquished as harvest activities are concluded, as well as two fixed-term CFLs expiring in 2062. The annual license fee is determined based on market rental value, with triennial rent reviews.

(d) Commitments — derivatives represent payments expected to be made on derivative financial instruments (foreign exchange contracts and interest rate swaps). See [Note 14 — Derivative Financial Instruments and Hedging Activities](#).

(e) Commitments — other includes pension contribution requirements based on actuarially determined estimates and IRS minimum funding requirements, payments expected to be made on the Company's Wildlight and Richmond Hill development projects, payments made on timberland deeds and other purchase obligations.



**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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 the finance department, whose responsibilities include initiating derivative transactions as well as managing and monitoring resulting exposures. We do not enter into financial instruments for trading or speculative purposes.

**Interest Rate Risk**

We are exposed to interest rate risk through our variable rate debt, primarily due to changes in LIBOR. However, we use interest rate swaps to manage our exposure to interest rate movements on our term credit agreements by swapping existing and anticipated future borrowings from floating rates to fixed rates. As of December 31, 2019, we had \$650 million of U.S. long-term variable rate debt. The notional amount of outstanding interest rate swap contracts with respect to this debt at December 31, 2019 was also \$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 no corresponding increase/decrease in interest payments and expense over a 12-month period.

The fair market value of our 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 December 31, 2019 was \$332 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 December 31, 2019 would result in a corresponding decrease/increase in the fair value of our long-term fixed rate debt of approximately \$7 million.

We estimate the periodic effective interest rate on our U.S. long-term fixed and variable rate debt to be approximately 3.3% after consideration of interest rate swaps and estimated patronage refunds.

The following table summarizes our outstanding debt, interest rate swaps and average interest rates, by year of expected maturity and their fair values at December 31, 2019:

(Dollars in thousands)	2020	2021	2022	2023	2024	Thereafter	Total	Fair Value
<b>Variable rate debt:</b>								
Principal amounts	82,000	—	—	—	350,000	\$300,000	\$732,000	\$732,000
Average interest rate (a)(b)	2.99%	—	—	—	3.33%	3.61%	3.41%	—
<b>Fixed rate debt:</b>								
Principal amounts	—	—	\$325,000	—	—	—	\$325,000	\$331,500
Average interest rate (b)	—	—	3.75%	—	—	—	3.75%	—
<b>Interest rate swaps:</b>								
Notional amount	—	—	—	—	350,000	\$300,000	\$650,000	(\$8,454)
Average pay rate	—	—	—	—	2.28%	1.49%	1.91%	—
Average receive rate (b)	—	—	—	—	1.70%	1.71%	1.71%	—

(a) Excludes estimated patronage refunds.

(b) Interest rates as of December 31, 2019.

**Foreign Currency Exchange Rate Risk**

The functional currency of the Company's New Zealand-based operations and New Zealand subsidiary is the New Zealand dollar. Through these operations and our ownership in the New Zealand subsidiary, we are exposed to foreign currency risk on cash held in foreign currencies, shareholder distributions which are denominated in U.S. dollars and on foreign export sales and ocean freight payments that are predominantly denominated in U.S. dollars. To mitigate these risks, the New Zealand subsidiary routinely enters into foreign currency exchange contracts and foreign currency option contracts to hedge a portion of the New Zealand subsidiary's foreign exchange exposure.



### Sales and Expense Exposure

At December 31, 2019, the New Zealand subsidiary had foreign currency exchange contracts with a notional amount of \$56 million and foreign currency option contracts with a notional amount of \$22 million outstanding related to foreign export sales and ocean freight payments. The amount hedged represents 69% of forecast U.S. dollar denominated sales proceeds less distributions over the next 18 months and 74% of log trading sales proceeds over the next 3 months.

The following table summarizes our outstanding foreign currency exchange rate risk contracts at December 31, 2019:

(Dollars in thousands)	0-1 months	1-2 months	2-3 months	3-6 months	6-12 months	12-18 months	Total	Fair Value
<b>Foreign exchange contracts to sell U.S. dollar for New Zealand dollar</b>								
Notional amount	\$3,350	\$4,000	\$5,000	\$17,000	\$20,000	\$7,000	\$56,350	\$642
Average contract rate	1.4859	1.4854	1.4849	1.4836	1.4818	1.4802	1.4829	
<b>Foreign currency option contracts to sell U.S. dollar for New Zealand dollar</b>								
Notional amount	\$4,000	\$2,000	—	—	\$8,000	\$8,000	\$22,000	\$303
Average strike price	1.5191	1.4987	—	—	1.5513	1.5846	1.5527	

### Equity Price Risk

Our marketable equity securities are subject to market price risk. Accordingly, a fluctuation in the price of each security could have an adverse impact on the fair value of our investment. See [Note 15 — Fair Value Measurements](#).

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****INDEX TO FINANCIAL STATEMENTS**

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## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To Our Shareholders:

The management of Rayonier Inc. and its subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our system of internal controls over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of the inherent limitations of internal control over financial reporting, misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Rayonier Inc.'s management, under the supervision of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, we used the framework included in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an audit report on the Company's internal control over financial reporting as of December 31, 2019. The report on the Company's internal control over financial reporting as of December 31, 2019, is on page [50](#).

RAYONIER INC.

By: /s/ DAVID L. NUNES

David L. Nunes  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

February 24, 2020

By: /s/ MARK MCHUGH

Mark McHugh  
*Senior Vice President and Chief Financial Officer*  
*(Principal Financial Officer)*

February 24, 2020

By: /s/ APRIL TICE

April Tice  
*Vice President, Financial Services and Corporate Controller*  
*(Principal Accounting Officer)*

February 24, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Rayonier Inc.

### Opinion on Internal Control Over Financial Reporting

We have audited Rayonier Inc. and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Rayonier Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedule and our report dated February 24, 2020 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Jacksonville, Florida  
February 24, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Rayonier Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rayonier Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 24, 2020 expressed an unqualified opinion thereon.

### Adoption of ASU No. 2016-02, Leases (Topic 842), as amended

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, Leases (Topic 842), as amended.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

### Depletion of Timber

*Description of the Matter*

For the year ended December 31, 2019, the Company recognized \$122 million in depletion expense and the Timber and Timberlands balance, net of depletion and amortization, was \$2,482 million at December 31, 2019. As described in Note 1 to the financial statements, the Company establishes an annual depletion rate for each particular region. Depletion rates are determined by region by dividing merchantable inventory cost by standing merchantable inventory volume, which is estimated annually. The Company charges accumulated costs attributed to merchantable timber to depletion expense (cost of sales) at the time the timber is harvested or when the underlying timberland is sold.

Auditing management's annual depletion rate was complex and subjective due to the estimation uncertainty in determining the standing merchantable inventory volume utilized in the calculation of the depletion rate for each region. In particular, estimating the standing merchantable inventory volume involves statistical sampling and growth modeling using inputs such as growth estimates, harvest information and environmental and operational restrictions.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for establishing the annual depletion rate for each geographic region. For example, we tested controls over management's review of the standing merchantable inventory volume that was determined for each geographic region.

To test the annual depletion rates (including standing merchantable inventory volume), our audit procedures included, among others, evaluating the methodology used and testing the completeness and accuracy of the underlying data used by the Company. We inspected satellite images to test timber existence and assessed the timberland for features that would impact the Company's ability to harvest its timber. In addition, we evaluated current year changes to harvestability, analyzed the change in depletion as a percentage of sales, utilized published industry growth rates to assess the increase in timber volume growth and compared actual volume harvested to the volume estimated by the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

Jacksonville, Florida  
February 24, 2020

**RAYONIER INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
For the Years Ended December 31,  
(Thousands of dollars, except per share data)

	2019	2018	2017
<b>SALES (NOTE 2)</b>	\$711,556	\$816,138	\$819,596
Costs and Expenses			
Cost of sales	(558,350)	(605,259)	(568,253)
Selling and general expenses	(41,646)	(41,951)	(40,245)
Other operating (expense) income, net (Note 18)	(4,533)	1,140	4,393
	(604,529)	(646,070)	(604,105)
<b>OPERATING INCOME</b>	107,027	170,068	215,491
Interest expense	(31,716)	(32,066)	(34,071)
Interest and other miscellaneous income, net	5,307	4,564	1,840
<b>INCOME BEFORE INCOME TAXES</b>	80,618	142,566	183,260
Income tax expense (Note 10)	(12,940)	(25,236)	(21,681)
<b>NET INCOME</b>	67,678	117,330	161,579
Less: Net income attributable to noncontrolling interest	(8,573)	(15,114)	(12,737)
<b>NET INCOME ATTRIBUTABLE TO RAYONIER INC.</b>	59,105	102,216	148,842
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>			
Foreign currency translation adjustment, net of income tax effect of \$0, \$0 and \$0	963	(22,759)	9,114
Cash flow hedges, net of income tax effect of \$664, \$1,270 and \$594	(30,482)	5,029	5,693
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax effect of \$0, \$711 and \$0	(1,350)	(1,630)	(208)
Total other comprehensive (loss) income	(30,869)	(19,360)	14,599
<b>COMPREHENSIVE INCOME</b>	36,809	97,970	176,178
Less: Comprehensive income attributable to noncontrolling interest	(9,146)	(8,931)	(14,775)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.</b>	\$27,663	\$89,039	\$161,403
<b>EARNINGS PER COMMON SHARE (NOTE 13)</b>			
Basic earnings per share attributable to Rayonier Inc.	\$0.46	\$0.79	\$1.17
Diluted earnings per share attributable to Rayonier Inc.	\$0.46	\$0.79	\$1.16

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
As of December 31,  
(Thousands of dollars, except share data)

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$68,735	\$148,374
Accounts receivable, less allowance for doubtful accounts of \$24 and \$8	27,127	26,151
Inventory (Note 19)	14,518	15,703
Prepaid logging roads	12,128	11,976
Prepaid expenses	2,600	5,040
Other current assets	867	609
Total current assets	125,975	207,853
<b>TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION</b>	2,482,047	2,401,327
<b>HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 7)</b>	81,791	85,609
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	4,131	4,131
Buildings	23,095	22,503
Machinery and equipment	4,339	3,534
Construction in progress	348	567
Total property, plant and equipment, gross	31,913	30,735
Less—accumulated depreciation	(9,662)	(7,984)
Total property, plant and equipment, net	22,251	22,751
<b>RESTRICTED CASH (NOTE 20)</b>	1,233	8,080
<b>RIGHT-OF-USE ASSETS (NOTE 4)</b>	99,942	—
<b>OTHER ASSETS (NOTE 21)</b>	47,757	55,046
<b>TOTAL ASSETS</b>	\$2,860,996	\$2,780,666
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$18,160	\$18,019
Current maturities of long-term debt (Note 6)	82,000	—
Accrued taxes	3,032	3,178
Accrued payroll and benefits	8,869	10,416
Accrued interest	5,205	5,007
Deferred revenue	11,440	10,447
Other current liabilities	22,480	16,474
Total current liabilities	151,186	63,541
<b>LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS (NOTE 6)</b>	973,129	972,567
<b>PENSION AND OTHER POSTRETIREMENT BENEFITS (NOTE 16)</b>	25,311	29,800
<b>LONG-TERM LEASE LIABILITY (NOTE 4)</b>	90,481	—
<b>OTHER NON-CURRENT LIABILITIES</b>	83,247	60,208
<b>COMMITMENTS AND CONTINGENCIES (NOTES 9 and 11)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Common Shares, 480,000,000 shares authorized, 129,331,069 and 129,488,675 shares issued and outstanding	888,177	884,263
Retained earnings	583,006	672,371
Accumulated other comprehensive (loss) income (Note 22)	(31,202)	239
<b>TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY</b>	1,439,981	1,556,873
Noncontrolling interest	97,661	97,677
<b>TOTAL SHAREHOLDERS' EQUITY</b>	1,537,642	1,654,550
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	\$2,860,996	\$2,780,666

See Notes to Consolidated Financial Statements.





**RAYONIER INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Thousands of dollars, except share data)

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Shareholders' Equity
	Shares	Amount				
<b>Balance, December 31, 2016</b>	122,904,368	\$709,867	\$700,887	\$856	\$85,142	\$1,496,752
Cumulative-effect adjustment due to adoption of ASU No. 2016-16	—	—	(14,365)	—	—	(14,365)
Net income	—	—	148,842	—	12,737	161,579
Dividends (\$1.00 per share)	—	—	(127,986)	—	—	(127,986)
Issuance of shares under incentive stock plans	322,314	4,751	—	—	—	4,751
Stock-based compensation	—	5,396	—	—	—	5,396
Repurchase of common shares	(5,906)	(176)	—	—	—	(176)
Actuarial change and amortization of pension and postretirement plan liabilities	—	—	—	(208)	—	(208)
Foreign currency translation adjustment	—	—	—	7,416	1,698	9,114
Cash flow hedges	—	—	—	5,353	340	5,693
Issuance of shares under equity offering, net of costs	5,750,000	152,390	—	—	—	152,390
<b>Balance, December 31, 2017</b>	128,970,776	\$872,228	\$707,378	\$13,417	\$99,917	\$1,692,940
Cumulative-effect adjustment due to adoption of ASU No. 2018-02	—	—	711	(711)	—	—
Net income	—	—	102,216	—	15,114	117,330
Dividends (\$1.06 per share)	—	—	(137,934)	—	—	(137,934)
Issuance of shares under incentive stock plans	599,422	8,591	—	—	—	8,591
Stock-based compensation	—	6,428	—	—	—	6,428
Repurchase of common shares	(81,523)	(2,984)	—	—	—	(2,984)
Actuarial change and amortization of pension and postretirement plan liabilities	—	—	—	(919)	—	(919)
Foreign currency translation adjustment	—	—	—	(17,329)	(5,430)	(22,759)
Cash flow hedges	—	—	—	5,781	(752)	5,029
Distribution to minority shareholder	—	—	—	—	(11,172)	(11,172)
<b>Balance, December 31, 2018</b>	129,488,675	\$884,263	\$672,371	\$239	\$97,677	\$1,654,550
Net income	—	—	59,105	—	8,573	67,678
Dividends (\$1.08 per share)	—	—	(140,040)	—	—	(140,040)
Issuance of shares under incentive stock plans	298,003	1,260	—	—	—	1,260
Stock-based compensation	—	6,904	—	—	—	6,904
Repurchase of common shares	(455,609)	(4,250)	(8,430)	—	—	(12,680)
Actuarial change and amortization of pension and postretirement plan liabilities	—	—	—	(1,350)	—	(1,350)
Foreign currency translation adjustment	—	—	—	784	179	963
Cash flow hedges	—	—	—	(30,875)	393	(30,482)
Distribution to minority shareholder	—	—	—	—	(9,161)	(9,161)
<b>Balance, December 31, 2019</b>	129,331,069	\$888,177	\$583,006	(\$31,202)	\$97,661	\$1,537,642

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31,  
(Thousands of dollars)

	2019	2018	2017
<b>OPERATING ACTIVITIES</b>			
Net income	\$67,678	\$117,330	\$161,579
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation, depletion and amortization	128,235	144,121	127,566
Non-cash cost of land and improved development	12,565	23,553	13,684
Stock-based incentive compensation expense	6,904	6,428	5,396
Deferred income taxes	11,314	22,832	21,980
Amortization of losses from pension and postretirement plans	449	675	465
Gain on sale of large disposition of timberlands	—	—	(66,994)
Other	(4,999)	(2,613)	(716)
Changes in operating assets and liabilities:			
Receivables	(849)	765	(6,362)
Inventories	1,224	1,773	(1,384)
Accounts payable	(1,554)	(4,626)	3,435
Income tax receivable/payable	—	—	(434)
All other operating activities	(6,714)	(142)	(1,931)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>214,253</b>	<b>310,096</b>	<b>256,284</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditures	(63,996)	(62,325)	(65,345)
Real estate development investments	(6,803)	(9,501)	(15,784)
Purchase of timberlands	(142,287)	(57,608)	(242,910)
Net proceeds from large disposition of timberlands	—	—	95,243
Rayonier office building under construction	—	—	(6,084)
Other	(6,304)	(3,421)	(373)
<b>CASH USED FOR INVESTING ACTIVITIES</b>	<b>(219,390)</b>	<b>(132,855)</b>	<b>(235,253)</b>
<b>FINANCING ACTIVITIES</b>			
Issuance of debt	82,000	1,014	63,389
Repayment of debt	—	(54,416)	(100,157)
Dividends paid	(141,071)	(136,772)	(127,069)
Proceeds from the issuance of common shares under incentive stock plan	1,260	8,591	4,751
Proceeds from the issuance of common shares from equity offering, net of costs	—	—	152,390
Repurchase of common shares to pay withholding taxes on vested incentive stock awards	(4,250)	(2,984)	(176)
Repurchase of common shares under repurchase program	(8,430)	—	—
Proceeds from shareholder distribution hedge	135	2,025	—
Distribution to minority shareholder	(9,161)	(11,172)	—
Debt issuance costs	(132)	—	—
<b>CASH USED FOR FINANCING ACTIVITIES</b>	<b>(79,649)</b>	<b>(193,714)</b>	<b>(6,872)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(1,700)</b>	<b>571</b>	<b>580</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH (a)</b>			
Change in cash, cash equivalents and restricted cash	(86,486)	(15,902)	14,739
Balance, beginning of year	156,454	172,356	157,617
Balance, end of year	<b>\$69,968</b>	<b>\$156,454</b>	<b>\$172,356</b>

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
For the Years Ended December 31,  
(Thousands of dollars)

	2019	2018	2017
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash paid during the year:			
Interest (a)	\$32,782	\$33,120	\$36,041
Income taxes	1,691	2,150	514
Non-cash investing activity:			
Capital assets purchased on account	3,568	2,001	3,809

(a) Interest paid is presented net of patronage payments received of \$4.0 million, \$4.1 million and \$3.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. For additional information on patronage payments, see [Note 6 — Debt](#).

See Notes to Consolidated Financial Statements.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION**

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These statements include the accounts of Rayonier Inc. and its subsidiaries, in which it has a majority ownership or controlling interest. As of March 2016, the Company maintains a 77% ownership interest in the New Zealand subsidiary, and, as such, consolidates its results of operations and Balance Sheet. The Company records a noncontrolling interest in its consolidated financial statements representing the minority ownership interest (23%) of the New Zealand subsidiary's results of operations and equity. All intercompany balances and transactions are eliminated.

**RECLASSIFICATIONS**

During 2019, management reclassified Real Estate segment sales related to marketing fees and deferred revenue adjustments from Improved Development to Other. All prior period amounts previously reported have been reclassified. See [Note 5 - Segment and Geographic Information](#).

**USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. There are risks inherent in estimating and therefore actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand and other highly liquid investments with original maturities of three months or less.

**ACCOUNTS RECEIVABLE**

Accounts receivable are primarily amounts due to the Company for the sale of timber and are presented net of an allowance for doubtful accounts.

**INVENTORY**

HBU real estate properties that are expected to be sold within one year are included in inventory at the lower of cost or net realizable value. HBU properties that are expected to be sold after one year are included in a separate balance sheet line entitled "Higher and Better Use Timberlands and Real Estate Development Investments." See below for additional information.

Inventory also includes logs available to be sold by the Trading segment. Log inventory is recorded at the lower of cost or net realizable value and expensed to cost of sales when sold to third-party buyers. See [Note 19 — Inventory](#) for additional information.

**PREPAID LOGGING ROADS**

Costs for roads built in the Pacific Northwest and New Zealand to access particular tracts to be harvested in the upcoming 24 months to 60 months are recorded as prepaid logging roads. The Company charges such costs to expense as timber is harvested using an amortization rate determined annually as the total cost of prepaid roads divided by the estimated tons of timber to be accessed by those roads. The prepaid balance is classified as short-term or long-term based on the upcoming harvest schedule. See [Note 21 — Other Assets](#) for additional information.

**DEFERRED FINANCING COSTS**

Deferred financing costs related to revolving debt are capitalized and amortized to interest expense over the term of the revolving debt using a method that approximates the effective interest method. See [Note 21 — Other Assets](#) for

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

additional information on deferred financing costs related to revolving debt. See [Note 6 — Debt](#) for additional information on deferred financing costs related to term debt.

#### **CAPITALIZED SOFTWARE COSTS**

Software costs are capitalized and amortized over a period not exceeding five years using the straight-line method.

#### **TIMBER AND TIMBERLANDS**

Timber is stated at the lower of cost or net realizable value. Costs relating to acquiring, planting and growing timber including real estate taxes, site preparation and direct support costs relating to facilities, vehicles and supplies, are capitalized. A portion of timberland lease payments are capitalized based on the proportion of acres with merchantable timber volume remaining to be harvested under the lease term and the residual portion of the lease payments are expensed as incurred. Payroll costs are capitalized for time spent on timber growing activities, while interest or any other intangible costs are not capitalized. An annual depletion rate is established for each particular region by dividing merchantable inventory cost by standing merchantable inventory volume, which is estimated annually. The Company charges accumulated costs attributed to merchantable timber to depletion expense (cost of sales) at the time the timber is harvested or when the underlying timberland is sold.

Upon the acquisition of timberland, the Company makes a determination on whether to combine the newly acquired merchantable timber with an existing depletion pool or to create a new, separate pool. This determination is based on the geographic location of the new timber, the customers/markets that will be served and the species mix. If the acquisition is similar, the cost of the acquired timber is combined into an existing depletion pool and a new depletion rate is calculated for the pool. This determination and depletion rate adjustment normally occurs in the quarter following the acquisition.

#### **HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS**

HBU timberland is recorded at the lower of cost or net realizable value. These properties are managed as timberlands until sold or developed, with sales and depletion expense related to the harvesting of timber accounted for within the respective timber segment. At the time of sale, the cost basis of any unharvested timber is recorded as depletion expense, a component of cost of sales, within the Real Estate segment.

Real estate development investments include capitalized costs for targeted infrastructure improvements, such as roadways and utilities. HBU timberland and real estate development investments expected to be sold within twelve months are recorded as inventory. See [Note 7 — Higher and Better Use Timberlands and Real Estate Development Investments](#) for additional information.

#### **PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION**

Property, plant and equipment additions are recorded at cost, including applicable freight, interest, construction and installation costs. The Company generally depreciates its assets, including office and transportation equipment, using the straight-line depreciation method over 3 to 25 years. Buildings and land improvements are depreciated using the straight-line method over 15 to 35 years and 5 to 30 years, respectively.

Gains and losses on the sale or retirement of assets are included in operating income. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets that are held and used is measured by net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is the amount the carrying value exceeds the fair value of the assets, which is based on a discounted cash flow model. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

#### **LEASES**

At inception, the Company determines if an arrangement is a lease and whether that lease meets the classification criteria of a finance or operating lease. Operating leases are included in right-of-use ("ROU") assets, other current liabilities, and long-term lease liability in the Consolidated Balance Sheets.

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

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

#### **RIGHT-OF-USE ASSETS IMPAIRMENT**

Operating lease right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group to which the operating lease is assigned may not be recoverable. Recoverability of the asset group is evaluated based on forecasted undiscounted cash flows. If the carrying amount of the asset group is not recoverable, the fair value of the asset group is compared to its carrying amount and an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value. A discounted cash flow approach using market participant assumptions of the expected cash flows and discount rate are used to estimate the fair value of the asset group.

#### **INVESTMENTS**

Investments at December 31, 2019 consisted of marketable equity securities. Investments are carried at fair value based on quoted prices in their active market with both the realized and unrealized gains and losses as well as interest and dividends reported in "Interest and other miscellaneous income, net."

#### **FAIR VALUE MEASUREMENTS**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy that prioritizes the inputs used to measure fair value was established 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, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

*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. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

#### **GOODWILL**

Goodwill represents the excess of the acquisition cost of the New Zealand Timber segment over the fair value of the net assets acquired. Goodwill is not amortized, but is periodically reviewed for impairment. An impairment test for this reporting unit's goodwill is performed annually and whenever events or circumstances indicate that the value of goodwill may be impaired. The Company compares the fair value of the New Zealand Timber segment, using an independent valuation for the New Zealand forest assets, to its carrying value including goodwill. The independent valuation of the New Zealand forest assets is based on discounted cash flow models where the fair value is calculated using cash flows from sustainable forest management plans. The fair value of the forest assets is measured as the present value of cash flows from one growth cycle based on the productive forest land, taking into consideration environmental, operational, and market restrictions. These cash flow valuations involve a number of estimates that require broad assumptions and significant judgment regarding future performance. The annual impairment test was performed as of October 1, 2019; the estimated fair value of the New Zealand Timber segment exceeded its carrying value and no impairment was recorded. Except for changes in the New Zealand foreign exchange rate, there have been no adjustments to the carrying value of goodwill since the initial recognition. [Note 21 — Other Assets](#) for additional information.

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

**FOREIGN CURRENCY TRANSLATION AND REMEASUREMENT**

The functional currency of the Company's New Zealand-based operations is the New Zealand dollar. All assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the respective balance sheet dates. Translation gains and losses are recorded as a separate component of Accumulated Other Comprehensive Income ("AOCI"), within Shareholders' Equity.

U.S. denominated transactions of the New Zealand subsidiary are remeasured into New Zealand dollars at the exchange rate in effect on the date of the transaction and recognized in earnings, net of related cash flow hedges. All income statement items of the New Zealand subsidiary are translated into U.S. dollars for reporting purposes using monthly average exchange rates with translation gains and losses being recorded as a separate component of AOCI, within Shareholders' Equity.

**REVENUE RECOGNITION**

The Company recognizes revenues when control of promised goods or services ("performance obligations") is transferred to customers, in an amount that reflects the consideration expected in exchange for those goods or services ("transaction price"). The Company generally satisfies performance obligations within a year of entering into a contract and therefore has applied the disclosure exemption found under ASC 606-10-50-14. Unsatisfied performance obligations as of December 31, 2019 are primarily due to advances on stumpage contracts and unearned hunt license revenue. These performance obligations are expected to be satisfied within the next twelve months. The Company generally collects payment within a year of satisfying performance obligations and therefore has elected not to adjust revenues for a financing component.

**TIMBER SALES**

Revenue from the sale of timber is recognized when control passes to the buyer. The Company utilizes two primary methods or sales channels for the sale of timber – a stumpage/standing timber model and a delivered log model. The sales method the Company employs depends upon local market conditions and which method management believes will provide the best overall margins.

Under the stumpage model, standing timber is sold primarily under pay-as-cut contracts, with a specified duration (typically one year or less) and fixed prices, whereby revenue is recognized as timber is severed and the sales volume is determined. The Company also sells stumpage under lump-sum contracts for specified parcels where the Company receives cash for the full agreed value of the timber prior to harvest and control passes to the buyer upon signing the contract. The Company retains interest in the land, slash products and the use of the land for recreational and other purposes. Any uncut timber remaining at the end of the contract period reverts to the Company. Revenue is recognized for lump-sum timber sales when payment is received, the contract is signed and control passes to the buyer. A third type of stumpage sale the Company utilizes is an agreed-volume sale, whereby revenue is recognized using the output method, as periodic physical observations are made of the percentage of acreage harvested.

Under the delivered log model, the Company hires third-party loggers and haulers to harvest timber and deliver it to a buyer. Sales of domestic logs generally do not require an initial payment and are made to third-party customers on open credit terms. Sales of export logs generally require a letter of credit from an approved bank. Revenue is recognized when the logs are delivered and control has passed to the buyer. For domestic log sales, control is considered passed to the buyer as the logs are delivered to the customer's facility. For export log sales (primarily in New Zealand), control is considered passed to the buyer upon delivery onto the export vessel.



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

The following table summarizes revenue recognition and general payment terms for timber sales:

<b>Contract Type</b>	<b>Performance Obligation</b>	<b>Timing of Revenue Recognition</b>	<b>General Payment Terms</b>
Stumpage Pay-as-Cut	Right to harvest a unit (i.e. ton, MBF, JAS m3) of standing timber	As timber is severed (point-in-time)	Initial payment between 5% and 20% of estimated contract value; collection generally within 10 days of severance
Stumpage Lump Sum	Right to harvest an agreed upon acreage of standing timber	Contract execution (point-in-time)	Full payment due upon contract execution
Stumpage Agreed Volume	Right to harvest an agreed upon volume of standing timber	As timber is severed (over-time)	Payments made throughout contract term at the earlier of a specified harvest percentage or time elapsed
Delivered Wood (Domestic)	Delivery of a unit (i.e. ton, MBF, JAS m3) of timber to customer's facility	Upon delivery to customer's facility (point-in-time)	No initial payment and on open credit terms; collection generally within 30 days of invoice
Delivered Wood (Export)	Delivery of a unit (i.e. ton, MBF, JAS m3) onto export vessel	Upon delivery onto export vessel (point-in-time)	Letter of credit from an approved bank; collection generally within 30 days of delivery

**NON-TIMBER SALES**

Non-timber sales are primarily comprised of hunting and recreational licenses. Such sales and any related costs are recognized ratably over the term of the agreement and included in "Sales" and "Cost of sales", respectively. Payment is generally due upon contract execution.

**LOG TRADING**

Log trading revenue is generally recognized when procured logs are delivered to the buyer and control has passed. For domestic log trading, control is considered passed to the buyer as the logs are delivered to the customer's facility. For export log trading, control is considered passed to the buyer upon delivery onto the export vessel. The Trading segment also includes sales from log agency contracts, whereby the Company acts as an agent managing export services on behalf of third parties. Revenue for log agency fees are recognized net of related costs.

**REAL ESTATE**

The Company recognizes revenue on sales of real estate generally at the point in time when cash has been received, the sale has closed and control has passed to the buyer. A deposit of 5% is generally required at the time a purchase and sale agreement is executed, with the balance due at closing. On sales of real estate containing future performance obligations, revenue is recognized using the input method based on costs incurred to date relative to the total costs expected to fulfill the performance obligations in the contract with the customer.

**COST OF SALES**

Cost of sales associated with timber operations primarily include the cost basis of timber sold (depletion) 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 and certain payroll costs). Other costs include amortization of capitalized costs related to road and bridge construction and software, depreciation of fixed assets and equipment, road maintenance, severance and excise taxes and fire prevention.

Cost of sales associated with real estate sold includes the cost of the land, the cost of any timber on the property that was conveyed to the buyer, any real estate development costs and any closing costs including sales commissions that may be borne by the Company. The Company expenses closing costs, including sales commissions, when incurred for all real estate sales with future performance obligations expected to be satisfied within one year.

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

When developed residential or commercial land is sold, the cost of sales includes actual costs incurred and estimates of future development costs benefiting the property sold through completion. Costs are allocated to each sold unit or lot based upon the relative sales value. For purposes of allocating development costs, estimates of future revenues and development costs are re-evaluated periodically throughout the year, with adjustments being allocated prospectively to the remaining units available for sale.

#### **EMPLOYEE BENEFIT PLANS**

The determination of expense and funding requirements for Rayonier's defined benefit pension plan, its unfunded excess pension plan and its postretirement life insurance plan are largely based on a number of actuarial assumptions. The key assumptions include discount rate, return on assets, salary increases, mortality rates and longevity of employees. See [Note 16 — Employee Benefit Plans](#) for assumptions used to determine benefit obligations, and the net periodic benefit cost for the year ended December 31, 2019.

Periodic pension and other postretirement expense is included in "Cost of sales," "Selling and general expenses" and "Interest and other miscellaneous income, net" in the Consolidated Statements of Income and Comprehensive Income. The service cost component of net periodic benefit cost is included in "Cost of sales" and "Selling and general expenses" while the other components of net periodic benefit cost (interest cost, expected return on plan assets and amortization of losses or gains) are presented outside of income from operations in "Interest and other miscellaneous income, net." At December 31, 2019 and 2018, the Company's pension plans were in a net liability position (underfunded) of \$23.8 million and \$28.6 million, respectively. The estimated amount to be paid in the next 12 months is recorded in "Accrued payroll and benefits" on the Consolidated Balance Sheets, with the remainder recorded as a long-term liability in "Pension and Other Postretirement Benefits." Changes in the funded status of the Company's plans are recorded through other comprehensive (loss) income in the year in which the changes occur. The Company measures plan assets and benefit obligations as of the fiscal year-end. See [Note 16 — Employee Benefit Plans](#) for additional information.

#### **INCOME TAXES**

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, operating loss carryforwards and tax credit carryforwards. Deferred tax assets and liabilities are measured pursuant to tax laws using rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The Company recognizes the effect of a change in income tax rates on deferred tax assets and liabilities in the Consolidated Statements of Income and Comprehensive Income in the period that includes the enactment date of the rate change. The Company records a valuation allowance to reduce the carrying amounts of deferred tax assets if it is more-likely-than-not that such deferred tax assets will not be realized.

In determining the provision for income taxes, the Company computes an annual effective income tax rate based on annual income by legal entity, permanent differences between book and tax, and statutory income tax rates by jurisdiction. Inherent in the effective tax rate is an assessment of the ultimate outcome of current period uncertain tax positions. The Company adjusts its annual effective tax rate as additional information on outcomes or events becomes available. Discrete items such as taxing authority examination findings or legislative changes are recognized in the period in which they occur.

The Company's income tax returns are subject to audit by U.S. federal, state and foreign taxing authorities. In evaluating the tax benefits associated with various tax filing positions, the Company records a tax benefit for an uncertain tax position if it is more-likely-than-not to be realized upon ultimate settlement of the issue. The Company records a liability for an uncertain tax position that does not meet this criterion. The Company adjusts its liabilities for uncertain tax benefits in the period in which it is determined the issue is settled with the taxing authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position or when new facts or information become available. See [Note 10 — Income Taxes](#) for additional information.

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

**RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

The Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), on January 1, 2019 and elected to apply the standard as of that day.

The Company applied the following practical expedients in the transition to the new standard as allowed under ASC 842-10-65-1:

Practical Expedient	Description
Reassessment of expired or existing contracts	The Company elected not to reassess, at the application date, whether any expired or existing contracts contained leases, the lease classification for any expired or existing leases, and the accounting for initial direct costs for any existing leases.
Use of hindsight	The Company elected to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of right-of-use assets.
Reassessment of existing or expired land easements	The Company elected not to evaluate existing or expired land easements that were not previously accounted for as leases under ASC 840, as allowed under the transition practical expedient. Going forward, new or modified land easements will be evaluated under ASU No. 2016-02.

The Company adopted ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* in the first quarter ended March 31, 2019 with no material impact on the consolidated financial statements.

The Company adopted ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting* in the first quarter ended March 31, 2019 with no impact on the consolidated financial statements.

**NEW ACCOUNTING PRONOUNCEMENTS**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)*, which requires companies to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate the lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model applies to all financial assets, including trade receivables. ASU No. 2016-13 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company does not expect a material impact on the Company's Consolidated Financial Statements.

**SUBSEQUENT EVENTS**

*Pope Resources Acquisition*

On January 15, 2020, the Company entered into a definitive merger agreement under which Rayonier will acquire all of the outstanding limited partnership units of Pope Resources, A Delaware Limited Partnership for consideration consisting of equity and cash. Pursuant to the terms of the agreement, elections of cash versus equity will be subject to proration to ensure that the ratio of cash and equity would be equal to the amounts issued as if every Pope Resources unit received 2.751 Rayonier common shares or Rayonier operating partnership units and \$37.50 in cash. The merger agreement also provides for Rayonier to acquire the general partner entities of Pope Resources, Pope MGP, Inc. and Pope EGP, Inc., for consideration consisting of \$10 million of cash. This transaction is expected to close in mid-2020.

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

**2. REVENUE**

**Adoption of ASC 606**

The Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, on January 1, 2018. The Company elected to apply the modified retrospective method to contracts that were not completed at the date of adoption. The Company also elected not to retrospectively restate contracts modified prior to January 1, 2018. A cumulative effect of adoption adjustment to the opening balance of retained earnings was not recorded as there was no accounting impact to any contracts with customers not completed at the date of adoption.

**Contract Balances**

The timing of revenue recognition, invoicing and cash collections results in accounts receivable and deferred revenue (contract liabilities) on the Consolidated Balance Sheets. Accounts receivable are recorded when the Company has an unconditional right to consideration for completed performance under the contract. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract.

The following table summarizes revenue recognized during the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of each year:

	Year Ended December 31,	
	2019	2018
Revenue recognized from contract liability balance at the beginning of the year (a)	\$10,039	\$9,004

(a) Revenue recognized was primarily from hunting licenses and the use of advances on pay-as-cut timber sales.

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

The following tables present our revenue from contracts with customers disaggregated by product type for the years ended December 31, 2019, 2018 and 2017:

Year Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Elim.	Total
<b>December 31, 2019</b>							
Pulpwood	\$86,537	\$10,350	\$32,925	—	\$13,351	—	\$143,163
Sawtimber	67,360	72,377	198,481	—	101,255	—	439,473
Hardwood	5,259	—	—	—	—	—	5,259
<b>Total Timber Sales</b>	<b>159,156</b>	<b>82,727</b>	<b>231,406</b>	<b>—</b>	<b>114,606</b>	<b>—</b>	<b>587,895</b>
License Revenue, Primarily From Hunting	18,270	717	361	—	—	—	19,348
Other Non-Timber/Carbon Revenue	16,685	1,970	10,094	—	—	—	28,749
Agency Fee Income	—	—	—	—	677	—	677
<b>Total Non-Timber Sales</b>	<b>34,955</b>	<b>2,687</b>	<b>10,455</b>	<b>—</b>	<b>677</b>	<b>—</b>	<b>48,774</b>
Improved Development	—	—	—	5,882	—	—	5,882
Unimproved Development	—	—	—	19,476	—	—	19,476
Rural	—	—	—	29,852	—	—	29,852
Timberlands & Non-Strategic	—	—	—	19,133	—	—	19,133
Other	—	—	—	544	—	—	544
<b>Total Real Estate Sales</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>74,887</b>	<b>—</b>	<b>—</b>	<b>74,887</b>
Revenue from Contracts with Customers	194,111	85,414	241,861	74,887	115,283	—	711,556
Intersegment	—	—	—	—	155	(155)	—
<b>Total Revenue</b>	<b>\$194,111</b>	<b>\$85,414</b>	<b>\$241,861</b>	<b>\$74,887</b>	<b>\$115,438</b>	<b>(\$155)</b>	<b>\$711,556</b>
<b>December 31, 2018</b>							
Pulpwood	\$80,134	\$14,305	\$28,737	—	\$13,771	—	\$136,947
Sawtimber	60,295	92,166	213,206	—	134,299	—	499,966
Hardwood	3,433	—	—	—	—	—	3,433
<b>Total Timber Sales</b>	<b>143,863</b>	<b>106,471</b>	<b>241,943</b>	<b>—</b>	<b>148,070</b>	<b>—</b>	<b>640,347</b>
License Revenue, Primarily from Hunting	16,285	709	401	—	—	—	17,395
Other Non-Timber/Carbon Revenue	9,847	2,652	6,670	—	—	—	19,169
Agency Fee Income	—	—	—	—	652	—	652
<b>Total Non-Timber Sales</b>	<b>26,132</b>	<b>3,361</b>	<b>7,071</b>	<b>—</b>	<b>652</b>	<b>—</b>	<b>37,216</b>
Improved Development	—	—	—	8,336	—	—	8,336
Unimproved Development	—	—	—	8,621	—	—	8,621
Rural	—	—	—	22,689	—	—	22,689
Timberlands & Non-Strategic	—	—	—	98,872	—	—	98,872
Other	—	—	—	57	—	—	57
<b>Total Real Estate Sales</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>138,575</b>	<b>—</b>	<b>—</b>	<b>138,575</b>
Revenue from Contracts with Customers	169,995	109,832	249,014	138,575	148,722	—	816,138
Intersegment	—	—	—	—	92	(92)	—
<b>Total Revenue</b>	<b>\$169,995</b>	<b>\$109,832</b>	<b>\$249,014</b>	<b>\$138,575</b>	<b>\$148,814</b>	<b>(\$92)</b>	<b>\$816,138</b>
<b>December 31, 2017</b>							
Pulpwood	\$67,836	\$11,242	\$24,934	—	\$13,352	—	\$117,364
Sawtimber	50,891	77,477	197,521	—	137,854	—	463,743
Hardwood	3,912	—	—	—	—	—	3,912
<b>Total Timber Sales</b>	<b>122,639</b>	<b>88,719</b>	<b>222,455</b>	<b>—</b>	<b>151,206</b>	<b>—</b>	<b>585,019</b>
License Revenue, Primarily from Hunting	16,004	646	227	—	—	—	16,877
Other Non-Timber/Carbon Revenue	5,867	2,512	617	—	—	—	8,996
Agency Fee Income	—	—	—	—	1,378	—	1,378
<b>Total Non-Timber Sales</b>	<b>21,871</b>	<b>3,158</b>	<b>844</b>	<b>—</b>	<b>1,378</b>	<b>—</b>	<b>27,251</b>
Improved Development	—	—	—	6,889	—	—	6,889
Unimproved Development	—	—	—	16,405	—	—	16,405
Rural	—	—	—	18,632	—	—	18,632
Timberlands & Non-Strategic	—	—	—	70,590	—	—	70,590

Large Dispositions	—	—	—	95,351	—	—	95,351
Other	—	—	—	(541)	—	—	(541)
<b>Total Real Estate Sales</b>	—	—	—	207,326	—	—	207,326
Revenue from Contracts with Customers	144,510	91,877	223,299	207,326	152,584	—	819,596
<b>Total Revenue</b>	<u>\$144,510</u>	<u>\$91,877</u>	<u>\$223,299</u>	<u>\$207,326</u>	<u>\$152,584</u>	<u>—</u>	<u>\$819,596</u>

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

The following tables present our timber sales disaggregated by contract type for the years ended December 31, 2019, 2018 and 2017:

Year Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Trading	Total
<b>December 31, 2019</b>					
Stumpage Pay-as-Cut	\$71,943	—	—	—	\$71,943
Stumpage Lump Sum	7,428	2,749	—	—	10,177
Total Stumpage	79,371	2,749	—	—	82,120
Delivered Wood (Domestic)	71,054	79,978	80,974	5,488	237,494
Delivered Wood (Export)	8,731	—	150,432	109,118	268,281
Total Delivered	79,785	79,978	231,406	114,606	505,775
<b>Total Timber Sales</b>	<b>\$159,156</b>	<b>\$82,727</b>	<b>\$231,406</b>	<b>\$114,606</b>	<b>\$587,895</b>
<b>December 31, 2018</b>					
Stumpage Pay-as-Cut	\$72,385	—	—	—	\$72,385
Stumpage Lump Sum	4,988	11,854	—	—	16,842
Total Stumpage	77,373	11,854	—	—	89,227
Delivered Wood (Domestic)	60,931	94,617	90,631	6,141	252,320
Delivered Wood (Export)	5,559	—	151,312	141,929	298,800
Total Delivered	66,490	94,617	241,943	148,070	551,120
<b>Total Timber Sales</b>	<b>\$143,863</b>	<b>\$106,471</b>	<b>\$241,943</b>	<b>\$148,070</b>	<b>\$640,347</b>
<b>December 31, 2017</b>					
Stumpage Pay-as-Cut	\$71,120	—	—	—	\$71,120
Stumpage Lump Sum	9,093	10,628	—	—	19,721
Stumpage Agreed Volume	—	1,234	—	—	1,234
Total Stumpage	80,213	11,862	—	—	92,075
Delivered Wood (Domestic)	42,426	76,857	84,221	6,044	209,548
Delivered Wood (Export)	—	—	138,234	145,162	283,396
Total Delivered	42,426	76,857	222,455	151,206	492,944
<b>Total Timber Sales</b>	<b>\$122,639</b>	<b>\$88,719</b>	<b>\$222,455</b>	<b>\$151,206</b>	<b>\$585,019</b>

### 3. TIMBERLAND ACQUISITIONS

In 2019, the Company acquired approximately 62,000 acres of U.S. timberland located in Florida, Georgia, Texas, and Washington through sixteen transactions for an aggregate value of \$106.3 million. Approximately \$29.8 million of these acquisitions were acquired using like-kind exchange proceeds while the remaining \$76.5 million were funded from operating cash flow and the use of the Company's revolving credit facility. Additionally, during 2019, the Company acquired approximately 9,000 acres of timberland (including approximately 2,000 acres of leased land) in New Zealand for approximately \$36.0 million. These acquisitions were funded from operating cash flow.

In 2018, the Company acquired approximately 26,000 acres of U.S. timberland in Florida, Georgia and Texas for \$45.9 million of like-kind exchange proceeds. Additionally, in two transactions during 2018, the Company acquired forestry rights covering approximately 4,000 acres of timberland in New Zealand for approximately \$11.7 million. These acquisitions were funded from operating cash flow and use of the New Zealand subsidiary's working capital facility.

See [Note 6 - Debt](#) for additional information on the Company's revolving credit facility and the New Zealand subsidiary's working capital facility.

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

The following table summarizes the timberland acquisitions for the years ended December 31, 2019 and 2018:

	2019		2018	
	Cost	Acres	Cost	Acres
Florida	\$71,183	42,522	\$35,560	20,513
Georgia	13,395	10,271	2,532	2,232
Texas	14,349	6,643	7,851	70,919
Washington	7,340	2,260	—	—
New Zealand	36,020	9,223	11,665	3,833
<b>Total Acquisitions</b>	<b>\$142,287</b>	<b>70,919</b>	<b>\$57,608</b>	<b>29,857</b>

#### 4. LEASES

##### ADOPTION OF ASC 842

For more information on the adoption of ASC 842, including required transition disclosures, see [Note 1 - Summary of Significant Accounting Policies](#).

##### TIMBERLAND LEASES

U.S. timberland leases typically have initial terms of approximately 30 to 65 years, with renewal provisions in some cases. New Zealand timberland lease terms typically range between 30 and 99 years. New Zealand lease arrangements generally consist of Crown Forest Licenses (“CFLs”), forestry rights and land leases. A CFL is a license arrangement to use government or privately owned lands to operate a commercial forest. CFLs generally extend indefinitely and may only be terminated upon a 35-year termination notice. If no termination notice is given, the CFLs renew automatically each year for a one-year term. Alternatively, some CFLs extend for a specific term. Once a CFL is terminated, the Company may be able to obtain a forestry right from the subsequent owner. A forestry right is a license arrangement with a private entity to use their lands to operate a commercial forest. Forestry rights terminate either upon the issuance of a termination notice (which can last 35 to 45 years), completion of harvest, or a specified termination date.

As of December 31, 2019, the New Zealand subsidiary has two CFLs comprising 9,000 acres under termination notice that are being relinquished as harvest activities are concluded, as well as two fixed-term CFLs comprising 3,000 acres expiring in 2062. Additionally, the New Zealand subsidiary has two forestry rights comprising 32,000 acres under termination notice that are being relinquished as harvest activities are concluded in 2026 and 2030.

##### OTHER NON-TIMBERLAND LEASES

In addition to timberland holdings, the Company leases properties for certain office locations. Significant leased properties include a regional office in Lufkin, Texas; a Pacific Northwest Timber office in Hoquiam, Washington and a New Zealand Timber and Trading headquarters in Auckland, New Zealand.

##### LEASE MATURITIES, LEASE COST AND OTHER LEASE INFORMATION

The following table details the Company's undiscounted lease obligations as of December 31, 2019 by type of lease and year of expiration:

Lease obligations	Total	Year of Expiration					
		2020	2021	2022	2023	2024	Thereafter
Operating lease liabilities	\$193,320	\$10,028	\$9,293	\$8,413	\$8,355	\$8,281	\$148,950
<b>Total Undiscounted Cash Flows</b>	<b>\$193,320</b>	<b>\$10,028</b>	<b>\$9,293</b>	<b>\$8,413</b>	<b>\$8,355</b>	<b>\$8,281</b>	<b>\$148,950</b>
Imputed interest	(92,796)						
<b>Balance at December 31, 2019</b>	<b>100,524</b>						
Less: Current portion	(10,043)						
<b>Non-current portion at December 31, 2019</b>	<b>\$90,481</b>						



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

The following table details components of the Company's lease cost for year ended December 31, 2019:

Lease Cost Components	Year Ended December 31, 2019
Operating lease cost	\$10,870
Variable lease cost (a)	235
<b>Total lease cost (b)</b>	<b>\$11,105</b>

(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) Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for these leases are expensed on a straight line basis over the lease term. Short-term lease expense was not material for the year ended December 31, 2019.

The following table details components of the Company's lease cost for the year ended December 31, 2019:

Supplemental cash flow information related to leases:	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$2,567
Investing cash flows from operating leases	8,303
<b>Total cash flows from operating leases</b>	<b>\$10,870</b>
Weighted-average remaining lease term in years - operating leases	28
Weighted-average discount rate - operating leases	5%

The Company applied the following practical expedients upon adoption of the new standard as allowed under ASC 842:

Practical Expedient	Description
Short-term leases	The Company does not record right-of-use assets or liabilities for short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that is reasonably certain to be exercised).
Separation of lease and non-lease components	The Company does not separate non-lease components from the associated lease components if they have the same timing and pattern of transfer and, if accounted for separately, would both be classified as an operating lease.

## 5. SEGMENT AND GEOGRAPHICAL INFORMATION

Rayonier operates in five reportable segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading.

See [Note 1 - Summary of Significant Accounting Policies](#) for a discussion of the current year reclassification of Real Estate segment sales related to marketing fees and deferred revenue adjustments from Improved Development to Other.

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 (loss) and Adjusted EBITDA. Asset information is not reported by segment, as the company does not produce asset information by segment internally.

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

Operating income as presented in the Consolidated Statements of Income and Comprehensive Income is equal to segment income. Certain income (loss) items in the Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include interest income (expense), miscellaneous income (expense) and income tax expense, are not considered by management to be part of segment operations and are included under "Corporate and other."

Segment information for each of the three years ended December 31, 2019 follows:

	Sales by Product Line		
	2019	2018	2017
Southern Timber	\$194,111	\$169,995	\$144,510
Pacific Northwest Timber	85,414	109,832	91,877
New Zealand Timber	241,861	249,014	223,299
Real Estate			
Improved Development	5,882	8,336	6,889
Unimproved Development	19,476	8,621	16,405
Rural	29,852	22,689	18,632
Timberlands & Non-Strategic	19,133	98,872	70,590
Large Dispositions	—	—	95,351
Other (a)	544	57	(541)
Total Real Estate	<u>74,887</u>	<u>138,575</u>	<u>207,326</u>
Trading	115,438	148,814	152,584
Intersegment eliminations	(155)	(92)	—
<b>Total Sales</b>	<u><u>\$711,556</u></u>	<u><u>\$816,138</u></u>	<u><u>\$819,596</u></u>

(a) Includes marketing fees and deferred revenue adjustments related to Improved Development sales.

	Operating Income (Loss)		
	2019	2018	2017
Southern Timber	\$57,804	\$44,245	\$42,254
Pacific Northwest Timber	(12,427)	8,137	1,127
New Zealand Timber	48,035	62,754	57,567
Real Estate (a)	38,665	76,240	130,856
Trading	8	953	4,578
Corporate and other	(25,058)	(22,261)	(20,891)
Total Operating Income	<u>107,027</u>	<u>170,068</u>	<u>215,491</u>
Unallocated interest expense and other	(26,409)	(27,502)	(32,231)
Total Income before Income Taxes	<u><u>\$80,618</u></u>	<u><u>\$142,566</u></u>	<u><u>\$183,260</u></u>

(a) The year 2017 includes Large Dispositions of \$67.0 million.

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

	Gross Capital Expenditures		
	2019	2018	2017
<b><i>Capital Expenditures (a)</i></b>			
Southern Timber	\$34,574	\$35,388	\$34,476
Pacific Northwest Timber	11,220	9,311	10,254
New Zealand Timber	17,357	17,318	17,046
Real Estate	204	284	1,348
Corporate and other	641	24	2,221
Total capital expenditures	<u>\$63,996</u>	<u>\$62,325</u>	<u>\$65,345</u>
<b><i>Timberland Acquisitions</i></b>			
Southern Timber	\$98,927	\$45,943	\$220,051
Pacific Northwest Timber	7,340	—	1,483
New Zealand Timber	36,020	11,665	21,376
Total timberland acquisitions	<u>\$142,287</u>	<u>\$57,608</u>	<u>\$242,910</u>
<b>Total Gross Capital Expenditures</b>	<u><u>\$206,283</u></u>	<u><u>\$119,933</u></u>	<u><u>\$308,255</u></u>

(a) Excludes timberland acquisitions presented separately in addition to spending on the Rayonier office building of \$6.1 million in 2017 and real estate development investments of \$6.8 million, \$9.5 million and \$15.8 million in the years 2019, 2018 and 2017, respectively.

	Depreciation, Depletion and Amortization		
	2019	2018	2017
Southern Timber	\$61,923	\$58,609	\$49,357
Pacific Northwest Timber	29,165	32,779	32,008
New Zealand Timber	27,761	28,007	27,499
Real Estate (a)	8,229	23,566	36,343
Corporate and other	1,157	1,160	794
Total	<u>\$128,235</u>	<u>\$144,121</u>	<u>\$146,001</u>

(a) The year 2017 includes Large Dispositions of \$18.4 million.

	Non-Cash Cost of Land and Improved Development		
	2019	2018	2017
Real Estate (a)	<u>\$12,565</u>	<u>\$23,553</u>	<u>\$23,498</u>

(a) The year 2017 includes Large Dispositions of \$9.8 million.

	Geographical Operating Information							
	Sales			Operating Income			Identifiable Assets	
	2019	2018	2017	2019	2018	2017	2019	2018
United States	\$354,395	\$390,396	\$419,402	\$58,945	\$83,357	\$138,528	\$2,288,642	\$2,282,480
New Zealand	357,161	425,742	400,194	48,082	86,711	76,963	572,354	498,186
Total	<u>\$711,556</u>	<u>\$816,138</u>	<u>\$819,596</u>	<u>\$107,027</u>	<u>\$170,068</u>	<u>\$215,491</u>	<u>\$2,860,996</u>	<u>\$2,780,666</u>

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

**6. DEBT**

Rayonier's debt consisted of the following at December 31, 2019 and 2018:

	2019	2018
Term Credit Agreement due 2024 at a variable interest rate of 3.3% at December 31, 2019	\$350,000	\$350,000
Senior Notes due 2022 at a fixed interest rate of 3.75%	325,000	325,000
Incremental Term Loan Agreement due 2026 at a variable interest rate of 3.6% at December 31, 2019	300,000	300,000
Revolving Credit Facility due 2020 at a variable interest rate of 3.0% at December 31, 2019	82,000	—
<b>Total debt</b>	<b>1,057,000</b>	<b>975,000</b>
Less: Current maturities of long-term debt	(82,000)	—
Less: Deferred financing costs	(1,871)	(2,433)
<b>Long-term debt, net of deferred financing costs</b>	<b>\$973,129</b>	<b>\$972,567</b>

Principal payments due during the next five years and thereafter are as follows:

2020	82,000
2021	—
2022	325,000
2023	—
2024	350,000
Thereafter	300,000
<b>Total debt</b>	<b>\$1,057,000</b>

**TERM CREDIT AGREEMENT**

In August 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 periodic interest rate on the term loan facility is subject to a pricing grid based on the Company's leverage ratio, as defined in the credit agreement. As of December 31, 2019, the periodic interest rate on the term loan facility was LIBOR plus 1.625%. Monthly payments of interest only are due on this loan through maturity. Following the closing of the term loan, the Company entered into several interest rate swap transactions to fix the cost of the term loan facility over its nine-year term. The term credit agreement allows the Company to receive 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 on the term loan facility to be approximately 3.3% after consideration of the interest rate swaps and estimated patronage refunds. For additional information on the Company's interest rate swaps see [Note 14 — Derivative Financial Instruments and Hedging Activities](#).

**3.75% SENIOR NOTES ISSUED MARCH 2012**

In March 2012, Rayonier Inc. issued \$325 million of 3.75% Senior Notes due 2022, guaranteed by certain subsidiaries. Semi-annual payments of interest only are due on these notes through maturity. See [Note 24 - Consolidating Financial Statements](#) for further information regarding the subsidiary guarantors.

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

### **INCREMENTAL TERM LOAN AGREEMENT**

In April 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. The periodic interest rate on the incremental term loan agreement is subject to a pricing grid based on the Company's leverage ratio, as defined in the credit agreement. As of December 31, 2019, the periodic interest rate on the incremental term loan was LIBOR plus 1.900%. Monthly payments of interest only are due on this loan through maturity. Following the closing of the incremental term loan, the Company entered into several interest rate swap transactions to fix the cost of the facility over its 10-year term. The Company estimates the effective interest rate on the incremental term loan facility to be approximately 2.8% after consideration of the interest rate swaps and estimated patronage payments. For additional information on the Company's interest rate swaps see [Note 14 — Derivative Financial Instruments and Hedging Activities](#).

### **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 subject to a pricing grid based on the Company's leverage ratio, as defined in the credit agreement. As of December 31, 2019, the periodic interest rate on the revolving credit facility was LIBOR plus 1.250%, with an unused commitment fee of 0.175%. Monthly payments of interest only are due on this loan through maturity. At December 31, 2019, the Company had \$116.5 million of available borrowings under this facility, net of \$1.5 million to secure its outstanding letters of credit.

### **NEW ZEALAND SUBSIDIARY DEBT**

In April 2013, Rayonier acquired an additional 39% interest in its New Zealand subsidiary, bringing its total ownership to 65%, and as a result, the New Zealand subsidiary's debt was consolidated effective on that date. On March 3, 2016, as a result of a capital contribution, the Company's ownership interest in the New Zealand subsidiary increased to 77%. See [Note 8 — New Zealand Subsidiary](#) for further information.

### **WORKING CAPITAL FACILITIES**

In June 2019, the New Zealand subsidiary renewed its NZ\$20 million working capital facility for an additional 12-month term. The NZ\$20 million working capital facility is available for short-term operating cash flow needs of the New Zealand subsidiary. This facility holds a variable interest rate indexed to the 90-day New Zealand Bank Bill rate ("BKBM"). The margins are set for the term of the facility. During the year ended December 31, 2019, the New Zealand subsidiary made no borrowings and repayments on its working capital facility. At December 31, 2019, there was no outstanding balance on the working capital facility.

### **DEBT COVENANTS**

In connection with the Company's \$350 million term credit agreement (the "Term Credit Agreement"), \$300 million incremental term loan agreement (the "Incremental Term Loan Agreement") and \$200 million revolving credit facility (the "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 listed above, the 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 December 31, 2019, the Company was in compliance with all covenants.

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

**7. 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 REIT to taxable REIT subsidiaries (“TRS”), HBU timberlands to enable land-use entitlement, development or marketing activities. The Company also periodically 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 investments from December 31, 2018 to December 31, 2019 is shown below:

	Higher and Better Use Timberlands and Real Estate Development Investments		
	Land and Timber	Development Investments	Total
<b>Non-current portion at December 31, 2018</b>	\$59,189	\$26,420	\$85,609
Plus: Current portion (a)	4,239	7,680	11,919
<b>Total Balance at December 31, 2018</b>	63,428	34,100	97,528
Non-cash cost of land and improved development	(1,916)	(4,814)	(6,730)
Timber depletion from harvesting activities and basis of timber sold in real estate sales	(2,866)	—	(2,866)
Capitalized real estate development investments (b)	—	6,803	6,803
Capital expenditures (silviculture)	204	—	204
Intersegment transfers	(485)	—	(485)
<b>Total Balance at December 31, 2019</b>	58,365	36,089	94,454
Less: Current portion (a)	(274)	(12,389)	(12,663)
<b>Non-current portion at December 31, 2019</b>	<u>\$58,091</u>	<u>\$23,700</u>	<u>\$81,791</u>

(a) The current portion of Higher and Better Use Timberlands and Real Estate Development Investments is recorded in Inventory. See [Note 19 — Inventory](#) for additional information.

(b) Capitalized real estate development investments includes \$0.4 million of capitalized interest.

**8. NEW ZEALAND SUBSIDIARY**

The Company maintains a 77% controlling financial interest in Matariki Forestry Group (the “New Zealand subsidiary”), a joint venture that owns or leases approximately 414,000 legal acres of New Zealand timberland. Accordingly, the Company consolidates the New Zealand subsidiary’s balance sheet and results of operations. The portions of the consolidated financial position and results of operations attributable to the New Zealand subsidiary’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 subsidiary.

**RAYONIER INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**9. COMMITMENTS**

At December 31, 2019, the future minimum payments under non-cancellable commitments were as follows:

	Development Projects (a)	Pension Contributions (b)	Commitments (c)	Total
2020	\$4,403	\$3,599	\$2,510	\$10,512
2021	178	681	2,122	2,981
2022	178	—	2,027	2,205
2023	178	—	2,007	2,185
2024	178	—	1,171	1,349
Thereafter	2,749	—	—	2,749
	<u>\$7,864</u>	<u>\$4,280</u>	<u>\$9,837</u>	<u>\$21,981</u>

- (a) Primarily consisting of payments expected to be made on the Company's Wildlight and Richmond Hill development projects.  
(b) Pension contribution requirements are based on actuarially determined estimates and IRS minimum funding requirements.  
(c) Commitments include payments expected to be made on foreign exchange contracts, timberland deeds and other purchase obligations.

**10. INCOME TAXES**

Our U.S. timber operations are primarily conducted by our REIT entity and are generally not subject to U.S. federal and state income taxation. Our New Zealand timber operations are conducted by the New Zealand subsidiary, which is subject to corporate-level tax in New Zealand. Our non-REIT qualifying operations, which are subject to corporate-level tax, are held by various TRS entities. These operations include our log trading business and certain real estate activities, such as the sale, entitlement and development of HBU properties.

**PROVISION FOR INCOME TAXES FROM CONTINUING OPERATIONS**

The provision for income taxes for each of the three years ended December 31 follows:

	2019	2018	2017
<b>Current</b>			
U.S. federal	\$2	\$2	\$261
State	(122)	37	(38)
Foreign	(1,542)	(1,914)	(245)
	<u>(1,662)</u>	<u>(1,875)</u>	<u>(22)</u>
<b>Deferred</b>			
U.S. federal	465	3,803	13,028
State	17	146	—
Foreign	(11,278)	(23,360)	(21,659)
	<u>(10,796)</u>	<u>(19,411)</u>	<u>(8,631)</u>
Changes in valuation allowance	(482)	(3,950)	(13,028)
Total	<u>(\$12,940)</u>	<u>(\$25,236)</u>	<u>(\$21,681)</u>

**RAYONIER INC. AND SUBSIDIARIES**  
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A reconciliation of the U.S. federal statutory income tax rate to the actual income tax rate for each of the three years ended December 31 follows:

	2019		2018		2017	
U.S. federal statutory income tax rate	(\$16,930)	(21.0)%	(\$29,939)	(21.0)%	(\$64,141)	(35.0)%
U.S. and foreign REIT income	19,902	24.7	32,949	23.1	63,813	34.8
Matariki Group and Rayonier New Zealand Ltd	(11,181)	(13.9)	(23,166)	(16.2)	(19,182)	(10.5)
Transition tax	—	—	—	—	(3,506)	(1.9)
Change in valuation allowance	(482)	(0.6)	(3,950)	(2.8)	(13,028)	(7.1)
ASU No. 2016-16 adoption impact	—	—	—	—	16,631	9.1
Deemed repatriation of unremitted foreign earnings	—	—	—	—	7,368	4.0
Reduction of deferred tax asset for statutory rate change	—	—	—	—	(10,499)	(5.7)
Internal transfer of assets deferred	(1,815)	(2.3)	—	—	—	—
Foreign income tax withholding	(1,535)	(1.9)	(1,848)	(1.3)	—	—
Other	(899)	(1.1)	718	0.5	863	0.5
Income tax expense as reported for net income	(\$12,940)	(16.1)%	(\$25,236)	(17.7)%	(\$21,681)	(11.8)%

The Company's effective tax rate is below the 21 percent U.S. statutory rate primarily due to tax benefits associated with being a REIT.

**DEFERRED TAXES**

Deferred income taxes result from differences between the timing of recognizing revenues and expenses for financial book purposes versus income tax purposes. The nature of the temporary differences and the resulting net deferred tax asset/liability for the two years ended December 31 follows:

	2019	2018
Gross deferred tax assets:		
Pension, postretirement and other employee benefits	\$1,512	\$1,791
New Zealand subsidiary	23,211	14,252
CBPC tax credit carry forwards	14,555	14,555
Capitalized real estate costs	6,635	7,386
U.S. TRS net operating loss	5,410	5,747
Land basis difference	10,626	11,282
Other	4,356	4,047
Total gross deferred tax assets	66,305	59,060
Less: Valuation allowance	(39,320)	(38,839)
Total deferred tax assets after valuation allowance	\$26,985	\$20,221
Gross deferred tax liabilities:		
Accelerated depreciation	(23)	(73)
New Zealand subsidiary	(87,548)	(66,430)
Timber installment sale	—	(4,823)
Other	(3,938)	(1,272)
Total gross deferred tax liabilities	(91,509)	(72,598)
Net deferred tax liability reported as noncurrent	(\$64,524)	(\$52,377)



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Foreign net operating loss ("NOL") and tax credit carryforwards as of the two years ended December 31 follows:

	Gross Amount	Valuation Allowance	Expiration
<b>2019</b>			
New Zealand subsidiary NOL carryforwards	\$11,650	—	None
U.S. net deferred tax asset	24,765	(24,765)	None
Cellulosic Biofuel Producer Credit (a)	14,555	(14,555)	2023
Total Valuation Allowance		<u>(39,320)</u>	
<b>2018</b>			
New Zealand subsidiary NOL carryforwards	\$31,052	—	None
U.S. net deferred tax asset	24,284	(24,284)	None
Cellulosic Biofuel Producer Credit (a)	14,555	(14,555)	2019
Total Valuation Allowance		<u>(38,839)</u>	

(a) The Further Consolidated Appropriations Act, 2020 was signed into law on December 20, 2019. The Further Consolidated Appropriations Act, 2020 included the Taxpayer Certainty and Disaster Relief Act of 2019 (Tax Extenders Act), which temporarily renewed approximately two dozen credits that previously expired or were set to expire at the end of 2019. The Cellulosic Biofuel Producer Credit was one of the credits extended under this act.

**UNRECOGNIZED TAX BENEFITS**

A reconciliation of the beginning and ending unrecognized tax benefits for the three years ended December 31 follows:

	2019	2018	2017
Balance at January 1,	—	—	\$135
Decreases related to prior year tax positions (a)	—	—	(135)
Increases related to prior year tax positions	—	—	—
Balance at December 31,	<u>—</u>	<u>—</u>	<u>—</u>

(a) Result of a lapse of the applicable statute of limitations.

The Company records interest (and penalties, if applicable) related to unrecognized tax benefits in non-operating expense. The Company recorded no benefit to interest expense in 2019, 2018 and 2017, respectively and had no recorded liabilities for the payment of interest at December 31, 2019 and 2018.

**TAX STATUTES**

The following table provides detail of the tax years that remain open to examination by the IRS and other significant taxing jurisdictions:

Taxing Jurisdiction	Open Tax Years
U.S. Internal Revenue Service	2016 - 2018
New Zealand Inland Revenue	2014 - 2018

**RAYONIER INC. AND SUBSIDIARIES**  
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**11. CONTINGENCIES**

The Company has been named as a defendant in various 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 large deductible insurance plans, primarily in the areas of executive risk, property, automobile 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.

**12. GUARANTEES**

The Company provides financial guarantees as required by creditors, insurance programs, and various governmental agencies. As of December 31, 2019, the following financial guarantees were outstanding:

Financial Commitments (a)	Maximum Potential Payment
Standby letters of credit (b)	\$1,509
Surety bonds (c)	3,487
<b>Total financial commitments</b>	<b>\$4,996</b>

- (a) The Company has not recorded any liabilities for these financial commitments in the Consolidated Balance Sheets. The guarantees are not subject to measurement, as the guarantees are dependent on the Company's own performance.
- (b) Approximately \$0.5 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 2020 and will be renewed as required.
- (c) Rayonier issues surety bonds primarily to secure performance obligations related to various operational activities and to provide collateral for the Company's Wildlight development project in Nassau County, Florida. These bonds expire at various dates during 2020 and are expected to be renewed as required.

**RAYONIER INC. AND SUBSIDIARIES**  
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**13. EARNINGS PER COMMON SHARE**

Basic earnings per share ("EPS") is calculated by dividing net income attributable to Rayonier by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by dividing net income attributable to Rayonier by the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of outstanding stock options, performance shares, restricted shares, restricted stock units and convertible debt.

The following table provides details of the calculation of basic and diluted EPS for the three years ended December 31:

	2019	2018	2017
Net Income	\$67,678	\$117,330	\$161,579
Less: Net income attributable to noncontrolling interest	(8,573)	(15,114)	(12,737)
Net income attributable to Rayonier Inc.	<u>\$59,105</u>	<u>\$102,216</u>	<u>\$148,842</u>
Shares used for determining basic earnings per common share	129,257,202	129,043,627	127,367,608
Dilutive effect of:			
Stock options	12,209	71,276	91,956
Performance shares, restricted shares and restricted stock units	328,977	575,328	350,385
Shares used for determining diluted earnings per common share	<u>129,598,388</u>	<u>129,690,231</u>	<u>127,809,949</u>
Basic earnings per common share attributable to Rayonier Inc.:	\$0.46	\$0.79	\$1.17
Diluted earnings per common share attributable to Rayonier Inc.:	\$0.46	\$0.79	\$1.16

	2019	2018	2017
Anti-dilutive shares excluded from computations of diluted earnings per share:			
Stock options, performance shares, restricted shares and restricted stock units	450,681	254,282	596,061

**RAYONIER INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**14. 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. The Company also uses derivative financial instruments to mitigate exposure to foreign currency risk due to the translation of the investment in Rayonier's New Zealand-based operations from New Zealand dollars to U.S. dollars.

Accounting for derivative financial instruments is governed by Accounting Standards Codification Topic 815, *Derivatives and Hedging*, ("ASC 815"). In accordance with ASC 815, the Company records its derivative instruments at fair value as either assets or liabilities in the Consolidated Balance Sheets. Changes in the instruments' fair value are accounted for based on their intended use. Gains and losses on derivatives that are designated and qualify for cash flow hedge accounting are recorded as a component of accumulated other comprehensive (loss) 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 subsidiary is the New Zealand dollar. The New Zealand subsidiary is exposed to foreign currency risk on export sales and ocean freight payments, which are mainly denominated in U.S. dollars. The New Zealand subsidiary typically hedges 50% to 90% of its estimated foreign currency exposure with respect to the following twelve months forecasted sales and purchases less distributions and up to 75% of the forward twelve to 18 months. Foreign currency exposure from the New Zealand subsidiary's trading operations is typically hedged based on the following three months forecasted sales and purchases. As of December 31, 2019, foreign currency exchange contracts and foreign currency option contracts had maturity dates through April 2021 and March 2021, respectively.

Foreign currency exchange and option contracts hedging foreign currency risk on export sales and ocean freight payments qualify for cash flow hedge accounting. 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 (loss) income for de-designated hedges remains in accumulated other comprehensive (loss) income until the forecasted transaction affects earnings. Changes in the value of derivative instruments after de-designation are recorded in earnings.

**INTEREST RATE SWAPS**

The Company is exposed to cash flow interest rate risk on its variable-rate Term Credit Agreement and Incremental Term Loan (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. For additional information on the Company's interest rate swaps see [Note 6 — Debt](#).

**RAYONIER INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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The following table contains information on the outstanding interest rate swaps as of December 31, 2019:

Outstanding Interest Rate Swaps (a)						
Date Entered Into	Term	Notional Amount	Related Debt Facility	Fixed Rate of Swap	Bank Margin on Debt	Total Effective Interest Rate (b)
August 2015	9 years	\$170,000	Term Credit Agreement	2.20%	1.63%	3.83%
August 2015	9 years	180,000	Term Credit Agreement	2.35%	1.63%	3.98%
April 2016	10 years	100,000	Incremental Term Loan	1.60%	1.90%	3.50%
April 2016	10 years	100,000	Incremental Term Loan	1.60%	1.90%	3.50%
July 2016	10 years	100,000	Incremental Term Loan	1.26%	1.90%	3.16%

(a) All interest rate swaps have been designated as interest rate cash flow hedges and qualify for hedge accounting.

(b) Rate is before estimated patronage payments.

### CARBON OPTIONS

The New Zealand subsidiary enters into carbon options from time to time to sell carbon assets at certain prices. Changes in fair value of the carbon option contracts are recorded in "Interest and other miscellaneous income, net" as the contracts do not qualify for hedge accounting treatment. As of December 31, 2019, carbon option contracts had maturity dates through June 2020.

The following table demonstrates the impact, gross of tax, of the Company's derivatives on the Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2019, 2018 and 2017.

		Location on Statement of Income and Comprehensive Income	2019	2018	2017
<b>Derivatives designated as cash flow hedges:</b>					
Foreign currency exchange contracts		Other comprehensive (loss) income	\$2,211	(\$4,357)	\$2,100
Foreign currency option contracts		Other comprehensive (loss) income	159	(180)	(52)
Interest rate swaps		Other comprehensive (loss) income	(32,189)	8,296	4,214
<b>Derivatives designated as a net investment hedge:</b>					
Foreign currency exchange contract		Other comprehensive (loss) income	—	(344)	—
<b>Derivatives not designated as hedging instruments:</b>					
Foreign currency exchange contracts		Interest and other miscellaneous income, net	\$135	\$2,183	\$47
Carbon options		Interest and other miscellaneous income, net	(105)	(158)	—

During the next 12 months, the amount of the December 31, 2019 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 \$0.3 million.

**RAYONIER INC. AND SUBSIDIARIES**  
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The following table contains the notional amounts of the derivative financial instruments recorded in the Consolidated Balance Sheets at December 31, 2019 and 2018:

	Notional Amount	
	2019	2018
<b>Derivatives designated as cash flow hedges:</b>		
Foreign currency exchange contracts	\$56,350	\$69,950
Foreign currency option contracts	22,000	24,000
Interest rate swaps	650,000	650,000
<b>Derivatives not designated as hedging instruments:</b>		
Foreign currency exchange contracts	—	9,396
Carbon options (a)	9,592	2,517

(a) Notional amount for carbon options is calculated as the number of units outstanding multiplied by the spot price as of December 31, 2019.

The following table contains the fair values of the derivative financial instruments recorded in the Consolidated Balance Sheets at December 31, 2019 and 2018. Changes in balances of derivative financial instruments are recorded as operating activities in the Consolidated Statements of Cash Flows:

	Location on Balance Sheet	Fair Value Assets (Liabilities) (a)	
		2019	2018
<b>Derivatives designated as cash flow hedges:</b>			
Foreign currency exchange contracts	Other current assets	424	—
	Other assets	390	—
	Other current liabilities	(172)	(1,569)
Foreign currency option contracts	Other current assets	151	217
	Other assets	209	102
	Other current liabilities	(27)	(106)
Interest rate swaps	Other non-current liabilities	(30)	(68)
	Other assets	2,614	23,735
	Other non-current liabilities	(11,068)	—
<b>Derivatives not designated as hedging instruments:</b>			
Foreign currency exchange contracts	Other current assets	—	152
	Other current liabilities	—	(24)
Carbon options (a)	Other current liabilities	(607)	(322)
<b>Total derivative contracts:</b>			
Other current assets		\$575	\$369
Other assets		3,213	23,837
Total derivative assets		<u>\$3,788</u>	<u>\$24,206</u>
Other current liabilities		(806)	(2,021)
Other non-current liabilities		(11,098)	(68)
Total derivative liabilities		<u>(\$11,904)</u>	<u>(\$2,089)</u>

(a) See [Note 15 — Fair Value Measurements](#) for further information on the fair value of our derivatives including their classification within the fair value hierarchy.

**RAYONIER INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**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.

**15. 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.

The following table presents the carrying amount and estimated fair values of financial instruments held by the Company at December 31, 2019 and 2018, using market information and what the Company believes to be appropriate valuation methodologies under generally accepted accounting principles:

Asset (liability) (a)	December 31, 2019			December 31, 2018		
	Carrying Amount	Fair Value		Carrying Amount	Fair Value	
		Level 1	Level 2		Level 1	Level 2
Cash and cash equivalents	\$68,735	\$68,735	—	\$148,374	\$148,374	—
Restricted cash (b)	1,233	1,233	—	8,080	8,080	—
Current maturities of long-term debt	(82,000)	—	(82,000)	—	—	—
Long-term debt (c)	(973,129)	—	(981,500)	(972,567)	—	(975,845)
Interest rate swaps (d)	(8,454)	—	(8,454)	23,735	—	23,735
Foreign currency exchange contracts (d)	642	—	642	(1,442)	—	(1,442)
Foreign currency option contracts (d)	303	—	303	145	—	145
Carbon options contracts (d)	(607)	—	(607)	(322)	—	(322)
Marketable equity securities (e)	10,582	10,582	—	—	—	—

(a) The Company did not have Level 3 assets or liabilities at December 31, 2019 and 2018.

(b) Restricted cash represents the proceeds from like-kind exchange sales deposited with a third-party intermediary and cash held in escrow for real estate development obligations. See [Note 20 - Restricted Cash](#) for additional information.

(c) The carrying amount of long-term debt is presented net of capitalized debt costs on non-revolving debt. See [Note 6 — Debt](#) for additional information.

(d) See [Note 14 — Derivative Financial Instruments and Hedging Activities](#) for information regarding the Balance Sheet classification of the Company's derivative financial instruments.

(e) The Company's investments in marketable equity securities are classified in "Other Assets" based on the nature of the securities and their availability for use in current operations. See [Note 21 - Other Assets](#) for additional information.

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.

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*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.

*Carbon option contracts* — The fair value of carbon option contracts is determined by a mark-to-market valuation using the Black-Scholes option pricing model, 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.

*Marketable equity securities* — The fair value of marketable equity securities is determined by quoted prices in their active market.

The following table presents marketable equity securities that have been in a continuous unrealized gain position for less than 12 months and for 12 months or greater at December 31, 2019 and December 31, 2018:

	December 31, 2019				December 31, 2018			
	Carrying Amount	Less than 12 Months	12 Months or Greater	Total	Carrying Amount	Less than 12 Months	12 Months or Greater	Total
Fair value of marketable equity securities	\$10,582	\$10,582	—	\$10,582	—	—	—	—
Unrealized gains	—	3,043	—	3,043	—	—	—	—



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**16. 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 plans. The Company closed enrollment in its pension plans to salaried employees hired after December 31, 2005. Effective December 31, 2016, the Company froze benefits for all employees participating in the pension plan. In lieu of the pension plan, the Company provides those employees with an enhanced 401(k) plan match similar to what is currently provided to employees hired after December 31, 2005. Employee benefit plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause the estimates to change.

The following tables set forth the change in the projected benefit obligation and plan assets and reconcile the funded status and the amounts recognized in the Consolidated Balance Sheets for the pension and postretirement benefit plans for the two years ended December 31:

	Pension		Postretirement	
	2019	2018	2019	2018
<b>Change in Projected Benefit Obligation</b>				
Projected benefit obligation at beginning of year	\$79,559	\$87,986	\$1,303	\$1,420
Service cost	—	—	6	7
Interest cost	3,197	3,021	54	38
Actuarial loss (gain)	10,828	(8,160)	285	(149)
Benefits paid	(3,323)	(3,288)	(14)	(13)
Projected benefit obligation at end of year	<u>\$90,261</u>	<u>\$79,559</u>	<u>\$1,634</u>	<u>\$1,303</u>
<b>Change in Plan Assets</b>				
Fair value of plan assets at beginning of year	\$50,949	\$57,377	—	—
Actual return on plan assets	12,975	(4,638)	—	—
Employer contributions	6,413	2,829	14	13
Benefits paid	(3,284)	(4,002)	(14)	(13)
Other expense	(593)	(617)	—	—
Fair value of plan assets at end of year	<u>\$66,460</u>	<u>\$50,949</u>	<u>—</u>	<u>—</u>
<b>Funded Status at End of Year:</b>				
Net accrued benefit cost	<u>(\$23,801)</u>	<u>(\$28,610)</u>	<u>(\$1,634)</u>	<u>(\$1,303)</u>
<b>Amounts Recognized in the Consolidated Balance Sheets Consist of:</b>				
Current liabilities	(\$86)	(\$86)	(\$38)	(\$27)
Noncurrent liabilities	(23,715)	(28,524)	(1,596)	(1,276)
Net amount recognized	<u>(\$23,801)</u>	<u>(\$28,610)</u>	<u>(\$1,634)</u>	<u>(\$1,303)</u>

Net gains or losses recognized in other comprehensive (loss) income for the three years ended December 31 are as follows:

	Pension			Postretirement		
	2019	2018	2017	2019	2018	2017
Net (losses) gains	(\$1,514)	(\$1,743)	(\$583)	(\$285)	\$149	(\$89)

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Net gains or losses reclassified from other comprehensive income and recognized as a component of pension and postretirement expense for the three years ended December 31 are as follows:

	Pension			Postretirement		
	2019	2018	2017	2019	2018	2017
Amortization of losses (gains)	\$449	\$673	\$466	—	\$2	(\$1)

Net losses that have not yet been included in pension and postretirement expense for the two years ended December 31, but have been recognized as a component of AOCI are as follows:

	Pension		Postretirement	
	2019	2018	2019	2018
Net losses	(\$24,317)	(\$23,252)	(\$292)	(\$7)
Deferred income tax benefit	1,216	1,216	6	6
AOCI	<u>(\$23,101)</u>	<u>(\$22,036)</u>	<u>(\$286)</u>	<u>(\$1)</u>

For pension and postretirement plans with accumulated benefit obligations in excess of plan assets, the following table sets forth the projected and accumulated benefit obligations and the fair value of plan assets for the two years ended December 31:

	2019	2018
Projected benefit obligation	\$90,261	\$79,559
Accumulated benefit obligation	90,261	79,559
Fair value of plan assets	66,460	50,949

The following tables set forth the components of net pension and postretirement benefit cost (credit) that have been recognized during the three years ended December 31:

	Pension			Postretirement		
	2019	2018	2017	2019	2018	2017
Components of Net Periodic Benefit Cost (Credit)						
Service cost	—	—	—	\$6	\$7	\$6
Interest cost	3,197	3,021	3,259	54	38	53
Expected return on plan assets	(3,107)	(3,934)	(3,781)	—	—	—
Amortization of losses (gains)	449	673	466	—	2	(1)
Net periodic benefit cost (credit)	<u>\$539</u>	<u>(\$240)</u>	<u>(\$56)</u>	<u>\$60</u>	<u>\$47</u>	<u>\$58</u>

The estimated pre-tax amounts that will be amortized from AOCI into net periodic benefit cost in 2020 are as follows:

	Pension	Postretirement
Amortization of loss	\$861	\$8

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

The following table sets forth the principal assumptions inherent in the determination of benefit obligations and net periodic benefit cost of the pension and postretirement benefit plans as of December 31:

	Pension			Postretirement		
	2019	2018	2017	2019	2018	2017
Assumptions used to determine benefit obligations at December 31:						
Discount rate	3.06%	4.11%	3.48%	3.16%	4.18%	3.56%
Rate of compensation increase	—	—	—	4.50%	4.50%	4.50%
Assumptions used to determine net periodic benefit cost for years ended December 31:						
Discount rate	4.11%	3.48%	4.01%	4.18%	3.56%	4.12%
Expected long-term return on plan assets	5.72%	7.17%	7.17%	—	—	—
Rate of compensation increase	—	—	—	4.50%	4.50%	4.50%

At December 31, 2019, the pension plan's discount rate was 3.1%, which closely approximates interest rates on high quality, long-term obligations. In 2019, the expected return on plan assets decreased to 5.7%, which is based on historical and expected long-term rates of return on broad equity and bond indices and consideration of the actual annualized rate of return. The Company utilizes this information in developing assumptions for returns, risks and correlations of asset classes, which are then used to establish the asset allocation ranges.

#### INVESTMENT OF PLAN ASSETS

The Company's pension plans' asset allocation (excluding short-term investments) at December 31, 2019 and 2018, and target allocation ranges by asset category are as follows:

Asset Category	Percentage of Plan Assets		Target Allocation Range
	2019	2018	
Domestic equity securities	41%	39%	35-45%
International equity securities	28%	28%	20-30%
Domestic fixed income securities	25%	26%	25-29%
International fixed income securities	4%	5%	3-7%
Real estate fund	2%	2%	2-4%
Total	100%	100%	

The Company's Pension and Savings Plan Committee and the Audit Committee of the Board of Directors oversee the pension plans' investment program, which is designed to maximize returns and provide sufficient liquidity to meet plan obligations while maintaining acceptable risk levels. The investment approach emphasizes diversification by allocating the plans' assets among asset categories and selecting investment managers whose various investment methodologies will be minimally correlative with each other. Investments within the equity categories may include large capitalization, small capitalization and emerging market securities, while the international fixed income portfolio may include emerging markets debt. Pension assets did not include a direct investment in Rayonier common shares during the years ended December 31, 2019 and 2018.

#### NET ASSET VALUE MEASUREMENTS

Separate investment accounts are measured using the unit value calculated based on the Net Asset Value ("NAV") of the underlying assets. The NAV is based on the fair value of the underlying investments held by each fund less liabilities divided by the units outstanding as of the valuation date. These funds are not publicly traded; however, the unit price calculation is based on observable market inputs of the funds' underlying assets.

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

The following table sets forth the net asset value of the plan assets as of December 31, 2019 or 2018.

Asset Category	December 31, 2019	December 31, 2018
<b>Investments at Net Asset Value:</b>		
Separate Investment Accounts	66,460	50,949
<b>Total Investments at Net Asset Value</b>	<b>\$66,460</b>	<b>\$50,949</b>

**CASH FLOWS**

Expected benefit payments to be made by the Company for the next 10 years are as follows:

	Pension Benefits	Postretirement Benefits
2020	\$3,671	\$38
2021	3,829	42
2022	4,050	45
2023	4,146	48
2024	4,318	51
2025-2029	22,752	308

The Company has approximately \$3.6 million of pension contribution requirements in 2020.

**DEFINED CONTRIBUTION PLANS**

The Company provides a defined contribution plan to all of its employees. Company match contributions charged to expense for these plans were \$1.0 million, \$0.9 million and \$0.8 million for the years ended December 31, 2019, 2018 and 2017, respectively. The defined contribution plan includes Rayonier common shares with a fair market value of \$10.6 million and \$9.7 million at December 31, 2019 and 2018, respectively. As of June 1, 2016, the Rayonier Inc. Common Stock Fund was closed to new contributions. Transfers out of the fund will continue to be permitted, but no new investments or transfers into the fund are allowed.

As discussed above, the defined benefit pension plan is currently frozen. In lieu of the pension plan, employees are eligible to receive an enhanced match contribution. Company enhanced match contributions charged to expense for the years ended December 31, 2019, 2018 and 2017 were \$0.9 million, \$0.8 million and \$0.8 million, respectively.

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

**17. INCENTIVE STOCK PLANS**

The Rayonier Incentive Stock Plan (the "Stock Plan") provides up to 15.8 million shares to be granted for incentive stock options, non-qualified stock options, stock appreciation rights, performance shares, restricted stock and restricted stock units, subject to certain limitations. At December 31, 2019, a total of 3.8 million shares were available for future grants under the Stock Plan. Under the Stock Plan, shares available for issuance are reduced by 1 share for each option or right granted and by 2.27 shares for each performance share, restricted share or restricted stock unit granted. The Company issues new shares of stock upon the exercise of stock options, the granting of restricted stock, and the vesting of performance shares and restricted stock units.

A summary of the Company's stock-based compensation cost is presented below:

	2019	2018	2017
Selling and general expenses	\$6,416	\$5,623	\$4,784
Cost of sales	378	704	556
Timber and Timberlands, net (a)	110	101	56
Total stock-based compensation	<u>\$6,904</u>	<u>\$6,428</u>	<u>\$5,396</u>
Tax benefit recognized related to stock-based compensation expense (b)	\$362	\$338	\$249

(a) Represents amounts capitalized as part of the overhead allocation of timber-related costs.

(b) A valuation allowance is recorded against the tax benefit recognized as the Company does not expect to be able to realize the benefit in the future.

**FAIR VALUE CALCULATIONS BY AWARD**

*RESTRICTED STOCK*

Restricted stock granted to employees under the Stock Plan generally vests in fourths on the first, second, third and fourth anniversary of the grant date. Restricted stock granted to senior management generally vests in thirds on the third, fourth, and fifth anniversary of the grant date. Periodically, other one-time restricted stock grants are issued to employees for special purposes, such as new hire, promotion or retention, and can vest ratably over, or upon completion of, a defined period of time. Generally, holders of restricted stock receive dividend equivalent payments on outstanding restricted shares. Restricted stock granted to members of the board of directors generally vests immediately upon issuance and is subject to certain holding requirements. The fair value of each share granted is equal to the share price of the Company's stock on the date of grant. Rayonier has elected to value each grant in total and recognize the expense on a straight-line basis from the grant date of the award to the latest vesting date. As permitted, the Company does not estimate a forfeiture rate for non-vested shares. Accordingly, unexpected forfeitures will lower stock-based compensation during the period in which they occur.

As of December 31, 2019, there was \$2.5 million of unrecognized compensation cost attributable to the Company's restricted stock. The Company expects to recognize this cost over a weighted average period of 2.3 years.

A summary of the Company's restricted stock is presented below:

	2019	2018	2017
Restricted shares granted	—	87,924	97,643
Weighted average price of restricted shares granted	—	\$35.44	\$28.18
Intrinsic value of restricted stock outstanding (a)	\$5,540	\$8,792	\$8,906
Grant date fair value of restricted stock vested	4,579	1,582	1,198
Cash used to purchase common shares from current and former employees to pay minimum withholding tax requirements on restricted shares vested	1,610	334	176

(a) Intrinsic value of restricted stock outstanding is based on the market price of the Company's stock at December 31, 2019.

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

	2019	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested Restricted Shares at January 1,	317,499	\$30.64
Granted	—	—
Vested	(142,778)	32.07
Cancelled	(5,607)	29.99
Non-vested Restricted Shares at December 31,	169,114	\$29.45

**RESTRICTED STOCK UNITS**

In April 2019, the Company began granting restricted stock units instead of restricted stock to both employees and members of the board of directors. All attributes of the Company's restricted stock described herein, including vesting characteristics, dividend payments, fair value measurement and expense recognition, apply equally to restricted stock units granted under the Stock Plan.

As of December 31, 2019, there was \$2.7 million of unrecognized compensation cost attributable to the Company's restricted stock units. The Company expects to recognize this cost over a weighted average period of 3.9 years.

A summary of the Company's restricted stock units is presented below:

	2019	2018	2017
Restricted stock units granted	128,226	—	—
Weighted average price of restricted stock units granted	\$31.39	—	—
Intrinsic value of restricted stock units outstanding (a)	3,351	—	—
Grant date fair value of restricted stock units vested	762	—	—
Cash used to purchase common shares from current and former employees to pay minimum withholding tax requirements on restricted stock units vested	\$1	—	—

(a) Intrinsic value of restricted stock units outstanding is based on the market price of the Company's stock at December 31, 2019.

	2019	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested Restricted Stock Units at January 1,	—	—
Granted	128,226	31.39
Vested	(24,664)	30.90
Cancelled	(1,265)	31.77
Non-vested Restricted Stock Units at December 31,	102,297	\$31.50

**PERFORMANCE SHARE UNITS**

The Company's performance share units generally vest upon completion of a three-year period. The number of shares, if any, that are ultimately awarded is contingent upon Rayonier's total shareholder return versus selected peer group companies. The performance share payout is based on a market condition, and as such, the awards are valued using a Monte Carlo simulation model. The model generates the fair value of the award at the grant date, which is then recognized as expense on a straight-line basis over the vesting period. Additionally, the Company does not estimate a forfeiture rate for non-vested units. As such, unexpected forfeitures will lower stock-based compensation during the period in which they occur.

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

The Stock Plan allows for the cash settlement of the minimum required withholding tax on performance share unit awards. As of December 31, 2019, there was \$5.1 million of unrecognized compensation cost related to the Company's performance share unit awards, which is attributable to awards granted in 2017, 2018 and 2019. This cost is expected to be recognized over a weighted average period of 1.8 years.

A summary of the Company's performance share units is presented below:

	2019	2018	2017
Common shares reserved for performance shares granted during year	232,684	213,154	226,448
Weighted average fair value of performance share units granted	\$35.99	\$40.27	\$32.17
Intrinsic value of outstanding performance share units (a)	10,758	9,229	10,414
Fair value of performance shares vested	6,387	5,670	—
Cash used to purchase common shares from current and former employees to pay minimum withholding tax requirements on performance shares vested	2,639	2,651	—

(a) Intrinsic value of outstanding performance share units is based on the market price of the Company's stock at December 31, 2019.

	2019	
	Number of Units	Weighted Average Grant Date Fair Value
Outstanding Performance Share units at January 1,	333,282	\$33.60
Granted	116,342	35.99
Units Distributed	(114,563)	28.78
Other Cancellations/Adjustments	(6,675)	36.61
Outstanding Performance Share units at December 31,	<u>328,386</u>	<u>\$36.06</u>

Expected volatility was estimated using daily returns on the Company's common shares for the three-year period ending on the grant date. The risk-free rate was based on the 3-year U.S. treasury rate on the date of the award. The dividend yield was not used to calculate fair value as awards granted receive dividend equivalents. The following table provides an overview of the assumptions used in calculating the fair value of the awards granted for the three years ended December 31, 2019:

	2019	2018	2017
Expected volatility	18.4%	20.8%	23.3%
Risk-free rate	2.3%	2.4%	1.5%

#### **NON-QUALIFIED EMPLOYEE STOCK OPTIONS**

The exercise price of each non-qualified stock option granted under the Stock Plan is equal to the closing market price of the Company's stock on the grant date. Under the Stock Plan, the maximum term is 10 years from the grant date.

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

A summary of the status of the Company's stock options as of and for the year ended December 31, 2019 is presented below.

	2019			
	Number of Shares	Weighted Average Exercise Price (per common share)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1,	510,122	\$32.29		
Granted	—	—		
Exercised	(57,023)	22.09		
Cancelled or expired	(38,697)	36.50		
Options outstanding at December 31,	<u>414,402</u>	<u>33.30</u>	<u>2.9</u>	<u>\$514</u>
Options exercisable at December 31,	<u>414,402</u>	<u>\$33.30</u>	<u>2.9</u>	<u>\$514</u>

A summary of additional information pertaining to the Company's stock options is presented below:

	2019	2018	2017
Intrinsic value of options exercised (a)	\$475	\$2,618	\$1,993
Cash received from exercise of options	1,260	8,591	4,751

(a) Intrinsic value of options exercised is the amount by which the fair value of the stock on the exercise date exceeded the exercise price of the option.

As of December 31, 2019, compensation cost related to stock options was fully recognized.



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

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

The following table provides the composition of Other operating (expense) income, net for the three years ended December 31:

	2019	2018	2017
(Loss) gain on foreign currency remeasurement, net of cash flow hedges	(\$3,077)	\$370	\$3,044
Gain (loss) on sale or disposal of property plant & equipment	56	7	(68)
Income from sale of unused Internet Protocol addresses	—	646	—
Log trading marketing fees	314	286	1,222
Income from New Zealand Timber settlement	—	—	420
Miscellaneous expense, net	(1,826)	(169)	(225)
<b>Total</b>	<b>(\$4,533)</b>	<b>\$1,140</b>	<b>\$4,393</b>

**19. INVENTORY**

As of December 31, 2019 and 2018, Rayonier's inventory was solely comprised of finished goods, as follows:

	2019	2018
Finished goods inventory		
Real estate inventory (a)	\$12,663	\$11,919
Log inventory	1,855	3,784
<b>Total inventory</b>	<b>\$14,518</b>	<b>\$15,703</b>

(a) Represents the cost of HBU real estate (including capitalized development investments) under contract to be sold. See [Note 7 — Higher and Better Use Timberlands and Real Estate Development Investments](#) for additional information.

**20. RESTRICTED CASH**

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 that the LKE purchases are not completed, the proceeds are returned to the Company after 180 days and reclassified as available cash. As of December 31, 2019 and 2018, the Company had \$1.2 million and \$8.1 million, respectively, of proceeds from real estate sales classified as restricted cash which were deposited with an LKE intermediary as well as cash held in escrow for real estate development obligations.

The following table contains the amount of restricted cash recorded in the Consolidated Balance Sheets and Consolidated Statements of Cash Flows for the years ended December 31:

	2019	2018
Restricted cash deposited with LKE intermediary	\$758	\$7,530
Restricted cash held in escrow	475	550
<b>Total restricted cash shown in the Consolidated Balance Sheets</b>	<b>1,233</b>	<b>8,080</b>
Cash and cash equivalents	68,735	148,374
<b>Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows</b>	<b>\$69,968</b>	<b>\$156,454</b>

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

**21. OTHER ASSETS**

Included in Other Assets are derivatives, goodwill in the New Zealand subsidiary, long-term prepaid roads, marketable equity securities and other deferred expenses including deferred financing costs related to revolving debt and capitalized software costs.

See [Note 14 — Derivative Financial Instruments and Hedging Activities](#) for further information on derivatives including their classification on the Consolidated Balance Sheets.

Changes in goodwill for the years ended December 31, 2019 and 2018 were:

	2019	2018
Balance, January 1 (net of \$0 of accumulated impairment)	\$8,307	\$8,776
Changes to carrying amount		
Acquisitions	—	—
Impairment	—	—
Foreign currency adjustment	304	(469)
Balance, December 31 (net of \$0 of accumulated impairment)	<u>\$8,611</u>	<u>\$8,307</u>

See [Note 1 — Summary of Significant Accounting Policies](#) for additional information on goodwill.

As of December 31, 2019 and 2018, Rayonier's prepaid logging and secondary roads follows:

	2019	2018
Long-term and prepaid and secondary roads		
Pacific Northwest long-term prepaid roads	\$4,198	\$4,000
New Zealand long-term secondary roads	4,265	3,072
Total long-term prepaid and secondary roads	<u>\$8,463</u>	<u>\$7,072</u>

See [Note 1 — Summary of Significant Accounting Policies](#) for additional information on prepaid logging roads.

As of December 31, 2019 and 2018, Rayonier's deferred financing costs related to revolving debt follows:

	2019	2018
Deferred financing costs related to revolving debt	\$102	\$213

See [Note 1 — Summary of Significant Accounting Policies](#) for additional information on deferred financing costs related to revolving debt.

As of December 31, 2019 and 2018, Rayonier's capitalized software costs follows:

	2019	2018
Capitalized software costs	\$3,605	\$3,776

See [Note 1 — Summary of Significant Accounting Policies](#) for additional information on capitalized software costs.

As of December 31, 2019 and 2018, Rayonier's investments in marketable equity securities follows:

	2019	2018
Investments in marketable equity securities	\$10,582	—

See [Note 1 — Summary of Significant Accounting Policies](#) for additional information on investments in marketable equity securities. As of December 31, 2019, the Company's investments in marketable equity securities consist entirely of 114,400 limited partnership units of Pope Resources, originally purchased in an open-market transaction at \$65.90 per unit.

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

**22. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME**

The following table summarizes the changes in AOCI by component for the years ended December 31, 2019 and 2018. All amounts are presented net of tax effect 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, 2017	\$15,975	\$1,665	\$16,184	(\$20,407)	\$13,417
Other comprehensive (loss) income before reclassifications	(16,985)	(344)	5,944	(1,594)	(12,979)
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	(163)	(36)	(199)
Net other comprehensive (loss) income	(16,985)	(344)	5,781	(1,630)	(13,178)
Balance as of December 31, 2018	(\$1,010)	\$1,321	\$21,965	(\$22,037)	\$239
Other comprehensive (loss) income before reclassifications	784	—	(31,547) (a)	(1,799)	(32,562)
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	672	449 (b)	1,121
Net other comprehensive (loss) income	784	—	(30,875)	(1,350)	(31,441)
Balance as of December 31, 2019	(\$226)	\$1,321	(\$8,910)	(\$23,387)	(\$31,202)

(a) Includes \$32.2 million of other comprehensive loss related to interest rate swaps. See [Note 14 — Derivative Financial Instruments and Hedging Activities](#) for additional information.

(b) This component of other comprehensive (loss) income is included in the computation of net periodic pension cost. See [Note 16 — Employee Benefit Plans](#) for additional information.

The following table presents details of the amounts reclassified in their entirety from AOCI for the years ended December 31, 2019 and 2018:

Details about accumulated other comprehensive (loss) income components	Amount reclassified from accumulated other comprehensive (loss) income		Affected line item in the income statement
	2019	2018	
Realized (gain) loss on foreign currency exchange contracts	\$1,246	(\$121)	Other operating income, net
Realized (gain) loss on foreign currency option contracts	(33)	(173)	Other operating income, net
Noncontrolling interest	(279)	68	Comprehensive income (loss) attributable to noncontrolling interest
Income tax expense (benefit) from foreign currency contracts	(262)	63	Income tax expense ( <a href="#">Note 10</a> )
Net (gain) loss on cash flow hedges reclassified from accumulated other comprehensive income	\$672	(\$163)	

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

**23. QUARTERLY RESULTS FOR 2019 and 2018 (UNAUDITED)**

(thousands of dollars, except per share amounts)	Quarter Ended				
	Mar. 31	June 30	Sept. 30	Dec. 31	Total Year
<b>2019</b>					
Sales	\$191,546	\$184,800	\$156,417	\$178,793	\$711,556
Cost of sales	(143,251)	(140,454)	(134,463)	(140,182)	(558,350)
Net Income	27,793	20,920	1,528	17,437	67,678
Net Income attributable to Rayonier Inc.	24,794	18,752	(433)	15,992	59,105
Basic EPS attributable to Rayonier Inc.	\$0.19	\$0.14	—	\$0.12	\$0.46
Diluted EPS attributable to Rayonier Inc.	\$0.19	\$0.14	—	\$0.12	\$0.46
<b>2018</b>					
Sales	\$203,196	\$245,906	\$200,890	\$166,146	\$816,138
Cost of sales	(138,488)	(184,418)	(143,261)	(139,092)	(605,259)
Net Income	42,706	39,338	30,639	4,647	117,330
Net Income attributable to Rayonier Inc.	40,539	36,258	23,432	1,987	102,216
Basic EPS attributable to Rayonier Inc.	\$0.31	\$0.28	\$0.18	\$0.02	\$0.79
Diluted EPS attributable to Rayonier Inc.	\$0.31	\$0.28	\$0.18	\$0.02	\$0.79

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

**24. 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 INCOME AND COMPREHENSIVE INCOME For the Year Ended December 31, 2019				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non- guarantors	Consolidating Adjustments	Total Consolidated
<b>SALES</b>	—	—	\$711,556	—	\$711,556
Costs and Expenses					
Cost of sales	—	(59)	(558,291)	—	(558,350)
Selling and general expenses	—	(20,560)	(21,086)	—	(41,646)
Other operating (expense) income, net	—	(1,392)	(3,141)	—	(4,533)
	—	(22,011)	(582,518)	—	(604,529)
<b>OPERATING (LOSS) INCOME</b>	—	(22,011)	129,038	—	107,027
Interest expense	(12,556)	(19,095)	(65)	—	(31,716)
Interest and miscellaneous income (expense), net	(1,827)	3,061	4,073	—	5,307
Equity in income from subsidiaries	73,488	113,284	—	(186,772)	—
<b>INCOME BEFORE INCOME TAXES</b>	59,105	75,239	133,046	(186,772)	80,618
Income tax expense	—	(1,751)	(11,189)	—	(12,940)
<b>NET INCOME</b>	59,105	73,488	121,857	(186,772)	67,678
Less: Net income attributable to noncontrolling interest	—	—	(8,573)	—	(8,573)
<b>NET INCOME ATTRIBUTABLE TO RAYONIER INC.</b>	59,105	73,488	113,284	(186,772)	59,105
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>					
Foreign currency translation adjustment, net of income tax	783	(91)	1,054	(783)	963
Cash flow hedges, net of income tax	(30,875)	(32,189)	1,707	30,875	(30,482)
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax	(1,350)	(1,350)	—	1,350	(1,350)
Total other comprehensive (loss) income	(31,442)	(33,630)	2,761	31,442	(30,869)
<b>COMPREHENSIVE INCOME</b>	27,663	39,858	124,618	(155,330)	36,809
Less: Comprehensive income attributable to noncontrolling interest	—	—	(9,146)	—	(9,146)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.</b>	\$27,663	\$39,858	\$115,472	(\$155,330)	\$27,663

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

<b>CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME</b> For the Year Ended December 31, 2018					
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non- guarantors	Consolidating Adjustments	Total Consolidated
<b>SALES</b>	—	—	\$816,138	—	\$816,138
Costs and Expenses					
Cost of sales	—	—	(605,259)	—	(605,259)
Selling and general expenses	—	(19,812)	(22,139)	—	(41,951)
Other operating (expense) income, net	(12)	543	609	—	1,140
	(12)	(19,269)	(626,789)	—	(646,070)
<b>OPERATING (LOSS) INCOME</b>	(12)	(19,269)	189,349	—	170,068
Interest expense	(12,556)	(19,155)	(355)	—	(32,066)
Interest and miscellaneous income (expense), net	6,648	3,863	(5,947)	—	4,564
Equity in income from subsidiaries	108,136	144,916	—	(253,052)	—
<b>INCOME BEFORE INCOME TAXES</b>	102,216	110,355	183,047	(253,052)	142,566
Income tax expense	—	(2,219)	(23,017)	—	(25,236)
<b>NET INCOME</b>	102,216	108,136	160,030	(253,052)	117,330
Less: Net income attributable to noncontrolling interest	—	—	(15,114)	—	(15,114)
<b>NET INCOME ATTRIBUTABLE TO RAYONIER INC.</b>	102,216	108,136	144,916	(253,052)	102,216
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>					
Foreign currency translation adjustment, net of income tax	(17,329)	386	(23,145)	17,329	(22,759)
Cash flow hedges, net of income tax	5,782	8,296	(3,267)	(5,782)	5,029
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax	(1,630)	(1,630)	—	1,630	(1,630)
Total other comprehensive (loss) income	(13,177)	7,052	(26,412)	13,177	(19,360)
<b>COMPREHENSIVE INCOME</b>	89,039	115,188	133,618	(239,875)	97,970
Less: Comprehensive income attributable to noncontrolling interest	—	—	(8,931)	—	(8,931)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.</b>	\$89,039	\$115,188	\$124,687	(\$239,875)	\$89,039

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

<b>CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME</b> For the Year Ended December 31, 2017					
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non- guarantors	Consolidating Adjustments	Total Consolidated
<b>SALES</b>	—	—	\$819,596	—	\$819,596
Costs and Expenses					
Cost of sales	—	—	(568,253)	—	(568,253)
Selling and general expenses	—	(16,797)	(23,448)	—	(40,245)
Other operating (expense) income, net	—	(479)	4,872	—	4,393
	—	(17,276)	(586,829)	—	(604,105)
<b>OPERATING (LOSS) INCOME</b>	—	(17,276)	232,767	—	215,491
Interest expense	(12,556)	(19,699)	(1,816)	—	(34,071)
Interest and miscellaneous income (expense), net	9,679	2,878	(10,717)	—	1,840
Equity in income from subsidiaries	151,719	186,388	—	(338,107)	—
<b>INCOME BEFORE INCOME TAXES</b>	148,842	152,291	220,234	(338,107)	183,260
Income tax expense	—	(572)	(21,109)	—	(21,681)
<b>NET INCOME</b>	148,842	151,719	199,125	(338,107)	161,579
Less: Net income attributable to noncontrolling interest	—	—	(12,737)	—	(12,737)
<b>NET INCOME ATTRIBUTABLE TO RAYONIER INC.</b>	148,842	151,719	186,388	(338,107)	148,842
<b>OTHER COMPREHENSIVE INCOME</b>					
Foreign currency translation adjustment, net of income tax	7,416	—	9,114	(7,416)	9,114
Cash flow hedges, net of income tax	5,353	4,214	1,479	(5,353)	5,693
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax	(208)	(208)	—	208	(208)
Total other comprehensive income	12,561	4,006	10,593	(12,561)	14,599
<b>COMPREHENSIVE INCOME</b>	161,403	155,725	209,718	(350,668)	176,178
Less: Comprehensive income attributable to noncontrolling interest	—	—	(14,775)	—	(14,775)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.</b>	\$161,403	\$155,725	\$194,943	(\$350,668)	\$161,403

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

<b>CONDENSED CONSOLIDATING BALANCE SHEETS</b> As of December 31, 2019					
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non- guarantors	Consolidating Adjustments	Total Consolidated
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$303	\$45,792	\$22,640	—	\$68,735
Accounts receivable, less allowance for doubtful accounts	—	4,113	23,014	—	27,127
Inventory	—	—	14,518	—	14,518
Prepaid logging roads	—	—	12,128	—	12,128
Prepaid expenses	—	1,361	1,239	—	2,600
Other current assets	—	111	756	—	867
Total current assets	303	51,377	74,295	—	125,975
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	—	—	2,482,047	—	2,482,047
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS	—	—	81,791	—	81,791
NET PROPERTY, PLANT AND EQUIPMENT	—	16,568	5,683	—	22,251
RESTRICTED CASH	—	—	1,233	—	1,233
RIGHT-OF-USE ASSETS	—	32,253	67,689	—	99,942
INVESTMENT IN SUBSIDIARIES	1,709,958	3,072,304	—	(4,782,262)	—
INTERCOMPANY RECEIVABLE	56,935	(643,960)	587,025	—	—
OTHER ASSETS	2	(67)	47,822	—	47,757
<b>TOTAL ASSETS</b>	<b>\$1,767,198</b>	<b>\$2,528,475</b>	<b>\$3,347,585</b>	<b>(\$4,782,262)</b>	<b>\$2,860,996</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	—	\$2,866	\$15,294	—	\$18,160
Current maturities of long-term debt	—	82,000	—	—	82,000
Accrued taxes	—	59	2,973	—	3,032
Accrued payroll and benefits	—	5,585	3,284	—	8,869
Accrued interest	3,047	2,158	—	—	5,205
Deferred revenue	—	—	11,440	—	11,440
Other current liabilities	—	4,453	18,027	—	22,480
Total current liabilities	3,047	97,121	51,018	—	151,186
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	324,170	648,959	—	—	973,129
PENSION AND OTHER POSTRETIREMENT BENEFITS	—	25,996	(685)	—	25,311
LONG-TERM LEASE LIABILITY	—	28,001	62,480	—	90,481
OTHER NON-CURRENT LIABILITIES	—	18,440	64,807	—	83,247
INTERCOMPANY PAYABLE	—	—	—	—	—
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,439,981	1,709,958	3,072,304	(4,782,262)	1,439,981
Noncontrolling interest	—	—	97,661	—	97,661
TOTAL SHAREHOLDERS' EQUITY	1,439,981	1,709,958	3,169,965	(4,782,262)	1,537,642
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,767,198</b>	<b>\$2,528,475</b>	<b>\$3,347,585</b>	<b>(\$4,782,262)</b>	<b>\$2,860,996</b>



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

<b>CONDENSED CONSOLIDATING BALANCE SHEETS</b> As of December 31, 2018					
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non- guarantors	Consolidating Adjustments	Total Consolidated
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$361	\$104,777	\$43,236	—	\$148,374
Accounts receivable, less allowance for doubtful accounts	—	3,752	22,399	—	26,151
Inventory	—	—	15,703	—	15,703
Prepaid logging roads	—	—	11,976	—	11,976
Prepaid expenses	—	977	4,063	—	5,040
Other current assets	—	108	501	—	609
Total current assets	361	109,614	97,878	—	207,853
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	—	—	2,401,327	—	2,401,327
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS	—	—	85,609	—	85,609
NET PROPERTY, PLANT AND EQUIPMENT	—	16,940	5,811	—	22,751
RESTRICTED CASH	—	—	8,080	—	8,080
INVESTMENT IN SUBSIDIARIES	1,833,899	3,022,875	—	(4,856,774)	—
INTERCOMPANY RECEIVABLES	49,461	(638,424)	588,963	—	—
OTHER ASSETS	2	19,244	35,800	—	55,046
<b>TOTAL ASSETS</b>	<b>\$1,883,723</b>	<b>\$2,530,249</b>	<b>\$3,223,468</b>	<b>(\$4,856,774)</b>	<b>\$2,780,666</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	—	\$1,616	\$16,403	—	\$18,019
Accrued taxes	—	8	3,170	—	3,178
Accrued payroll and benefits	—	5,848	4,568	—	10,416
Accrued interest	3,047	1,960	—	—	5,007
Deferred revenue	—	—	10,447	—	10,447
Other current liabilities	—	216	16,258	—	16,474
Total current liabilities	3,047	9,648	50,846	—	63,541
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	323,803	648,764	—	—	972,567
PENSION AND OTHER POSTRETIREMENT BENEFITS	—	30,484	(684)	—	29,800
OTHER NON-CURRENT LIABILITIES	—	7,454	52,754	—	60,208
<b>TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY</b>	<b>1,556,873</b>	<b>1,833,899</b>	<b>3,022,875</b>	<b>(4,856,774)</b>	<b>1,556,873</b>
Noncontrolling interest	—	—	97,677	—	97,677
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,556,873</b>	<b>1,833,899</b>	<b>3,120,552</b>	<b>(4,856,774)</b>	<b>1,654,550</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,883,723</b>	<b>\$2,530,249</b>	<b>\$3,223,468</b>	<b>(\$4,856,774)</b>	<b>\$2,780,666</b>

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

<b>CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS</b>					
For the Year Ended December 31, 2019					
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non- guarantors	Consolidating Adjustments	Total Consolidated
<b>CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	(\$21,865)	(\$12,730)	\$248,848	—	\$214,253
<b>INVESTING ACTIVITIES</b>					
Capital expenditures	—	(641)	(63,355)	—	(63,996)
Real estate development investments	—	—	(6,803)	—	(6,803)
Purchase of timberlands	—	—	(142,287)	—	(142,287)
Investment in subsidiaries	—	(406)	—	406	—
Other	—	(8,754)	2,450	—	(6,304)
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	—	(9,801)	(209,995)	406	(219,390)
<b>FINANCING ACTIVITIES</b>					
Issuance of debt	—	82,000	—	—	82,000
Repayment of debt	—	—	—	—	—
Dividends paid	(139,531)	(32,239)	30,699	—	(141,071)
Proceeds from the issuance of common shares under incentive stock plan	1,260	—	—	—	1,260
Repurchase of common shares	(4,250)	—	—	—	(4,250)
Proceeds used for Share Buybacks	—	(8,430)	—	—	(8,430)
Proceeds from shareholder distribution hedge	—	—	135	—	135
Distribution to minority shareholder	—	—	(9,161)	—	(9,161)
Issuance of intercompany notes	—	—	—	—	—
Debt issuance cost	—	(132)	—	—	(132)
Intercompany distributions	164,328	(77,653)	(86,269)	(406)	—
<b>CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES</b>	21,807	(36,454)	(64,596)	(406)	(79,649)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	—	—	(1,700)	—	(1,700)
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>					
Change in cash, cash equivalents and restricted cash	(58)	(58,985)	(27,443)	—	(86,486)
Balance, beginning of year	361	104,777	51,316	—	156,454
Balance, end of year	\$303	\$45,792	\$23,873	—	\$69,968

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

<b>CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS</b> For the Year Ended December 31, 2018					
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non- guarantors	Consolidating Adjustments	Total Consolidated
<b>CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	\$284,781	\$182,057	(\$156,742)	—	\$310,096
<b>INVESTING ACTIVITIES</b>					
Capital expenditures	—	(59)	(62,266)	—	(62,325)
Real estate development investments	—	—	(9,501)	—	(9,501)
Purchase of timberlands	—	—	(57,608)	—	(57,608)
Investment in subsidiaries	—	6,128	—	(6,128)	—
Other	—	—	(3,421)	—	(3,421)
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	—	6,069	(132,796)	(6,128)	(132,855)
<b>FINANCING ACTIVITIES</b>					
Issuance of debt	—	—	1,014	—	1,014
Repayment of debt	—	(50,000)	(4,416)	—	(54,416)
Dividends paid	(136,698)	(74)	—	—	(136,772)
Proceeds from the issuance of common shares under incentive stock plan	8,591	—	—	—	8,591
Repurchase of common shares	(2,984)	—	—	—	(2,984)
Proceeds from shareholder distribution hedge	—	—	2,025	—	2,025
Distribution to minority shareholder	—	—	(11,172)	—	(11,172)
Issuance of intercompany notes	299,715	18,961	(318,676)	—	—
Intercompany distributions	(501,608)	(77,278)	572,758	6,128	—
<b>CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES</b>	(332,984)	(108,391)	241,533	6,128	(193,714)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	—	—	571	—	571
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>					
Change in cash, cash equivalents and restricted cash	(48,203)	79,735	(47,434)	—	(15,902)
Balance, beginning of year	48,564	25,042	98,750	—	172,356
Balance, end of year	\$361	\$104,777	\$51,316	—	\$156,454

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

<b>CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS</b> For the Year Ended December 31, 2017					
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non- guarantors	Consolidating Adjustments	Total Consolidated
<b>CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES</b>	(\$48,104)	\$111,431	\$192,957	—	\$256,284
<b>INVESTING ACTIVITIES</b>					
Capital expenditures	—	—	(65,345)	—	(65,345)
Real estate development investments	—	—	(15,784)	—	(15,784)
Purchase of timberlands	—	—	(242,910)	—	(242,910)
Net proceeds from large disposition of timberlands	—	—	95,243	—	95,243
Rayonier office building under construction	—	—	(6,084)	—	(6,084)
Investment in subsidiaries	—	38,546	—	(38,546)	—
Other	—	—	(373)	—	(373)
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	—	38,546	(235,253)	(38,546)	(235,253)
<b>FINANCING ACTIVITIES</b>					
Issuance of debt	—	25,000	38,389	—	63,389
Repayment of debt	—	(15,000)	(85,157)	—	(100,157)
Dividends paid	(127,069)	—	—	—	(127,069)
Proceeds from the issuance of common shares under incentive stock plan	4,751	—	—	—	4,751
Proceeds from the issuance of common shares from equity offering, net of cost	152,390	—	—	—	152,390
Repurchase of common shares	(176)	—	—	—	(176)
Issuance of intercompany notes	(32,000)	—	32,000	—	—
Intercompany distributions	77,319	(144,396)	28,531	38,546	—
<b>CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	75,215	(134,396)	13,763	38,546	(6,872)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	—	—	580	—	580
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>					
Change in cash, cash equivalents and restricted cash	27,111	15,581	(27,953)	—	14,739
Balance, beginning of year	21,453	9,461	126,703	—	157,617
Balance, end of year	\$48,564	\$25,042	\$98,750	—	\$172,356

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

None.

**Item 9A. 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 that information required to be disclosed by the Company in reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is (1) recorded, processed, summarized and reported 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 Annual Report on Form 10-K, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that the design and operation of the disclosure controls and procedures were effective as of December 31, 2019.

*CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING*

In the year ended December 31, 2019, based upon the evaluation required by paragraph (d) of 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.

**Item 9B. OTHER INFORMATION**

Not applicable.

### PART III

Certain information required by Part III is incorporated by reference from the Company's Definitive Proxy Statement to be filed with the SEC in connection with the solicitation of proxies for the Company's 2020 Annual Meeting of Shareholders (the "Proxy Statement"). We will make the Proxy Statement available on our website at [www.rayonier.com](http://www.rayonier.com) as soon as it is filed with the SEC.

#### **Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

A list of our executive officers and their biographical information are found in [Item 1](#) in this Annual Report on Form 10-K. Additional information required by this Item with respect to directors and other governance matters is incorporated herein by reference from the sections and subsections entitled "Proposal No. 1 - Election of Directors," "Corporate Governance," "Named Executive Officers" and "Report of the Audit Committee" in the Proxy Statement.

Our Standard of Ethics and Code of Corporate Conduct, which is applicable to our principal executive, financial and accounting officers, is available on our website, [www.rayonier.com](http://www.rayonier.com). Any amendments to or waivers of the Standard of Ethics and Code of Corporate Conduct will also be disclosed on our website.

#### **Item 11. EXECUTIVE COMPENSATION**

The information called for by Item 11 is incorporated herein by reference from the section and subsections entitled "Compensation Discussion and Analysis," "Summary Compensation Table," "CEO Pay Ratio," "Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested," "Pension Benefits," "Nonqualified Deferred Compensation," "Potential Payments Upon Termination or Change in Control," "Director Compensation," "Compensation Committee Interlocks and Insider Participation; Processes and Procedures" and "Report of the Compensation and Management Development Committee" in the Proxy Statement.

#### **Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information called for by Item 12 is incorporated herein by reference from the section and subsections entitled "Ownership of and Trading in our Shares," "Share Ownership of Certain Beneficial Owners," "Share Ownership of Directors and Executive Officers" and "Equity Compensation Plan Information" in the Proxy Statement.

#### **Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information called for by Item 13 is incorporated herein by reference from the section and subsections entitled "Proposal No. 1 - Election of Directors," "Director Independence" and "Related Person Transactions" in the Proxy Statement.

#### **Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information called for by Item 14 is incorporated herein by reference from the subsection entitled "Information Regarding Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

**Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

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

- (1) See *Index to Financial Statements* on page [48](#) for a list of the financial statements filed as part of this report.
- (2) Financial Statement Schedules:

**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**  
**Years Ended December 31, 2019, 2018, and 2017**  
**(In Thousands)**

Description	Balance at Beginning of Year	Additions Charged to Cost and Expenses	Deductions	Balance at End of Year
<b>Allowance for doubtful accounts:</b>				
Year ended December 31, 2019	\$8	16	—	\$24
Year ended December 31, 2018	23	—	(15)	8
Year ended December 31, 2017	33	—	(10)	23
<b>Deferred tax asset valuation allowance:</b>				
Year ended December 31, 2019	\$38,839	481 (a)	—	\$39,320
Year ended December 31, 2018	34,889	3,950 (a)	—	38,839
Year ended December 31, 2017	21,861	13,028 (a)	—	34,889

(a) The 2019, 2018 and 2017 increase is comprised of valuation allowance against the TRS deferred tax assets.

All other financial statement schedules have been omitted because they are not applicable, the required matter is not present or the required information has otherwise been supplied in the financial statements or the notes thereto.

- (3) See [Exhibit Index](#) for a list of the exhibits filed or incorporated herein as part of this report. Exhibits that are incorporated by reference to documents filed previously by the Company under the Securities Exchange Act of 1934, as amended, are filed with the SEC under File No. 1-6780.

**Item 16. FORM 10-K SUMMARY**

None.

**EXHIBIT INDEX**

The following is a list of exhibits filed as part of the Form 10-K. As permitted by the rules of the SEC, the Company has not filed certain instruments defining the rights of holders of long-term debt of the Company or its consolidated subsidiaries under which the total amount of securities authorized does not exceed 10 percent of the total assets of the Company and its consolidated subsidiaries. The Company agrees to furnish to the SEC, upon request, a copy of any omitted instrument.

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
2.1	<a href="#">Contribution, Conveyance and Assumption Agreement dated December 18, 2003 by and among Rayonier Inc., Rayonier Timberlands Operating Company, L.P., Rayonier Timberlands, L.P., Rayonier Timberlands Management, LLC, Rayonier Forest Resources, LLC, Rayland, LLC, Rayonier TRS Holdings Inc., Rayonier Minerals, LLC, Rayonier Forest Properties, LLC, Rayonier Wood Products, LLC, Rayonier Wood Procurement, LLC, Rayonier International Wood Products, LLC, Rayonier Forest Operations, LLC, Rayonier Properties, LLC and Rayonier Performance Fibers, LLC</a>	Incorporated by reference to Exhibit 10.1 to the Registrant's January 15, 2004 Form 8-K
2.2	<a href="#">Contribution, Conveyance and Assumption Agreement, dated July 29, 2010, between Rayonier Inc. and Rayonier Operating Company LLC</a>	Incorporated by reference to Exhibit 10.7 to the Registrant's June 30, 2010 Form 10-Q
2.3	<a href="#">Separation and Distribution Agreement, dated May 28, 2014, by and between Rayonier Inc. and Rayonier Advanced Materials Inc.**</a>	Incorporated by reference to Exhibit 2.1 to the Registrant's May 30, 2014 Form 8-K
3.1	<a href="#">Amended and Restated Articles of Incorporation</a>	Incorporated by reference to Exhibit 3.1 to the Registrant's May 23, 2012 Form 8-K
3.2	<a href="#">By-Laws</a>	Incorporated by reference to Exhibit 3.2 to the Registrant's October 21, 2009 Form 8-K
3.3	<a href="#">Limited Liability Company Agreement of Rayonier Operating Company, LLC</a>	Incorporated by reference to Exhibit 3.3 to the Registrant's June 30, 2010 Form 10-Q
4.1	<a href="#">Indenture relating to the 3.75% Senior Notes due 2022, dated March 5, 2012, between Rayonier Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee</a>	Incorporated by reference to Exhibit 4.1 to the Registrant's March 5, 2012 Form 8-K
4.2	<a href="#">First Supplemental Indenture relating to the 3.75% Senior Notes due 2022, dated March 5, 2012, among Rayonier Inc., as issuer, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee</a>	Incorporated by reference to Exhibit 4.2 to the Registrant's March 5, 2012 Form 8-K
4.3	<a href="#">Second Supplemental Indenture relating to the 3.75% Senior Notes due 2022, dated March 5, 2012, among Rayonier Inc., as issuer, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee</a>	Incorporated by reference to Exhibit 4.1 to the Registrant's October 17, 2012 Form 8-K
4.4	<a href="#">Form of Note for 3.75% Senior Notes due 2022 (contained in Exhibit A to Exhibit 4.4)</a>	Incorporated by reference to Exhibit 4.2 to the Registrant's March 5, 2012 Form 8-K
4.5	<a href="#">Indenture among Rayonier A.M. Products Inc., the guarantors party thereto from time to time and Wells Fargo Bank, National Association, as Trustee, dated as of May 22, 2014</a>	Incorporated by reference to Exhibit 4.1 to the Registrant's May 22, 2014 Form 8-K
4.6	<a href="#">Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</a>	Filed herewith
10.1	<a href="#">Rayonier Investment and Savings Plan for Salaried Employees effective March 1, 1994, amended and restated effective April 1, 2015 and further amended effective September 8, 2015*</a>	Incorporated by reference to Exhibit 10.2 to the Registrant's December 31, 2015 Form 10-K



<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
10.2	<a href="#">Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of June 1, 2016, executed February 25, 2016*</a>	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 2016 Form 10-Q
10.3	<a href="#">Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of June 1, 2016, executed June 13, 2016*</a>	Filed herewith
10.4	<a href="#">Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of January 1, 2017, executed January 17, 2017*</a>	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 2017 Form 10-Q
10.5	<a href="#">Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of January 1, 2017, executed July 20, 2017*</a>	Incorporate by reference to Exhibit 10.1 to the Registrant's June 30, 2017 Form 10-Q
10.6	<a href="#">Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of April 1, 2017, executed December 7, 2016*</a>	Filed herewith
10.7	<a href="#">Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of October 1 2017, executed November 9, 2017*</a>	Incorporated by reference to Exhibit 10.6 to the Registrant's December 31, 2017 Form 10-K
10.8	<a href="#">Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of November 1, 2018, executed December 21, 2018</a>	Incorporated by reference to Exhibit 10.7 to the Registrant's December 31, 2018 Form 10-K
10.9	<a href="#">Amended and Restated Retirement Plan for Salaried Employees of Rayonier Inc. effective January 1, 2014*</a>	Incorporated by reference to Exhibit 10.9 to the Registrant's December 31, 2015 Form 10-K
10.10	<a href="#">First Amendment to the Retirement Plan for Salaried Employees of Rayonier Inc. effective as of December 31, 2016*</a>	Incorporated by reference to Exhibit 10.2 to the Registrant's September 30, 2016 Form 10-Q
10.11	<a href="#">Rayonier Inc. Excess Benefit Plan, as amended*</a>	Incorporated by reference to Exhibit 10.2 to the Registrant's June 30, 2010 Form 10-Q
10.12	<a href="#">Form of Rayonier Outside Directors Compensation Program/Cash Deferral Option Agreement*</a>	Incorporated by reference to Exhibit 10.24 to the Registrant's December 31, 2006 Form 10-K
10.13	<a href="#">Trust Agreement for the Rayonier Inc. Legal Resources Trust*</a>	Incorporated by reference to Exhibit 10.1 to the Registrant's September 30, 2014 Form 10-Q
10.14	<a href="#">Amended and Restated Master Shareholder Agreement in Relation to Matariki Forests Australia PTY Limited, Matariki Forestry Group and Matariki Forests, dated February, 2010, by and among SAS Trustee Corporation, Deutche Asset Management (Australia) Limited, Rayonier Canterbury LLC, Rayonier New Zealand Limited, Cameron and Company Limited, Matariki Forests Australia Pty Limited, Matariki Forestry Group and Matariki Forests</a>	Filed herewith
10.15	<a href="#">Deed of Amendment and Restatement of Shareholder Agreement, dated March 31, 2016, by and among Rayonier Canterbury LLC, Waimarie Forests Pty Limited, Matariki Forestry Group, Matariki Forests and Phaunos Timber Fund Limited</a>	Filed herewith
10.16	<a href="#">Intellectual Property Agreement, dated June 27, 2014, by and between Rayonier Inc. and Rayonier Advanced Materials Inc.</a>	Incorporated by reference to Exhibit 10.4 to the Registrant's June 30, 2014 Form 8-K

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
10.17	<a href="#">Form of Indemnification Agreement between Rayonier Inc. and its Officers and Directors*</a>	Incorporated by reference to Exhibit 10.8 to the Registrant's June 30, 2014 Form 10-Q
10.18	<a href="#">Form of Indemnification Agreement between Rayonier Inc. and its Officers</a>	Filed herewith
10.19	<a href="#">Rayonier Incentive Stock Plan, as amended*</a>	Incorporate by reference to Exhibit 10.21 to the Registrant's December 31, 2018 Form 10-K
10.20	<a href="#">Form of Rayonier Incentive Stock Plan Non-Qualified Stock Option Award Agreement*</a>	Incorporated by reference to Exhibit 10.19 to the Registrant's December 31, 2008 Form 10-K
10.21	<a href="#">Form of Rayonier Incentive Stock Plan Restricted Stock Award Agreement*</a>	Incorporated by reference to Exhibit 10.5 to the Registrant's March 31, 2015 Form 10-Q
10.22	<a href="#">2017 Performance Share Award Program*</a>	Incorporated by reference to Exhibit 10.2 to the Registrant's March 31, 2017 Form 10-Q
10.23	<a href="#">2018 Performance Share Award Program*</a>	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 2018 Form 10-Q
10.24	<a href="#">2019 Performance Share Award Program*</a>	Filed herewith
10.25	<a href="#">Rayonier Inc. Supplemental Savings Plan effective March 1, 2016*</a>	Incorporated by reference to Exhibit 10.2 to the Registrant's March 31, 2016 Form 10-Q
10.26	<a href="#">Credit Agreement dated as of August 5, 2015 among Rayonier Inc., Rayonier TRS Holdings Inc. and Rayonier Operating Company LLC, as Borrowers, CoBank, ACB as Administrative Agent, Swing Line Lender and Issuing Bank, JPMorgan Chase Bank, N.A. and Farm Credit of Florida, ACA as Co-Syndication Agents, Credit Suisse AG and SunTrust Bank as Co-Documentation Agents and CoBank, ACB as Sole Lead Arranger and Sole Bookrunner</a>	Incorporated by reference to Exhibit 10.3 to the Registrant's March 31, 2016 Form 10-Q
10.27	<a href="#">First Amendment and Incremental Term Loan Agreement dated as of April 28, 2016, by and among Rayonier Inc., Rayonier TRS Holdings Inc., Rayonier Operating Company LLC, as Borrowers, CoBank, ACB, as Administrative Agent and the several banks, financial institutions and other institutional lenders party thereto</a>	Incorporated by reference to Exhibit 10.1 to the Registrant's May 2, 2016 Form 8-K
10.28	<a href="#">2016 Guarantee Agreement dated as of April 28, 2016 among Rayonier Inc., Rayonier TRS Holdings Inc. and COBANK, ACB, as Administrative Agent</a>	Incorporated by reference to Exhibit 10.2 to the Registrant's May 2, 2016 Form 8-K
10.29	<a href="#">Amended and Restated Executive Severance Pay Plan effective as of December 31, 2016*</a>	Incorporated by reference to Exhibit 10.3 to the Registrant's September 30, 2016 Form 10-Q
10.30	<a href="#">LTI Supplemental Terms Vesting in Event of Retirement</a>	Filed herewith
10.31	<a href="#">Rayonier Incentive Stock Plan Restricted Stock Unit Award Agreement, dated 2019*</a>	Filed herewith

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
10.32	<a href="#">Rayonier Non-Equity Incentive Plan, as amended, Effective as of January 1, 2020*</a>	Filed herewith
21	<a href="#">Subsidiaries of the registrant</a>	Filed herewith
23.1	<a href="#">Consent of Ernst &amp; Young LLP</a>	Filed herewith
24	<a href="#">Powers of attorney</a>	Filed herewith
31.1	<a href="#">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</a>	Filed herewith
31.2	<a href="#">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</a>	Filed herewith
32	<a href="#">Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002</a>	Furnished herewith
101	The following financial information from our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, formatted in Extensible Business Reporting Language ("XBRL"), includes: (i) the Consolidated Statements of Income and Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017; (ii) the Consolidated Balance Sheets as of December 31, 2019 and 2018; (iii) the Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2019, 2018 and 2017; (iv) the Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017; and (v) the Notes to the Consolidated Financial Statements.	Filed herewith

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\* Management contract or compensatory plan.

\*\* Certain schedules and similar attachments have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Rayonier will furnish supplemental copies of any such schedules or attachments to the U.S. Securities and Exchange Commission upon request.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RAYONIER INC.

By: /s/ MARK MCHUGH

Mark McHugh  
Senior Vice President and Chief Financial Officer  
(Duly Authorized Officer, Principal Financial Officer)

February 24, 2020

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ DAVID L. NUNES</u> David L. Nunes (Principal Executive Officer)	President and Chief Executive Officer	February 24, 2020
<u>/s/ MARK MCHUGH</u> Mark McHugh (Principal Financial Officer)	Senior Vice President and Chief Financial Officer	February 24, 2020
<u>/s/ APRIL TICE</u> April Tice (Principal Accounting Officer)	Vice President, Financial Services and Corporate Controller	February 24, 2020
<u>*</u> Richard D. Kincaid	Chairman of the Board	
<u>*</u> Keith E. Bass	Director	
<u>*</u> Dod A. Fraser	Director	
<u>*</u> Scott R. Jones	Director	
<u>*</u> Bernard Lanigan, Jr.	Director	
<u>*</u> Blanche L. Lincoln	Director	
<u>*</u> V. Larkin Martin	Director	
<u>*</u> Andrew G. Wiltshire	Director	

\*By: /s/ MARK R. BRIDWELL

Mark R. Bridwell  
Attorney-In-Fact

February 24, 2020

## DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of the date of the Annual Report on Form 10-K of which this exhibit is a part, Rayonier Inc. (the "Company," "we," "our" and "us") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common shares, no par value. The following description of our common shares is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Amended and Restated Articles of Incorporation (the "Articles of Incorporation") and our By-Laws (the "Bylaws"), each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read our Articles of Incorporation and our Bylaws, as well as the applicable provisions of the North Carolina Business Corporation Act ("NCBCA"), for additional information.

### DESCRIPTION OF COMMON SHARES

#### Authorized Shares

Our Articles of Incorporation authorize us to issue 480,000,000 common shares.

#### Listing

Our common shares are listed on the New York Stock Exchange under the trading symbol "RYN."

#### Dividends

The holders of common shares may receive dividends when and as declared by the board of directors. Dividends may be paid in cash, shares or other form out of legally available funds.

#### Fully Paid

All outstanding common shares are fully paid and non-assessable. Any additional common shares we issue will also be fully paid and non-assessable.

#### Voting Rights

The holders of common shares may vote one vote for each share held in the election of directors and on all other matters voted upon by our shareholders. Holders of common shares may not cumulate their votes in the election of directors.

#### Other Rights

We will notify common shareholders of any shareholders' meetings according to applicable law. If we liquidate, dissolve or wind-up our business, whether voluntarily or involuntarily, the holders of common shares will share ratably in the assets remaining after we pay our creditors and preferred shareholders, if any. The holders of common shares have no preemptive rights. Common shares are not subject to any redemption provisions and are not convertible into any other securities.

#### Anti-Takeover Provisions

Certain provisions in our Articles of Incorporation, our Bylaws and the NCBCA could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions may encourage persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with the board of directors rather than pursue non-negotiated takeover attempts.

#### Limitations on Removal of Directors

Our directors can be removed only for cause. Restricting the removal of directors makes it more difficult for shareholders to change the majority of the directors and instead promotes a continuity of existing management.

#### Special Meetings of Shareholders

Neither our Articles of Incorporation nor our Bylaws give shareholders the right to call a special meeting of shareholders. Our Bylaws provide that special meetings of shareholders may be called only by our board of directors.

#### Blank Check Preferred Shares

Our Articles of Incorporation authorizes the issuance of blank check preferred shares. The board of directors can set the voting rights, redemption rights, conversion rights and other rights relating to such preferred shares and could issue such shares in either private or public transactions. In some circumstances, the blank check preferred shares could be issued and have the effect of preventing a merger, tender offer or other takeover attempt that the board of directors opposes.

#### Amendment of our Bylaws

Our Bylaws may be amended or repealed by our board of directors, including any bylaw adopted, amended or repealed by our shareholders.

#### North Carolina Shareholder Protection Act

We are subject to provisions of the NCBCA known as The North Carolina Shareholder Protection Act (the "NCSPA"). The NCSPA generally requires the affirmative vote of 95% of a public corporation's voting shares to approve a "business combination" with any other entity that beneficially owns, directly or indirectly, more than 20% of the voting shares of the corporation (or ever owned more than 20% and is still an affiliate of the corporation) unless the fair price provisions and the procedural provisions of the NCSPA are satisfied.

Under the NCSPA, "business combination" includes (1) any merger, consolidation, or conversion of a corporation with or into any other corporation or other entity, (2) the sale or lease of all or any substantial part of the corporation's assets to any other entity, or (3) any payment, sale or lease to the corporation or any subsidiary thereof in exchange for securities of the corporation of any assets having an aggregate fair market value of \$5,000,000 or more.

The NCSPA contains provisions that allowed a corporation to "opt out" of the applicability of the NCSPA's voting provisions within specified time periods that generally have expired. The NCSPA applies to the Company since we did not opt out within these time periods.

**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 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 6-1-2016.

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.

T	Match	ER	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	(a) No exclusions
N/A	<input type="radio"/>	<input type="radio"/>	(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 §1.32(f)(4) are excluded.
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	(c) All fringe benefits (cash and noncash), reimbursements or other expense allowances, moving expenses, deferred compensation, and welfare benefits are excluded.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	(d) Compensation above \$_____ is excluded. (See Section 1.97 of the Plan.)
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	(e) Amounts received as a bonus are excluded.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	(f) Amounts received as commissions are excluded.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	(g) Overtime payments are excluded.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	(h) Amounts received for services performed for a non-signatory Related Employer are excluded. (See Section 2.02(c) of the Plan.)
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	(i) “Deemed §125 compensation” as defined in Section 1.141(d) of the Plan.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	(j) Amounts received after termination of employment are excluded. (See Section 1.141(b) of the Plan.)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	(k) Differential Pay (as defined in Section 1.141€ of the Plan.)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	(l) Describe adjustments to Plan Compensation: <u>All bonuses except the Annual Bonus program; all short term disability or disability salary continuation payments; foreign service allowance; bonuses and overtime for Employer Retirement Contributions.</u>

*[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:

6-5 **ALLOCATION CONDITIONS.** A Participant must satisfy any allocation conditions designated under this AA §6-5 to receive an allocation of Employer Contributions under the Plan.

*[Note: Any allocation conditions set forth under this AA §6-5 do not apply to Prevailing Wage Contributions under AA §6C, or QNECs under AA §6D, unless provided otherwise under those specific sections. See AA §4-5 for treatment of service with Predecessor Employers for purposes of applying the allocation conditions under this AA §6-5.]*

- (a) **No allocation conditions** apply with respect to Employer Contributions under the Plan.
- (b) **Safe harbor allocation condition.** An Employee must be employed by the Employer on the last day of the Plan Year OR must be complete more than:

(1) \_\_\_\_ (not to exceed 500) Hours of Service during the Plan Year.

(i) Hours of Service are determined using actual Hours of Service.

(ii) Hours of Service are determined using the following Equivalency Method (as defined under AA §4-3):

(A) Monthly  (B) Weekly

(C) Daily  (D) Semi-monthly

(2) \_\_\_\_ (not more than 91) consecutive days of employment with the Employer during the Plan Year.

*[Note: Under this safe harbor allocation condition, an Employee will satisfy the allocation conditions if the Employee completes the designated Hours of Services or period of employment, even if the Employee is not employed on the last day of the Plan Year. See Section 3.09 of the Plan for rules regarding the application of this allocation condition to the minimum coverage test.]*

(c) **Employment condition.** An Employee must be employed with the Employer on the last day of the Plan Year.

(d) **Minimum service condition.** An Employee must be credited with at least:

(1) \_\_\_\_ (not to exceed 1000) Hours of Service during the Plan Year.

(i) Hours of Service are determined using actual Hours of Service.

(ii) Hours of Service are determined using the following Equivalency Method (as defined under AA §4-3):

(A) Monthly  (B) Weekly

(C) Daily  (D) Semi-monthly

(2) \_\_\_\_ (not more than 182) consecutive days of employment with the Employer during the Plan Year.

(e) **Application to a specified period.** The allocation conditions selected under this AA §6-5 apply on the basis of the Plan Year. Alternatively, if an employment or minimum service condition applies under this AA §6-5, the Employer may elect under this subsection to apply the allocation conditions on a periodic basis as set forth below. (See Section 3.09(a) of the Plan for a description of the rules for applying the allocation conditions on a periodic basis.)

(1) **Period for applying allocation conditions.** Instead of the Plan Year, the allocation conditions set forth under subsection (2) below apply with respect to the following periods:

(i) Plan Year quarter

(ii) calendar month

(iii) payroll period

(iv)

Other:

(2) **Application of allocation conditions.** If this subsection is checked to apply allocation conditions on the basis of specified periods, to the extent an employment or minimum service allocation condition applies under this AA §6-5, such allocation condition will apply based on the period selected under subsection (1) above, unless designated otherwise below:

(i) Only the employment condition will be based on the period selected in subsection (1) above.

(ii) Only the minimum service condition will be based on the period selected in subsection (1) above.

(iii) Describe any special rules: \_\_\_\_\_

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

(f) **Exceptions.**

(1) The above allocation condition(s) will **not** apply if the Employee:

(i) dies during the Plan Year.

(ii) terminates employment due to becoming Disabled.

(iii) terminates employment after attaining Normal Retirement Age.

(iv) terminates employment after attaining Early Retirement Age.

(v) is on an authorized leave of absence from the Employer.

(2) The exceptions selected under subsection (1) will apply even if an Employee has not terminated employment at the time of the selected event(s).

(3) The exceptions selected under subsection (1) do not apply to:

(i) an employment condition designated under this AA §6-5.

(ii) a minimum service condition designated under this AA §6-5.

(g) **Described** any special rules governing the allocation conditions under the Plan: \_\_\_\_\_

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



**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 reinstatement: \_\_\_\_\_. [**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. This, 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: 6-1-2016

(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(1), the following has been modified under other Plan Compensation exclusions: All bonuses except Annual Bonus program; all short term disability or disability salary continuation payments; foreign service allowance; bonuses and overtime for Employer Retirement Contributions; and 6-5(a) the allocation conditions for Employer Contributions has been removed 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 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 the 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 the 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 option 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)

Shelby Pyatt VP, HR & IT  
(Name of authorized representative) (Title)

/s/Shelby Pyatt 6/13/16  
(Signature) (Date)

**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 4-1-2017.

1. The Adoption Agreement is amended to read:

**6A-8 AUTOMATIC CONTRIBUTION ARRANGEMENT.** No automatic contribution provisions apply under Section 3.03(c) of the Plan, unless provided otherwise under this AA §6A-8.

(a) **Automatic deferral election.** Upon becoming eligible to make Salary Deferrals under the Plan (pursuant to AA §3 and AA §4), a Participant will be deemed to have entered into a Salary Deferral Election for each payroll period, unless the Participant completes a Salary Deferral Election (subject to the limitations under AA §6A-2 and AA §6A-3) in accordance with procedures adopted by the Plan Administrator.

(1) **Effective date of Automatic Contribution Arrangement.** The automatic deferral provisions under this AA §6A-8 are effective as of:

(i) The Effective Date of this Plan as set forth under the Employer Signature Page.

(ii) \_\_\_\_\_[insert date]

(iii) As set forth under a prior Plan document. [**Note:** If this subsection (iii) is checked, the automatic deferral provisions under this AA §6A-8 will apply as of the original Effective Date of the automatic contribution arrangement. Unless provided otherwise under this AA §6A-8, an Employee who is automatically enrolled under a prior Plan document will continue to be automatically enrolled under the current Plan document.]

(2) **Automatic Contribution Arrangement.** Check this subsection (2) if the Plan is designated as an Automatic Contribution Arrangement, as described under Section 3.03(c) of the Plan. [**Note:** Unless an election is made under this AA §6A-8 that is inconsistent with the requirements of an Eligible Automatic Contribution Arrangement (EACA), the Automatic Contribution Arrangement will qualify as an EACA, as described in Section 3.03(c)(1) of the Plan.]

(i) **Automatic deferral percentage.**

(A) 6 % of Plan Compensation

(B) \$

(ii) **Automatic increase.**

- (A) 2 % of Plan Compensation
- (B) \$\_\_
- (C) Describe:\_\_\_\_\_

Any automatic increase elected under this subsection (ii) will not cause the automatic deferral amount to exceed:

- (D) 10 % of Plan Compensation
- (E) \$\_\_
- (F) Describe:\_\_\_\_\_

(3) **Qualified Automatic Contribution Arrangement (QACA).** Check this subsection if the Plan is designated as a QACA under Section 6.04(b) of the Plan. *[Note: If this subsection (3) is checked, a QACA Safe Harbor Contribution must also be selected under AA §6C-2.]*

(i) **Automatic deferral percentage.** \_\_\_% *[must be at least 3% and no more than 10%] of Plan Compensation.*

(ii) **Automatic increase.** If elected under this subsection (ii), the automatic deferral amount will increase each Plan Year by the following amount:

(A) \_\_\_% of Plan Compensation

but not in excess of

(B) % *[not less than 6% or more than 10%] of Plan Compensation*

*[Note: If the percentage under subsection (i) is less than 6% of Plan Compensation, an automatic deferral of at least 1% must apply under subsection (A). If no percentage is entered under subsection (B), any automatic increase selected under subsection (ii) will not exceed 10% of Plan Compensation.]*

(4) **Application of automatic deferral provisions.** The automatic deferral election under subsection (2) or (3), as applicable, will apply to new Participants and existing Participants as set forth under this subsection (4).

(i) **New Participants,** The automatic deferral provisions apply to all eligible Participants who do not enter into a Salary Deferral Election (including an election not to defer) and who:

- (A) become Participants on or after the effective date of the automatic deferral provisions.
- (B) are hired on or after the effective date of the automatic deferral provisions.

(ii) **Current Participants.** The automatic deferral provisions apply to all other eligible Participants as follows:

- (A) Automatic deferral provisions apply to all current Participants who have not entered into a Salary Deferral Election (including an election not to defer under the Plan).
- (B) Automatic deferral provisions apply to all current Participants who have not entered into a Salary Deferral Election that is at least equal to the automatic deferral amount under subsection (2)(i) or (3)(i), as applicable. Current Participants who have made a Salary Deferral Election that is less than the automatic deferral amount or who have not made a Salary Deferral Election will automatically be increased to the automatic deferral amount unless the Participant enters into a new Salary Deferral election on or after the effective date of the automatic deferral provisions.
- (C) Automatic deferral provisions do not apply to current Participants. Only new Participants described in subsection (i) are subject to the automatic deferral provisions. *[Note: This subsection (C) may not be selected if the Plan is a QACA under subsection (3). Also see Section 3.03(c)(2)(i) of the Plan for the application of this subsection under an EACA.]*
- (D) Describe:\_\_\_\_\_

(iii) **Treatment of automatic deferrals.** Any Salary Deferrals made pursuant to an automatic deferral election will be treated as Pre-Tax Salary Deferrals, unless designated otherwise under this subsection (iii).

- Any Salary Deferrals made pursuant to an automatic deferral election will be treated as Roth Deferrals. [This subsection (iii) may only be checked if Roth Deferrals are permitted under AA §6A-5.]

*[Note: Any Salary Deferral Election (including an election not to defer under the Plan) made after the effective date of the automatic deferral provisions will override such automatic deferral provisions. See Section 6.04(b)(J)(iii) of the Plan for the application of this provision to rehired Employees.]*

(5) **Application of automatic increase.** Unless designated otherwise under this subsection (5), if an automatic increase is selected under subsection (2)(ii) or (3)(ii) above, the automatic increase will take effect as of the first day of the second Plan Year following the Plan Year in which the automatic deferral election first becomes effective with respect to a Participant. (See Section 3.03(c)(2)(iii) of the Plan.)

(i) **First Plan Year.** Instead of applying as of the second Plan Year, the automatic increase described in subsection (2)(ii) or (3)(ii), as applicable, takes effect as of the appropriate date (as designated under subsection (iii) below) within the first Plan Year following the date automatic contributions begin.

(ii) **Designated Plan Year.** Instead of applying as of the second Plan Year, the automatic increase described in subsection (2)(ii) or (3)(ii), as applicable, takes effect as of the appropriate date (as designated under subsection (iii) below) within the \_\_\_\_ Plan Year following the Plan Year in which the automatic deferral election first becomes effective with respect to a Participant. [Note: If this subsection (ii) is checked and the Plan is intended to qualify for the QACA safe harbor, the Plan must satisfy the minimum deferral requirements. See Section 6.04(b)(1)(i) of the Plan for special rules that apply if this subsection (ii) is checked for a QACA plan. Also see Rev. Rul. 2009-30.]

(iii) **Effective date.** The automatic increase described under subsection (2)(ii) or (3)(ii), as applicable, is generally effective as of the first day of the Plan Year. If this subsection (iii) is checked, instead of becoming effective on the first day of the Plan Year, the automatic increase will be effective on:

- (A) The anniversary of the Participant's date of hire.
- (B) The anniversary of the Participant's first automatic deferral contribution.

(C) The first day of each calendar year

(D) Other date: April 1

*[Note: If this subsection (iii) is checked and the Plan is intended to qualify for the QACA safe harbor, the Plan must satisfy the minimum deferral requirements. See Section 6.04(b)(1)(i) of the Plan for special rules that apply if this subsection (iii) is checked for a QACA plan. Also see Rev. Rul. 2009-30.]*

**Special rules:** Effective 4/1/2017, participants deferring between 6% and 9% of compensation will be increased by 2% up to a maximum of 10% unless they opt out of this deferral increase prior to 4/1/2017.

*[Note: Any special rules under this subsection (iv) must satisfy the rules applicable to automatic increases under Treas. Reg. §1.401(k)-3, if applicable, and must satisfy the nondiscrimination requirements under Code §1.401(a)(4).]*

(6) **Treatment of terminated Employees.** Unless designated otherwise under subsection (i) below, a Participant's affirmative election to defer (or to not defer) will cease upon termination of employment. In addition, unless designated otherwise under subsection (ii) below, in applying the automatic deferral provisions under the Plan, a rehired Participant is treated as a new Employee if the Participant is precluded from making automatic deferrals to the Plan for a full Plan Year.

(i) **Terminated Employees.** If this subsection (i) is selected, a terminated Participant's affirmative election to defer (or to not defer) will not cease upon termination of employment. Thus, a Participant who entered into an election to defer (or not to defer) prior to termination of employment will not be subject to the automatic deferral provisions upon rehire. (See Section 3.03(c)(2)(i) of the Plan.)

(ii) **Rehired Employees.** If this provision applies, a Participant who is precluded from making automatic deferrals to the Plan for a full Plan Year will not be treated as a new Employee for purposes of applying the automatic deferral provisions under the Plan. Thus, a rehired Participant's minimum deferral percentage will continue to be calculated based on the date the individual first

began making automatic deferrals under the Plan. (See Section 6.04(b)(1)(iii) of the Plan.)

(b) **Permissible Withdrawals under Automatic Contribution Arrangement.**

(1) **Permissible withdrawals allowed.** If the Plan satisfies the requirements for an EACA (as set forth in Section 3.03(c)(2) of the Plan) or a QACA (as set forth in Section 6.04(b) of the Plan), the permissible withdrawal provisions under Section 3.03(c)(3) of the Plan apply. Thus, a Participant who receives an automatic deferral may withdraw such contributions (and earnings attributable thereto) within the time period set forth under Section 3.03(c)(3) of the Plan, without regard to the in-service distribution provisions selected under AA §10- 1.

(2) **No permissible withdrawals.** Although the Plan contains an automatic deferral election that is designed to satisfy the requirements of an EACA or QACA, the permissible withdrawal provisions under this subsection (b) are not available.

(3) **Time period for electing a permissible withdrawal.** Instead of a 90-day election period, a Participant must request a permissible withdrawal no later than 45\_\_ [may not be less than 30 or more than 90] days after the date the Plan Compensation from which such Salary Deferrals are withheld would otherwise have been included in gross income.

(c) **Other automatic deferral provisions:** \_\_\_\_\_

[Note: Any language added under this subsection must comply with the nondiscrimination requirements under Code §401(a)(4) and the regulations thereunder.]

**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(1)(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: 4-1-2017
- (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: 6A-8 to add an Automatic Deferral Increase of 2% up to a 10% cap of Plan Compensation, and to re-enroll employees deferring less than 6% of Plan Compensation.

**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.

Shelby Pyatt VP, HR & IT

(Name of authorized representative) (Title)

/s/ Shelby Pyatt 12/7/16

(Signature) (Date)

# **AMENDED AND RESTATED MASTER SHAREHOLDER AGREEMENT IN RELATION TO MATARIKI FORESTS AUSTRALIA PTY LIMITED, MATARIKI FORESTRY GROUP AND MATARIKI FORESTS**

Dated 19 February 2010

SAS Trustee Corporation

Rayonier Canterbury LLC

Rayonier New Zealand Limited

Matariki Forests Australia Pty Limited

Matariki Forestry Group

Matariki Forests

AMP Capital Investors Limited as trustee of the Infrastructure Trust No.1

AMP Capital Investors Limited as trustee of the REST Infrastructure Trust

AMP Investment Services Pty Limited as trustee of the Infrastructure Equity Fund

AMP Investment Services Pty Limited as trustee of the AMP Capital Global Infrastructure Fund No 2

Waimarie Forests Pty Limited

Phaunos Timber Fund Limited

LEVEL 23 IAG HOUSE 151 QUEEN STREET PO BOX 3797 AUCKLAND PHONE 64 9 921 6000 FAX 64 9 921 6001

LEVEL 25 CHIFLEY TOWER 2 CHIFLEY SQUARE SYDNEY PHONE 61292932877 FAX 6129293 2879

[www.maynewetherell.com](http://www.maynewetherell.com)

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This **AGREEMENT** was originally entered into on 15 July 2005, amended and restated on each of 29 September 2005, 24 April 2006 and 10 January 2008.

## **PARTIES**

**SAS TRUSTEE CORPORATION**, a statutory corporation established under the Superannuation Administration Act 1987 (NSW) (under its former name State Authorities Superannuation Board) and continued by the Superannuation Administration Act 1991 (NSW) and the Superannuation Administration Act 1996 (NSW) of c/- Level 21, 83 Clarence Street, Sydney, NSW 2000, Australia (**STC**);

**RAYONIER CANTERBURY LLC**, a limited liability company incorporated in Delaware (**RCL**);

**RAYONIER NEW ZEALAND LIMITED**, a limited liability company incorporated in New Zealand having its registered office at Level 5, 49 Symonds Street, Auckland, New Zealand (**RNZ**);

**MATARIKI FORESTS AUSTRALIA PTY LIMITED**, a limited liability company incorporated in Australia, having its registered office at c/- TMF Corporate Services (Aust) Pty Limited, Level 9, 50 Park Street, Sydney NSW 2000, Australia (**Ausco**);

**MATARIKI FORESTRY GROUP**, an unlimited liability company incorporated in New Zealand having its registered office at Level 5, 49 Symonds Street, Auckland, New Zealand (**Holdco**);

**MATARIKI FORESTS**, an unlimited liability company incorporated in New Zealand having its registered office at Level 5, 49 Symonds Street, Auckland, New Zealand (**Treeco**);

**AMP CAPITAL INVESTORS LIMITED ABN 59 001 777 501** as trustee of the Infrastructure Trust No. 1 (**ITN**);

**AMP CAPITAL INVESTORS LIMITED ABN 59 001 777 501** as trustee of the REST Infrastructure Trust (**BIT**);

**AMP INVESTMENT SERVICES PTY LIMITED** as trustee of the Infrastructure Equity Fund (**IEF**);

**AMP INVESTMENT SERVICES PTY LIMITED** as trustee of the AMP Global Infrastructure Fund No 2 (**GIF**);

**PHAUNOS TIMBER FUND LIMITED**, a limited liability company incorporated in Guernsey having its registered office at Arnold House, St Julian's Avenue, St Peter Port, Guernsey GY1 3NF (**Phaunos**); and

**WAIMARIE FORESTS PTY LIMITED**, a limited liability company incorporated in Australia having its registered address at c/- Grant Thornton, Level 17, 383 Kent Street, Sydney NSW 2000, Australia (**WFL**).

## **BACKGROUND**

- (A) Holdco is the holding company for the Matariki forestry group of companies. Treeco, a wholly owned subsidiary of Holdco, holds the assets comprising the Matariki forest estate (**Matariki Estate**). The Matariki Estate is made up of assets acquired from Carter Holt Harvey Limited and RNZ.
- (B) STC (a client of RREEF Infrastructure (**RREEF**), the infrastructure business of Deutsche Asset Management (Australia) Limited), the Investor Group and RCL (a Delaware incorporated limited liability company, wholly owned by Rayonier Inc, (**Rayonier**)) have each invested in the Matariki Forestry group.
- (C) STC and the Investor Group have invested in Holdco through Ausco, an Australian incorporated limited liability company. Rayonier has invested in Holdco through RCL. Phaunos has invested in Holdco through its wholly owned subsidiary, WFL.
- (D) The Matariki Estate is managed by RNZ pursuant to the Management Agreements.

(E) The parties wish to enter this master shareholder agreement to record their respective rights and obligations in relation to Ausco, Holdco and Treeco.

**IT IS AGREED** as follows:

## 1. INTERPRETATION

1.1. **Definitions:** In this agreement:

**Accession Deed** means a deed substantially in the form attached as schedule five.

**Affiliate** means, in relation to an Ausco Shareholder:

- (a) a related company of that Ausco Shareholder;
- (b) where the assets of the Ausco Shareholder are managed by a fund manager:
  - i. that fund manager; and
  - ii. any other client, entity, trust or scheme the assets of which are managed by that fund manager.
- (c) where the Ausco Shareholder is a Trust or a trustee of the Trust, any custodian of all or any of the assets of that Trust.

**Auditor** means the auditor of Ausco or Holdco (or a subsidiary of Holdco) for the time being.

**Ausco Acceptance Date** has the meaning set out in clause 4.4.

**Ausco Affected Portion** has the meaning set out in clause 4.6.

**Ausco Board** means the board of directors of Ausco for the time being.

**Ausco Buyer** has the meaning set out in clause 4.5.

**Ausco Constitution** means the constitution of Ausco, as amended from time to time, and in the first instance means the Replaceable Rules, as that term is defined in the Corporations Act.

**Ausco Entitlement** has the meaning set out in clause 4.5

**Ausco Fair Value** has the meaning set out in clause 4.12.

**Ausco Final Acceptance Date** has the meaning set out in clause 4.5.

**Ausco Non Responsive Parties** has the meaning set out in clause 4.5.

**Ausco Sale Interest** has the meaning set out in clause 4.3(a).

**Ausco Sale Notice** has the meaning set out in clause 4.3.

**Ausco Sale Shares** has the meaning set out in clause 4.12.

**Ausco Seller** has the meaning set out in 4.3.

**Ausco Share** means any ordinary share in Ausco.

**Ausco Shareholders** means the holders of Ausco Shares from time to time, as identified in Part A of schedule one.

**Ausco Sister Company** means, in relation to an Ausco Shareholder, means an entity that is wholly owned (directly or indirectly) by the same holding company as that Ausco Shareholder.

**Business Day** means any day (other than a Saturday) when banks in Auckland, New Zealand are open for the transaction of normal business.

**CHH SPA** means the agreement for the sale and purchase of the shares in and certain related forestry assets of Carter Holt Harvey Limited between Carter Holt Harvey Limited and Treeco dated 15 July 2005 and amended and restated on 3 October 2005.

**Class** means a class of Holdco Shares having attached to them identical rights, privileges, limitations and conditions.

**Class A Directors** means the directors appointed in accordance with clause 2.1(a) of schedule three.

**Class B Directors** means the directors appointed in accordance with clause 2.1(b) of schedule three.

**Class C Directors** means the directors appointed in accordance with clause 2.1(c) of schedule three.

**Companies Act** means the Companies Act 1993 (New Zealand).

**Corporations Act** means the Corporations Act 2001 (Australia).

**Debt Commitment** means, in relation to an Ausco Shareholder, RCL or Phaunos, that party's Commitment under, and as defined in, the Investor Loan Facility.

**Defaulting Holdco Shareholder** has the meaning set out in clause 8.1.

**Entitlement** has the meaning set out in clause 5.7(c).

**Event of Default** has the meaning set out in clause 8.2.

**Excess Sale Interest** has the meaning set out in clause 5.7(f).

**Group Representative** means AMP Capital Investors Limited ABN 59 001 777 591 of Level 24, 33 Alfred Street, Sydney NSW 2000, acting on behalf of the Investor Group, or any other person from time to time notified by the members of the Investor Group in writing.

**Holdco Acceptance Date** has the meaning set out in clause 3.5.

**Holdco Affected Portion** has the meaning set out clause 3.7.

**Holdco Board** means the board of directors of Holdco for the time being.

**Holdco Buyer** has the meaning set out in clause 3.6.

**Holdco Class A Shares** mean the ordinary shares in Holdco issued or to be issued to the Holdco Class A Shareholders.

**Holdco Class A Shareholders** means the holders of Holdco Class A Shares from time to time and identified as such in Part B of schedule one.

**Holdco Class B Shares** mean the ordinary shares in Holdco issued or to be issued to the Holdco Class B Shareholders.

**Holdco Class B Shareholders** means the holders of Holdco Class B Shares from time to time and identified as such in Part B of schedule one.

**Holdco Class C Shares** mean the ordinary shares in Holdco issued or to be issued to the Holdco Class C Shareholders.

**Holdco Class C Shareholders** means the holders of Holdco Class C Shares from time to time and identified as such in Part B of schedule one.

**Holdco Constitution** means the constitution of Holdco, as amended from time to time.

**Holdco Entitlement** has the meaning set out in clause 3.6.

**Holdco Fair Value** has the meaning set out in clause 3.15.

**Holdco Final Acceptance Date** has the meaning set out in clause 3.6.

**Holdco Non Responsive Parties** has the meaning set out in clause 3.6

**Holdco Ordinary Shares** means the Holdco Class A Shares, Holdco Class B Shares and Holdco Class C Shares and any other ordinary shares in the capital of Holdco on issue from time to time.

**Holdco Redeemable Share** means any redeemable share in Holdco of whatever Class, the terms of which have been agreed by the parties.

**Holdco Sale Interest** has the meaning set out in clause 3.4. **Holdco Sale Notice** has the meaning set out in clause 3.4. **Holdco Sale Shares** has the meaning set out in clause 3.15.

**Holdco Seller** has the meaning set out in clause 3.4.

**Holdco Share** means any share in Holdco, of whatever Class.

**Holdco Shareholders** means the holders of Holdco Shares from time to time.

**Holdco Sister Company** means, in relation to a Holdco Shareholder, an entity that is:

- (a) wholly owned (directly or indirectly) by the same holding company as that relevant Holdco Shareholder;
- (b) a wholly owned subsidiary of that Holdco Shareholder; or
- (c) owned by the same parties that own that Holdco Shareholder.

**Holdco Subscribers** means the parties listed in Part C of schedule one.

**Holdco Tag Along Notice** has the meaning set out in clause 3.14.

**Holdco Tag Along Party** has the meaning set out in clause 3.14.

**Indirect Interest** has the meaning set out in clause 5.7(b).

**Investor Group** means ITN, RIT, IEF and GIF (or their respective successors or assigns).

**Investor Loan Facility** means the amended and restated investor loan facility agreement between the Ausco Shareholders, RCL, Phaunos and Treeco, dated on or around the date of this agreement.

**Management Agreements** means:

- (a) the management agreement between Treeco and RNZ in relation to the management of the Matariki Estate dated on or about 29 September 2005 (and as amended from time to time); and
- (b) the management agreement between Matariki Forests Trading Limited and RNZ in relation to the management of harvesting and marketing of logs dated on or about 29 September 2005 (and as amended from time to time).

**Non-Defaulting Holdco Shareholder** has the meaning set out in clause 8.1.

**Non-Participating Ausco Shareholder** has the meaning set out in clause 5.7(e).

**Notifying Ausco Shareholder** has the meaning set out in clause 5.7(d).

**Relevant Proportion** means the percentage proportion of the total interest that each of the Ausco Shareholders, RCL and WFL holds (directly or indirectly) in Holdco from time to time as set out in part B of schedule one (updated from time to time in accordance with clause 5.4).

**RNZ Assets** means the assets transferred pursuant to the RNZ SPA

**RNZ SPA** means the agreement for the sale and purchase of the RNZ Assets between RNZ and Treece dated 15 July 2005 and amended and restated on 29 September 2005.

**Stapled Proportions** has the meaning set out in clause 3A.1.

**STC Fund Assets** means the right, title and interest of STC as trustee of the STC Fund in all of the property, rights and income of the STC Fund.

**STC Fund** means those funds included in the definition of "STC Fund" in the Superannuation Administration Act 1996 (NSW) and which are maintained in accordance with section 81 and clause 22 of Schedule 3 of that Act.

**Subscription Agreement** means the subscription agreement between all the parties to this agreement (with the exception of RNZ and Treeco) dated on or about the date of this agreement.

**Tag Interest** has the meaning set out in clause 3.14.

**Tagging Ausco Shareholder** has the meaning set out in clause 5.8(b). **Transferring Ausco Shareholder** has the meaning set out in clause 4.10.

**Transferring Holdco Shareholder** has the meaning set out in clause 3.12. **Treeco Board** means the board of directors of Treeco for the time being.

**Treeco Constitution** means the constitution of Treeco, as amended from time to time.

**Treeco Share** means any ordinary share in Treeco.

**Trust** has the meaning set out in clause 1.5(a).

**Trustee** means any person that is at any time a party to this agreement in its capacity as trustee of a trust, other than STC.

1.2. **Interpretation:** In this agreement, a reference to:

- (a) a **subsidiary or holding company or related company** shall be construed in accordance with sections 2(3) and 5 of the Companies Act;
- (b) the singular includes the plural and vice versa;
- (c) a statutory provision includes a reference to:
  - (i) the statutory provision as modified or re-enacted or both from time to time (whether before or after the date of this agreement); and
  - (ii) any subordinate legislation made under the statutory provision (whether before or after the date of this agreement);
- (d) persons includes a reference to any body corporate, unincorporated association or partnership;
- (e) a person includes a reference to that the person's legal personal representatives or successors;



- (f) a clause or schedule, unless the context otherwise requires, is a reference to a clause or schedule to this agreement;
- (g) references to \$ are to New Zealand dollars, unless otherwise specified.

1.3. **Schedules:** The schedules form part of this agreement and shall have the same force and effect as if set out in the body of this agreement, and references to this agreement include the schedules.

1.4. **Headings:** The headings in this agreement shall not affect the interpretation of this agreement.

1.5. **Trustee Limitation:**

- (a) Subject to clause 1.5(c), no Trustee will be liable to pay or satisfy any obligations or liabilities under this agreement other than out of assets of the relevant trust (**Trust**) in respect of which that Trustee has entered into this agreement and in no circumstances will that Trustee be called upon or liable to satisfy any of those obligations or liabilities out of its personal assets;
- (b) Subject to clause 1.5(c), each party to this agreement may only enforce its rights against a Trustee to the extent of that Trustee's right of indemnity out of the assets held by it in respect of the relevant Trust; and
- (c) The limitation of liability recorded in clauses 1.5(a) and (b) above shall not apply if and to the extent that the Trustee does not have or has lost (as a result of the Trustee's willful breach of trust, fraud or gross negligence) a right of indemnity out of the assets held by it in respect of the relevant Trust.

1.6. **The Investor Group:**

- (a) Subject to clause 1.6(c), the Group Representative shall:
  - (i) give and receive all notices and other information for and on behalf of each member of the Investor Group under this agreement; and
  - (ii) exercise the rights of each member of the Investor Group under this agreement for and on behalf of each member of the Investor Group including, without limitation, the right to exercise votes at a meeting of Ausco Shareholders.
- (b) Subject to clause 1.6(c), the parties to this agreement may rely on any document signed by the Group Representative as if each member of the Investor Group had signed it.
- (c) The Investor Group may, by notice in writing signed by each member of the Investor Group, revoke the appointment of the Group Representative and appoint a new Group Representative.

1.7. **STC Limitation of Liability:** Each party to this agreement acknowledges that:

- (a) STC enters this agreement only in its capacity as trustee of the STC Fund and in no other capacity. A liability arising under or in connection with this agreement is limited, and can be enforced against STC only to the extent to which it can be satisfied out of the STC Fund Assets out of which STC is actually indemnified for the liability. This limitation of STC's liability applies despite any other provision of this agreement and extends to all liabilities and obligations of STC in any way connected with this agreement.
- (b) The parties to this agreement (other than STC) may not sue STC in any capacity other than as trustee of the STC Fund, including to seek the appointment of a receiver, a liquidator, an administrator or any similar person to STC or to prove in any liquidation, administration or arrangement of or affecting STC (except in relation to the STC Fund Assets).

- (c) Clause 1.7(a) and (b) do not apply to any obligation or liability of STC to the extent that it is not satisfied because there is a reduction in the extent of STC's indemnification out of the STC Fund Assets as a result of fraud, negligence or breach of trust by STC.
- (d) No attorney, agent, receiver or receiver and manager appointed in good faith has authority to act on behalf of STC in a way which exposes STC to any personal liability, and no act or omission of any such person will be considered fraud, negligence or breach of trust of STC for the purpose of 1.7(c).
- (e) No act or omission of STC will be considered fraud, negligence or breach of trust of STC for the purpose of 1.7(c) to the extent to which STC is not liable for such act or omission by virtue of the operation of subsection 53(3) of the Trustee Act 1925 (NSW).

## 2. GOVERNANCE

- 2.1. **Ausco governance:** Ausco shall be governed in accordance with the provisions set out in schedule two, and otherwise in accordance with the Ausco Constitution.
- 2.2. **Holdco governance:** Holdco shall be governed in accordance with the provisions set out in schedule three, and otherwise in accordance with the Holdco Constitution.
- 2.3. **Treeco governance:** Treeco shall be governed in accordance with the provisions set out in schedule three, and otherwise in accordance with the Treeco Constitution.

## 3. DEALING IN SHARES IN HOLDCO

3A **Interpretation:** For the purpose of this clause 3, **Share** means a Holdco Ordinary Share or a Holdco Redeemable Share, as the case may be.

3.1 **Grant of security, etc:** No Holdco Shareholder shall, except with the prior written consent of the other Holdco Shareholders:

- (a) pledge, mortgage, charge or otherwise encumber any Share or any interest in any Share;
- (b) grant an option over any Share, or any interest in any Share; or
- (c) enter into any agreement in respect of the votes attached to any Share

3.2 **Intentionally left blank**

3.3 **Pre-emptive rights:** Subject to clauses 3.12 to 3.13, Shares may only be transferred in accordance with clauses 3.4 to 3.11.

3.4 **Sale notice:** In order for any Holdco Shareholder (**Holdco Seller**) to sell, transfer or otherwise dispose of the legal or beneficial ownership of, or the control of, any of its Shares, that Holdco Shareholder shall first give notice (**Holdco Sale Notice**) to Holdco and the other Holdco Shareholders specifying:

- (a) the total number of Shares it wishes to sell, and the corresponding proportion of its Holdco Ordinary Shares, Holdco Redeemable Shares and Debt Commitment (which, in the case of Ausco, shall be the corresponding proportion of the Ausco Shareholders' Debt Commitment and, in the case of WFL, shall be the corresponding proportion of Phaunos' Debt Commitment) that it is required to transfer with the relevant Shares pursuant to clause 5.2 and 5.2A (**Holdco Sale Interest**);
- (b) the price which the Holdco Seller wishes to receive for the Holdco Sale Interest;
- (c) each other Holdco Shareholder's pro rata entitlement which shall be verified by Holdco within 2 Business Days of receiving the Holdco Sale Notice to that Holdco Sale Interest which must be offered pursuant to this clause 3;

- (d) with respect to the exercise of pre-emptive rights pursuant to clause 3.4 to 3.11, any other terms and conditions of the proposed sale of the Holdco Sale Interest to Holdco Shareholders pursuant to clause 3.6 (which shall be described sufficiently precisely to inform Holdco and the Holdco Shareholders receiving the Holdco Sale Notice of the transaction terms relevant to any exercise by them of the pre-emptive rights in clause 3.5 and to enable an acceptance of the offer in the Holdco Sale Notice to constitute a binding contract); and
- (e) with respect to the exercise of tag along rights pursuant to clause 3.14, the material terms which it would propose be included, or which it expects it might be required to offer to a third party purchaser of the Holdco Sale Interest (and the interest of any Holdco Tag Along Party, as applicable) in connection with any sale under clause 3.8.

3.5 **Acceptance of Holdco Sale Notice:** Each Holdco Shareholder other than the Holdco Seller may, not later than the date (**Holdco Acceptance Date**) 20 Business Days after giving of the Holdco Sale Notice, give irrevocable notice to the Holdco Seller that that Holdco Shareholder wishes to acquire its pro rata entitlement and an indication that it will purchase a larger portion of the Holdco Sale Interest (specifying, if applicable, the increased portion of the Holdco Sale Interest which it wishes to acquire) if other Holdco Shareholders do not purchase their pro rata entitlement to the Holdco Sale Interest on the terms specified in the Holdco Sale Notice. For the avoidance of doubt, an acceptance given pursuant to this clause must relate to at least the entire pro rata entitlement of the accepting Holdco Shareholder to be effective.

3.6 **Terms of sale:** A Holdco Shareholder which gives notice to the Holdco Seller in accordance with clause 3.5 (**Holdco Buyer**) that it wishes to acquire its pro rata entitlement to the Holdco Sale Interest (**Holdco Entitlement**) shall be entitled and bound (subject to this clause 3.6 and clause 3.7) to acquire that Holdco Entitlement. If one or more Holdco Shareholders gives notice to the Holdco Seller that it does not wish to acquire its Holdco Entitlement, or does not give any notice within the 20 Business Day period referred to in clause 3.5 (such Holdco Shareholders being **Holdco Non Responsive Parties**), the aggregate Holdco Entitlements of the Holdco Non Responsive Parties shall be offered to those Holdco Shareholders who accepted their Holdco Entitlement and who provided an indication that they would purchase a larger portion of the Holdco Sale Interest if other Holdco Shareholders declined to take up their Holdco Entitlement, pro rata to the number of Shares they currently hold, and reoffered as necessary, so as to exhaust these pre-emptive rights. If Holdco Buyers have given acceptances in relation to the entire Holdco Sale Interest by the date 20 Business Days after the Holdco Acceptance Date (**Holdco Final Acceptance Date**), the purchase of the Holdco Sale Interest shall be effected at the price, and on the terms and conditions, specified in the Holdco Sale Notice, and, subject to anything to the contrary in the Holdco Sale Notice, on the following terms:

- (a) The sale of the Holdco Sale Interest, whether to one or more Holdco Buyer(s), shall be conditional on the Holdco Seller or Holdco Buyer(s) obtaining any consents required pursuant to clause 3.7. By way of example (without limitation) if there are two Holdco Buyers in respect of a Holdco Sale Interest, and one of those Holdco Buyers does not obtain a consent in accordance with clause 3.7, then the Holdco Seller shall no longer be obliged to sell to the remaining Holdco Buyer and the Holdco Sale Interest shall be re-offered in accordance with clause 3.4.
- (b) The purchase of the Holdco Sale Interest shall be settled on the date 10 Business Days after the Holdco Acceptance Date, or (if later) the Holdco Final Acceptance Date), or if clause 3.7 applies, 10 Business Days after the last of the consents referred to in clause 3.7 is obtained.
- (c) If there is more than one Holdco Buyer, the purchase of the Holdco Sale Interest by all Holdco Buyers shall be settled simultaneously.

- (d) The Holdco Seller shall transfer to the Holdco Buyer good title to the Holdco Sale Interest free of any charge or encumbrance.
- (e) On settlement of the purchase of the Holdco Sale Interest the Holdco Buyer shall pay the purchase price to the Holdco Seller in cleared funds, and the Holdco Seller shall deliver to the Holdco Buyer a transfer of the Holdco Sale Interest, including an assignment of the relevant proportion of its Debt Commitment (if any), or where Ausco is the Holdco Seller a corresponding proportion of the Ausco Shareholders' Debt Commitment, or where WFL is the Holdco Seller a corresponding proportion of Phaunos' Debt Commitment, in a form reasonably acceptable to the Holdco Buyer and the Holdco Seller.
- (f) The Holdco Shareholders shall take all necessary steps to procure the Holdco Board to cause the Holdco Buyer to be registered as holder of the Holdco Sale Interest.
- (g) The Holdco Seller will, upon settlement of the purchase of the Holdco Sale Interest, procure the removal of any Holdco director appointed by it (provided that if it is entitled to appoint more than one director, and is selling some but not all of its Holdco Shares, it shall be entitled to retain representation on the Holdco Board, to the extent permitted by schedule three).

3.7 **Consents:** The Holdco Buyer(s) and the Holdco Seller shall use their reasonable endeavours, with all due speed and diligence, to obtain all necessary consents to the sale and purchase of any portion of the Holdco Sale Interest (**Holdco Affected Portion**) for which any such consent is required, including any consent required from any governmental or regulatory agency or authority. If any necessary consent is:

- (a) not granted within 90 Business Days from the Holdco Acceptance Date (or, if applicable, the Holdco Final Acceptance Date); or
- (b) granted on terms and conditions that are not reasonably acceptable to the party affected thereby,

the Holdco Seller or any Holdco Buyer may, by notice to all Holdco Shareholders, terminate the obligation to buy and sell the Holdco Affected Portion created by clause 3.6, and the Holdco Affected Portion shall be re-offered in accordance with 3.4. The 100 Business Day period to which clause 3.8 applies shall run from the Holdco Acceptance Date (or, if applicable, the Holdco Final Acceptance Date) applicable to the re-offer of such Holdco Affected Portion.

3.8 **Sale to third parties:** If the pre-emptive procedure set out in clauses 3.4 to 3.7 has been exhausted in relation to the Holdco Sale Interest and acceptances have not been received for the entire Holdco Sale Interest (including for all or any part of the Holdco Affected Portion following the re-offer in accordance with clause 3.4), the Holdco Seller may, (subject to clauses 3.9, 3.10 and 5.1) within 100 Business Days of the Holdco Acceptance Date (or, if applicable, the Holdco Final Acceptance Date), transfer the Holdco Sale Interest to any other person for a price not less than that, and on terms and conditions no more favourable to the Holdco Seller than those, specified in the Holdco Sale Notice. For the purpose of this clause:

- (a) the terms and conditions on which the Holdco Sale Interest is sold to a third party shall not be construed as being more favourable than those in the Holdco Sale Notice solely because those terms and conditions contain arms' length warranties; and
- (b) each Holdco Shareholder shall provide such assistance as may reasonably be required by the Holdco Seller for the purposes of enabling the Holdco Seller to solicit offers for the Holdco Sale Interest including:
  - (i) allowing prospective purchasers and their advisers to carry out reasonable due diligence enquiries;

- (ii) allowing the Holdco Seller to complete any offering or sale document (including any information memorandum); and
- (iii) enabling completion of any such sale to take place.

3.9 **Approval of purchaser by RCL:** For so long as RCL (or any related company of RCL or Rayonier) remains a Holdco Shareholder, no other Holdco Shareholder shall transfer Holdco Shares to any person (other than another Holdco Shareholder) unless that Holdco Shareholder has obtained the approval of RCL (or the relevant related company of RCL or Rayonier holding Holdco Shares). The approval of RCL to the proposed transfer shall only be withheld if RCL (or the relevant related company of RCL or Rayonier holding Holdco Shares) concludes, acting reasonably and in good faith, that the proposed transferee's business (or the business of any related company of the proposed transferee) is the operation and/or management of forestry interests in competition with Rayonier. RCL shall respond to a request from the Holdco Seller for approval pursuant to this clause within 10 Business Days after receipt of that request. If RCL fails to respond within that time, it shall be deemed to have approved the proposed purchaser. RCL's response shall be in writing, and, if consent is withheld, shall include an explanation of, and reasons for, that decision.

3.10 **Clause to apply again:** If:

- (a) the obligation to buy and sell any Holdco Affected Portion is terminated pursuant to clause 3.7; or
- (b) the Holdco Seller proposes to sell, transfer, or otherwise dispose of the Holdco Sale Interest outside the period referred to in clause 3.8, or at a price, or on terms and conditions more favourable than, specified in the Holdco Sale Notice; or
- (c) the Holdco Seller does not obtain the approval referred to in clause 3.9,

clauses 3.3 to 3.9 and this clause 3.10 shall again apply, with any necessary modifications.

3.11 **Change of control:** If RCL and RNZ cease to be directly or indirectly wholly owned subsidiaries of the same entity, then RCL shall immediately be deemed to have given a Holdco Sale Notice offering to transfer all of its Shares at Holdco Fair Value, and clauses 3.3 to 3.8 shall, with the necessary modifications, apply.

3.12 **Transfer to related companies:** Nothing in clauses 3.2 and 3.3 shall prevent any Holdco Shareholder (**Transferring Holdco Shareholder**) transferring all or some of its Shares to a holding company or a Holdco Sister Company, and the provisions of clauses 3.4 to 3.10 shall not apply to such transfer, provided:

- (a) where the transferor is a Holdco Shareholder other than RCL (or any related company of RCL), it must seek approval to such transfer in accordance with clause 3.9; and
- (b) where the transferee ceases to be a holding company or a Holdco Sister Company of the Transferring Holdco Shareholder, the transferee shall, and the Transferring Holdco Shareholder shall procure that, the transferee forthwith transfers back to the Transferring Holdco Shareholder (or another holding company or Holdco Sister Company of the Transferring Holdco Shareholder) all Shares that it holds.

3.13 **Change of corporate trustee:** Where a Holdco Shareholder is a corporate trustee or custodian of a pension fund, nothing in clause 3.3 shall prevent the Shares held by that Holdco Shareholder being transferred to a replacement corporate trustee or custodian of that pension fund. For the avoidance of doubt, consent pursuant to clause 3.9 and clause 3.9A is not required for any transfer pursuant to this clause.

3.14 **Tag along right:** If:

- (a) a Holdco Class A Shareholder gives a Holdco Sale Notice in respect of a number of Holdco Class A Shares that exceeds 67% of the total Holdco Class A Shares on issue; or

- (b) a Holdco Class B Shareholder gives a Holdco Sale Notice in respect of a number of Holdco Class B Shares that exceeds 50% of the total Holdco Class B Shares on issue; or
- (c) a Holdco Class C Shareholder gives a Holdco Sale Notice in respect of a number of Holdco Class C Shares that exceeds 67% of the total Holdco Class C Shares on issue,

then any other Holdco Shareholder (**Holdco Tag Along Party**), may, within 10 Business Days of the Holdco Sale Notice being given, give irrevocable written notice (**Holdco Tag Along Notice**) to the Holdco Seller that it wishes to require the Holdco Seller to procure (if the Holdco Sale Interest is not purchased by the other Holdco Shareholders) that any third party purchaser of the Holdco Sale Interest also purchases some or all of the Shares, and any corresponding Debt Commitment (which, in the case of Ausco and WFL, is held by the Ausco Shareholders and Phaunos respectively) held by that Holdco Tag Along Party (**Tag Interest**).

If a Holdco Seller receives a Holdco Tag Along Notice, the Holdco Seller shall not sell the relevant Holdco Sale Interest to a third party unless the Holdco Seller procures that third party to purchase the Tag Interest owned by the Holdco Tag Along Party, at a price and on terms no less favourable in the aggregate, taken as a whole, to the Holdco Tag Along Party, than those contained in the Holdco Sale Notice. For the purpose of this clause:

- (d) the terms and conditions on which the Holdco Sale Interest is sold to a third party shall not be construed as being less favourable solely because those terms and conditions contain arms' length warranties or warranties, terms and conditions described in the Holdco Sale Notice in accordance with clause 3.4(e); and
- (e) each Holdco Shareholder shall provide such assistance as may reasonably be required by the Holdco Seller and Holdco Tag Along Party to effect the transaction contemplated by this clause including:
  - (i) allowing the Holdco Seller to complete any offering or sale document; and
  - (ii) enabling completion of any such sale to take place.

If a Holdco Tag Along Notice is given, reference in this agreement to **Holdco Seller** and **Holdco Sale Interest** shall be deemed to be amended accordingly.

3.15 **Holdco Fair Value:** If it is necessary for any purpose of this agreement to determine the fair market value of the Shares held by a Holdco Shareholder (**Holdco Sale Shares**), the following provisions shall apply:

- (a) All Holdco Shareholders shall, for a period of 10 Business Days after one Holdco Shareholder gives notice to the Holdco Shareholders requiring them to do so, endeavour to agree on the fair market value of the Holdco Sale Shares (Holdco FairValue).
- (b) If the Holdco Shareholders do not agree on the Holdco Fair Value within the period of 10 Business Days referred to in clause 3.15(a), the Holdco Fair Value shall be determined by an independent valuer agreed upon by the Holdco Shareholders, or failing agreement on the valuer within 5 Business Days after the end of that period, appointed on the application of any Holdco Shareholders by the president for the time being of the New Zealand Institute of Chartered Accountants or his or her nominee.
- (c) The person appointed as valuer under clause 3.15(b) shall:
  - (i) act as an expert and not as arbitrator;
  - (ii) determine the Holdco Fair Value as soon as possible, which valuation shall be conclusive.

- (d) In determining the Holdco Fair Value, the valuer shall determine the fair market value of all of the Shares, and shall then determine the Holdco Fair Value in question as the appropriate percentage of the value of all Holdco Shares, so that no regard shall be had to the control of Holdco, or to any premium for control or discount for lack of control.'
- (e) The Holdco Shareholders shall promptly and openly make available to the valuer all information in their possession or under their control relating to Holdco to enable the valuer to proceed with the valuation on an informed basis as to the financial position, affairs, performance, and prospects of Holdco. In these circumstances, RNZ shall provide the valuer with all relevant information in this respect that it holds pursuant to the Management Agreements.
- (f) The fees and expenses of the valuer shall be paid by the Holdco Shareholders pro rata in proportion to their holdings of Shares, or in such other manner as the valuer may determine.
- (g) The valuer may require the parties to adhere to such adjustments to the time frames set out in clause 3 as may be appropriate to reflect the time taken to determine the Holdco Fair Value.

### 3B ISSUE OF SHARES IN HOLDCO

#### 3B.1 **Stapled Proportions:** The Holdco Board must ensure:

- (a) that the Holdco Class A Shareholders hold an equal proportion of Holdco Ordinary Shares and Holdco Redeemable Shares, and each of the Ausco Shareholders hold a proportion of Debt Commitment equal to their respective Relevant Proportion;
- (b) that the Holdco Class B Shareholders hold an equal proportion of Holdco Ordinary Shares, Holdco Redeemable Shares and Debt Commitment; and
- (c) that the Holdco Class C Shareholders hold an equal proportion of Holdco Ordinary Shares and Holdco Redeemable Shares, and Phaunos holds a proportion of Debt Commitment equal to WFL's Relevant Proportion,

being, in each case, the Stapled Proportion.

#### 3B.2 **Classes of shares:** Holdco may issue different Classes of shares in accordance with the provisions of this agreement. Without limiting the Classes which Holdco may issue:

- (a) each Class of shares is deemed to constitute a separate Class but, except as expressly provided in this agreement, all the Holdco Ordinary Shares have the same rights and privileges and are subject to the same restrictions; and
- (b) any share may be issued upon the basis that it:
  - i. confers preferential rights to distributions of capital or income (or no rights to such distributions); or
  - ii. confers special, limited or conditional voting rights; or
  - iii. does not confer voting rights; or
  - iv. is redeemable in accordance with section 68 of the Companies Act.

#### 3B.3 **Holdco Board may issue shares and other securities:** The Holdco Board may, subject to the terms of this agreement, only issue shares, securities that are convertible into or exchangeable for shares, or options to acquire shares (together referred to in this clause as **New Equity Securities**) in accordance with the following provisions:

- (a) Subject to any special rights or restrictions attaching to any existing shares, all New Equity Securities must be offered to all Holdco Shareholders in proportion to each Holdco Shareholder's Stapled Proportion.
- (b) Subject to sub-clause (c) below, the offer must be made by written notice to each Shareholder stating:
- i. the number of New Equity Securities to which that Holdco Shareholder is entitled;
  - ii. the Class or Classes of which the New Equity Securities will form part, and in the case of securities convertible into, or exchangeable for, shares, the Class of which those shares will upon issue form part;
  - iii. the consideration for which the New Equity Securities will be issued and the terms on which they will be issued;
  - iv. the time (not being less than 10 days nor more than 28 days) within which the offer, if not accepted, will be deemed to be declined;
  - v. that any Holdco Shareholder who wishes to acquire New Equity Securities in excess of that Holdco Shareholder's entitlement must, when accepting the offer, state the number of excess New Equity Securities which that Holdco Shareholder wishes to acquire;
  - vi. that any unclaimed New Equity Securities will be used for satisfying the requests for excess New Equity Securities, upon the basis that the New Equity Securities not claimed by any Holdco Shareholder will be allocated first to the other Holdco Shareholders who have requested excess New Equity Securities, in proportion to that Holdco Shareholder's Stapled Proportion, provided that no Holdco Shareholder shall be allocated more excess New Equity Securities than the number which that Holdco Shareholder has requested;
  - vii. that if, thereafter, any New Equity Securities remain unallocated, the Holdco Board may offer them to any person whom the Holdco Board is prepared to register as a Holdco Shareholder provided that the consideration and terms of issue are no more advantageous to that person than those offered to the Holdco Shareholders; and
  - viii. Securities must increase their holding of Holdco Ordinary Shares, Holdco Redeemable Shares and/or Debt Commitment (as may be the case) in order to maintain their Stapled Proportion, provided that:
    - (A) where the Holdco Class A Shareholders accept the offer of New Equity Securities, the Ausco Shareholders shall be required to increase their Debt Commitment; and
    - (B) where the Holdco Class C Shareholders accept the offer of New Equity Securities, Phaunos shall be required to increase its Debt Commitment,in each case by an equal proportion to the Relevant Proportion they will hold following the issue of New Equity Securities to the Holdco Class A Shareholders or Holdco Class C Shareholders as the case may be.
- (c) The New Equity Securities offered to each Holdco Shareholder shall be of a Class or Classes already held by that Holdco Shareholder. For these purposes, any excess New Equity Securities offered pursuant to clause 3A.3(b)(vi) shall, on issue, be issued as Holdco Shares of the Class or Classes already held by the relevant Holdco Shareholder. New Equity Securities which are convertible or exchangeable into Holdco Shares shall be convertible or exchangeable into Holdco Shares of a Class



or Classes already held by the relevant Holdco Shareholder (unless those New Equity Securities are convertible or exchangeable into a new Class of Holdco Shares).

- (d) Notwithstanding the provisions of sub-clauses (a) and (b) and (c), but subject always to the provisions of schedule 3 of this agreement, the Holdco Board may issue New Equity Securities to such persons and on such terms as it thinks fit.
- (e) If any holders of securities in Holdco other than Holdco Shares are entitled by the terms of issue of those securities to participate in any issue of New Equity Securities, the provisions of this clause shall be appropriately modified to take account of such entitlement.

#### 4. DEALINGS IN SHARES IN AUSCO

**4.1 Grant of security, etc:** No Ausco Shareholder shall, except with the prior written consent of the other Ausco Shareholders:

- (a) pledge, mortgage, charge or otherwise encumber any Ausco Share or any interest in any Ausco Share;
- (b) grant an option over any Ausco Share, or any interest in any Ausco Share; or
- (c) enter into any agreement in respect of the votes attached to any Ausco Share.

**4.2 Pre-emptive rights:** Subject to clauses 4.8 to 4.11, Ausco Shares may only be transferred in accordance with clauses 4.3 to 4.7.

**4.3 Sale notice:** In order for any Ausco Shareholder (**Ausco Seller**) to sell, transfer or otherwise dispose of the legal or beneficial ownership of, or the control of, any of its Shares, that Ausco Shareholder shall first give notice (**Ausco Sale Notice**) to Ausco and the other Ausco Shareholders specifying:

- (a) the total number of Ausco Shares it wishes to sell, and the corresponding proportion of its Debt Commitment that it is required to transfer with the relevant Ausco Shares pursuant to clauses 5.2 and 5.2A (**Ausco Sale Interest**);
- (b) the price which the Ausco Seller wishes to receive for the Ausco Sale Interest;
- (c) each other Ausco Shareholder's pro rata entitlement to that Ausco Sale Interest which must be offered pursuant to this clause 4;
- (d) any other terms and conditions of the proposed sale of the Ausco Sale Interest (which shall be described sufficiently precisely to enable an acceptance of the offer in the Ausco Sale Notice to constitute a binding contract).

**4.4 Acceptance of Ausco Sale Notice:** Each Ausco Shareholder other than the Ausco Seller may, not later than the date (**Ausco Acceptance Date**) 20 Business Days after giving of the Ausco Sale Notice, give irrevocable notice to the Ausco Seller that that Ausco Shareholder wishes to acquire its pro rata entitlement and an indication that it will purchase a larger portion of the Ausco Sale Interest (specifying, if applicable, the increased portion of the Holdco Sale Interest which it wishes to acquire) if other Ausco Shareholders do not purchase their pro rata entitlement to the Ausco Sale Interest on the terms specified in the Ausco Sale Notice. For the avoidance of doubt, an acceptance given pursuant to this clause must relate to at least the entire pro rata entitlement of the accepting Ausco Shareholder to be effective.

**4.5 Terms of sale:** An Ausco Shareholder which gives notice to the Ausco Seller in accordance with clause 4.3 (**Ausco Buyer**) that it wishes to acquire its pro rata entitlement to the Ausco Sale Interest (**Ausco Entitlement**) shall be entitled and bound (subject to this clause 4.5 and clause 4.6) to acquire that Ausco

Entitlement. If one of more Ausco Shareholders gives notice to the Ausco Seller that it does not wish to acquire its Ausco Entitlement, or does not give any notice within the 20 Business Day period referred to in clause 4.4 (such **Ausco Shareholders being Ausco Non Responsive Parties**), the aggregate Ausco Entitlements of the Ausco Non Responsive Parties shall be offered to those Ausco Shareholders who accepted their Ausco Entitlement and who provided an indication that they would purchase a larger portion of the Ausco Sale Interest if other Ausco Shareholders declined to take up their Ausco Entitlement, pro rata to the number of Ausco Shares they currently hold, and reoffered as necessary, so as to exhaust these pre-emptive rights. If Ausco Buyers have given acceptances in relation to the entire Ausco Sale Interest by the date 20 Business Days after the Ausco Acceptance Date (**Ausco Final Acceptance Date**), the purchase of the Ausco Sale Interest shall be effected at the price, and on the terms and conditions, specified in the Ausco Sale Notice, and, subject to anything to the contrary in the Ausco Sale Notice, on the following terms:

- (a) The sale of the Ausco Sale Interest, whether to one or more Ausco Buyer(s), shall be conditional on the Ausco Seller or Ausco Buyer(s) obtaining any consents required pursuant to clause 4.6. By way of example (without limitation) if there are two Ausco Buyers in respect of an Ausco Sale Interest, and one of those Ausco Buyers does not obtain a consent in accordance with clause 4.6, then the Ausco Seller shall no longer be obliged to sell to the remaining Ausco Buyer and the Ausco Sale Interest shall be re-offered in accordance with clause 4.3.
- (b) The purchase of the Ausco Sale Interest shall be settled on the date 10 Business Days after the Ausco Acceptance Date (or the Ausco Final Acceptance Date), or if clause 4.6 applies, 10 Business Days after the last of the consents referred to in clause 4.6 is obtained.
- (c) If there is more than one Ausco Buyer, the purchase of the Ausco Sale Interest by all Ausco Buyers shall be settled simultaneously.
- (d) The Ausco Seller shall transfer to the Ausco Buyer good title to the Ausco Sale Interest free of any charge or encumbrance.
- (e) On settlement of the purchase of the Ausco Sale Interest the Ausco Buyer shall pay the purchase price to the Ausco Seller in cleared funds, and the Ausco Seller shall deliver to the Ausco Buyer a transfer of the Ausco Sale Interest, including an assignment of the relevant proportion of its Debt Commitment (if any), in a form reasonably acceptable to the Ausco Buyer and the Ausco Seller.
- (f) The Ausco Shareholders shall take all necessary steps to procure the Ausco Board to cause the Ausco Buyer to be registered as holder of the Ausco Sale Interest.
- (g) The Ausco Seller will, upon settlement of the purchase of the Ausco Sale Interest, procure the removal of any Ausco director appointed by it (provided that if it is entitled to appoint more than one director, and is selling some but not all of its Ausco Shares, it shall be entitled to retain representation on the Ausco Board, to the extent permitted by schedule two).

**4.6 Consents:** The Ausco Buyer(s) and the Ausco Seller shall use their reasonable endeavours, with all due speed and diligence, to obtain all necessary consents to the sale and purchase of any portion of the Ausco Sale Interest (**Ausco Affected Portion**) for which any such consent is required, including any consent required from any governmental or regulatory agency or authority. If any necessary consent is:

- (a) not granted within 90 Business Days from the Ausco Acceptance Date (or, if applicable, the Ausco Final Acceptance Date); or
- (b) granted on terms and conditions that are not reasonably acceptable to the party affected thereby,

the Ausco Seller or any Ausco Buyer may, by notice to all Ausco Shareholders, terminate the obligation to buy and sell the Ausco Affected Portion created by clause 4.6, and the Ausco Affected Portion shall be

re-offered in accordance with 4.3. The 100 Business Day period to which clause 4.7 applies shall run from the Ausco Acceptance Date (or, if applicable, the Ausco Final Acceptance Date) applicable to the re-offer of such Ausco Affected Portion).

**4.7 Sale to third parties:** If the pre-emptive procedure set out in clauses 4.3 to 4.6 has been exhausted in relation to the Ausco Sale Interest and acceptances (including for all or any part of the Holdco Affected Portion following the re-offer in accordance with clause 4.3) have not been received for the entire Ausco Sale Interest, the Ausco Seller may, (subject to clauses 4.8 and 5.1) within 100 Business Days of the Ausco Acceptance Date (or, if applicable, the Ausco Final Acceptance Date), transfer the Ausco Sale Interest to any other person for a price not less than that, and on terms and conditions no more favourable to the Ausco Seller than those, specified in the Ausco Sale Notice. For the purpose of this clause:

- (a) the terms and conditions on which the Ausco Sale Interest is sold to a third party shall not be construed as being more favourable than those in the Ausco Sale Notice solely because those terms and conditions contain arms' length warranties; and
- (b) each Ausco Shareholder shall provide such assistance as may reasonably be required by the Ausco Seller for the purposes of enabling the Ausco Seller to solicit offers for the Ausco Sale Interest including:
  - i. allowing prospective purchasers and their advisers to carry out reasonable due diligence enquiries;
  - ii. allowing the Ausco Seller to complete any offering or sale document (including any information memorandum); and
  - iii. enabling completion of any such sale to take place.

**4.8 Approval of transferee of Ausco Shares:** For so long as RCL (or any related party of RCL or Rayonier) remains a Holdco Shareholder, no Ausco Shareholder shall transfer any of its Ausco Shares to any person (other than another Ausco Shareholder) unless that Ausco Shareholder has obtained the approval of RCL (or the relevant related party of RCL or Rayonier holding Holdco Shares). The approval of RCL to the proposed transfer shall only be withheld if RCL (or the relevant related party of RCL or Rayonier holding Holdco Shares) concludes, acting reasonably and in good faith, that the proposed transferee's business (or the business of any related company of the proposed transferee) is the operation and/or management of forestry interests in competition with Rayonier. RCL shall respond to a request from an Ausco Shareholder for approval pursuant to this clause within 10 Business Days after receipt of that request. If RCL fails to respond within that time, it shall be deemed to have approved the proposed purchaser. RCL's response shall be in writing, and, if consent is withheld, shall include an explanation of, and reasons for, that decision.

**4.9 Clause to apply again:** If:

- (a) the obligation to buy and sell any Ausco Affected Portion is terminated pursuant to clause 4.6; or
- (b) the Ausco Seller proposes to sell, transfer, or otherwise dispose of the Ausco Sale Interest outside the period referred to in clause 4.7, or at a price, or on terms and conditions more favourable than, specified in the Ausco Sale Notice; or
- (c) the Ausco Seller does not obtain the approval referred to in clause 4.8;

clauses 4.2 to 4.8 and this clause 4.9 shall again apply, with any necessary modifications.

**4.10 Transfer to related companies:** Nothing in clauses 4.1 and 4.2 shall prevent any Ausco Shareholder (**Transferring Ausco Shareholder**) transferring all or some of its Ausco Shares to an Ausco Sister Company or an Affiliate provided:

- (a) it must seek approval to such transfer in accordance with clause 4.8; and
- (b) where the transferee ceases to be an Ausco Sister Company or an Affiliate of the Transferring Ausco Shareholder, the transferee shall, and the Transferring Ausco Shareholder shall procure that, the transferee forthwith transfers back to the Transferring Ausco Shareholder (or another Ausco Sister Company or Affiliate of the Transferring Ausco Shareholder) all Ausco Shares that it holds.

**4.11 Change of corporate trustee:** Where an Ausco Shareholder is a corporate trustee or custodian of a pension fund or a Trust, nothing in clauses 4.1 or clause 4.2 shall prevent the Ausco Shares held by that Ausco Shareholder being transferred to a replacement corporate trustee or custodian of that pension fund or Trust. For the avoidance of doubt, consent pursuant to clause 4.8 is not required for any transfer pursuant to this clause.

**4.12 Ausco Fair Value:** If it is necessary for any purpose of this agreement to determine the fair market value of the Ausco Shares held by an Ausco Shareholder (**Ausco Sale Shares**), the following provisions shall apply:

- (a) All Ausco Shareholders shall, for a period of 10 Business Days after one Ausco Shareholder gives notice to the Ausco Shareholders requiring them to do so, endeavour to agree on the fair market value of the Ausco Sale Shares (**Ausco Fair Value**).
- (b) If the Ausco Shareholders do not agree on the Ausco Fair Value within the period of 10 Business Days referred to in clause 4.12(a), the Ausco Fair Value shall be determined by an independent valuer agreed upon by the Ausco Shareholders, or failing agreement on the valuer within 5 Business Days after the end of that period, appointed on the application of any Ausco Shareholders by the president for the time being of the Institute of Chartered Accountants of New Zealand or his or her nominee.
- (c) The person appointed as valuer under clause 4.12(b) shall:
  - i. act as an expert and not as arbitrator;
  - ii. determine the Ausco Fair Value as soon as possible, which valuation shall be conclusive.
- (d) In determining the Ausco Fair Value, the valuer shall determine the fair market value of all of the Ausco Shares, and shall then determine the Ausco Fair Market Value in question as the appropriate percentage of the value of all Ausco Shares, so that no regard shall be had to the control of Ausco, or to any premium for control or discount for lack of control.
- (e) The Ausco Shareholders shall promptly and openly make available to the valuer all information in their possession or under their control relating to Ausco to enable the valuer to proceed with the valuation on an informed basis as to the financial position, affairs, performance, and prospects of Ausco. In these circumstances, RNZ shall provide the valuer with all relevant information in this respect that it holds pursuant to the Management Agreements.
- (f) The fees and expenses of the valuer shall be paid by the Ausco Shareholders pro rata in proportion to their holdings of Ausco Shares, or in such other manner as the valuer may determine.
- (g) The valuer may require the parties to adhere to such adjustments to the time frames set out in clause 4 as may be appropriate to reflect the time taken to determine the Ausco Fair Value.

## 5. FURTHER PROVISIONS REGARDING DEALING IN SHARES

### 5.1 Accession Deed: If:

- (a) an Ausco Shareholder transfers the legal or beneficial ownership of any Ausco Shares to any party (other than to a party who has already signed this agreement or an Accession Deed); or
- (b) a Holdco Shareholder transfers the legal or beneficial ownership of any Holdco Shares to any party (other than to a party who has already signed this agreement or an Accession Deed), that Holdco Shareholder or Ausco Shareholder, as the case may be, shall procure that the relevant transferee validly executes an Accession Deed, and delivers a copy of that Accession Deed to each party to this agreement.

### 5.2 Stapling of interest under Investor Loan Facility: Subject to any variation of the terms below in the Investor Loan Facility:

- (a) no Ausco Shareholder shall transfer all or any of its Ausco Shares without transferring a corresponding proportion of its Debt Commitment, in accordance with clause 10.6 of the Investor Loan Facility; and
- (b) no Holdco Shareholder shall transfer all or any of its Holdco Shares without transferring a corresponding proportion of its Debt Commitment, or:
  - i. where Ausco is the transferring Holdco Shareholder, procuring transfer of a corresponding proportion of the Ausco Shareholders' Debt Commitment, in accordance with clause 10.6 of the Investor Loan Facility; or
  - ii. where WFL is the transferring Holdco Shareholder, procuring transfer of a corresponding proportion of Phaunos' Debt Commitment, in accordance with clause 10.6 of the Investor Loan Facility.

**5.2A Stapling of Holdco Ordinary Shares with Holdco Redeemable Shares:** No Holdco Shareholder shall transfer legal or beneficial ownership to all or any of its Holdco Ordinary Shares without transferring a corresponding proportion of its Holdco Redeemable Shares and vice versa.

### 5.3 Registration of transfers:

- (a) The Ausco Shareholders shall procure that the Ausco Board does not register a transfer of Ausco Shares unless such transfer has been carried out in accordance with clauses 4.1 to 4.12, clauses 5.1 and 5.2, the requirements of the Corporations Act and the Ausco Constitution.
- (b) The Holdco Shareholders shall procure that the Holdco Board does not register a transfer of Holdco Ordinary Shares or Holdco Redeemable Shares unless such transfer has been carried out in accordance with clauses 3.2 to 3.15, clauses 5.1, 5.2 and 5.2A and the requirements of the Companies Act and the Holdco Constitution.

**5.4 Board to procure amendment to schedule one:** As soon as is practicable after the registration of a transfer of Ausco Shares or Holdco Shares pursuant to clause 5.3, the Ausco Board or the Holdco Board (as the case may be) shall procure an amendment to schedule one reflecting the consequential changes to the identities and shareholdings of the shareholders referred to in that schedule. Upon delivery of that amended schedule to all parties, that amended schedule shall be deemed to be a variation to this agreement.

**5.5 Investment management agreements:** For the avoidance of doubt, nothing in this agreement shall be construed to preclude an Ausco Shareholder or Holdco Shareholder entering into an investment management agreement in relation to its investment in the Matariki group of companies with any investment manager.

**5.6 Liability of transferring shareholders:** Except to the extent required by law, each Holdco Shareholder or Ausco Shareholder which transfers its entire holding of Holdco Shares or Ausco Shares (as the case may be) to another party, in accordance with the terms of this agreement, shall be deemed released by all other parties hereto from all liability under this agreement from the date of that transfer (except in relation to any prior breach of this agreement by the transferor) and shall no longer be a party to this agreement.

**5.7 Consent to issue of Ausco Shares:** The Ausco Shareholders acknowledge as follows:

- (a) Pursuant to the pre-emptive provisions set out in clauses 3B.3, 3.4 to 3.7, Ausco may be offered the right to subscribe for, or acquire, further Holdco Shares.
- (b) When the pre-emptive provisions have been triggered pursuant to clause 3B.3 or 3.4, Ausco shall seek written instructions from each Ausco Shareholder as to whether it wishes to increase its indirect holding in Holdco (**Indirect Interest**) by procuring that Ausco purchases its Holdco Entitlement offered in the relevant Holdco Sale Notice or the equivalent in relation to New Equity Securities offered under clause 3B.3.
- (c) Subject to clause 5.7(f), each Ausco Shareholder shall be entitled to increase its Indirect Interest by procuring that Ausco purchases such proportion of Ausco's Holdco Entitlement, or the equivalent in relation to New Equity Securities offered under clause 3B.3, as reflects that Ausco Shareholder's holding in Ausco (**Entitlement**).
- (d) Each Ausco Shareholder who gives notice that it wishes to increase its Indirect Interest pursuant to clause 5.7(b) (**Notifying Ausco Shareholder**) may advise Ausco that it wishes to increase its Indirect Interest by more than its Entitlement.
- (e) If an Ausco Shareholder (**Non-Participating Ausco Shareholder**) does not wish to increase its Indirect Interest in accordance with this clause 5.7, Ausco shall offer the Non-Participating Ausco Shareholder's Entitlement to those Ausco Shareholders who indicated that they would take up more than their Entitlement pursuant to clause 5.7(d), pro-rata in proportion to those parties' shareholding in Ausco (ignoring the respective holdings of the Non Participating Ausco Shareholder and any Ausco Shareholder that did not indicate that it would take up more than its Entitlement pursuant to clause 5.7(d)).
- (f) If the Ausco Shareholders wish to increase their Indirect Interests in Holdco to a sufficient level that Ausco has been authorised to purchase all of its Holdco Entitlement or the equivalent, in relation to New Equity Securities offered under clause 3B.3, it shall give notice to the relevant Holdco Seller pursuant to clause 3.5, or to Holdco pursuant to clause 3B.3(b)(v), that it wishes to purchase its pro-rata entitlement of the relevant Holdco Sale Interest or the New Equity Securities (as the case may be). If one or more Ausco Shareholders have indicated (pursuant to clause 5.7(d)) that they wish to increase their Indirect Interest by more than their Entitlement, Ausco may (at its sole discretion) elect to give notice (pursuant to clause 3.5 or clause 3B.3, as the case may be) that it wishes to acquire more than its pro-rata entitlement of the relevant Holdco Sale Interest or the New Equity Securities (**Excess Sale Interest**).
- (g) Immediately prior to or contemporaneous with the settlement of the sale of the relevant Holdco Sale Interest in accordance with clause 3.6 or the issue of New Equity Securities in accordance with clause 3B.3, Ausco shall procure the selective issue by Ausco to the Notifying Ausco Shareholders of such number of Ausco Shares as will be required to reflect the increased percentage proportion of the Notifying Ausco Shareholders' Indirect Interest. To the extent that Ausco acquires the Excess Sale Interest, the Indirect Interest of those Ausco Shareholders that indicated that they would take up more than their Entitlement pursuant to clause 5.7(d) shall be increased to reflect the Excess Sale Interest, pro-rata in proportion to those parties' shareholding in Ausco (ignoring the respective

holdings of any Non-Participating Ausco Shareholder and any Ausco Shareholder that did not indicate that it would take up more than its Entitlement pursuant to clause 5.7(d)). The aggregate issue price for the Ausco Shares issued pursuant to this clause 5.7(g) shall equal the aggregate consideration payable by Ausco for the relevant Holdco Sale Interest or New Equity Securities (and the Excess Sale Interest, if applicable) pursuant to clause 3.6 or 3B.3 (as the case may be).

- (h) Each Ausco Shareholder hereby:
- i. consents, pursuant to this agreement, to the selective issue of Ausco Shares to a Notifying Ausco Shareholder pursuant to this clause 5.7,
  - ii. appoints Ausco as its attorney to do any and all things necessary (including execution and delivery of any document) required to give effect to any such selective issue of Ausco Shares; and
  - iii. agrees to do such further and other things as may be necessary to give effect to any such selective issue of Ausco Shares.

**5.8 Consent to buyback of Ausco Shares:** The Ausco Shareholders acknowledge as follows:

- (a) Pursuant to clause 3.14, Ausco may elect to exercise its tag-along right in respect of some or all of the Holdco Shares held by it.
- (b) In circumstances where the tag-along right has been triggered pursuant to clause 3.14, and an Ausco Shareholder (**Tagging Ausco Shareholder**) has indicated to Ausco that it wishes to dispose of its Indirect Interest, Ausco will:
  - i. exercise the tag-along right in respect of such percentage of Holdco Shares as will reflect the proposed disposal of the Tagging Ausco Shareholder's Indirect Interest; and
  - ii. procure the selective buyback by Ausco of the Tagging Ausco Shareholder's Ausco Shares.

For the avoidance of doubt, a Tagging Ausco Shareholder may only dispose of all (and not some only) of its Indirect Interest pursuant to this clause 5.8.

- (c) Each Ausco Shareholder hereby:
- i. agrees to grant its consent, pursuant to section 257D of the Corporations Act, and this agreement, to a selective buyback by Ausco of the Ausco Shares held by a Tagging Ausco Shareholder pursuant to this clause 5.8;
  - ii. appoints Ausco as its attorney to do any and all things necessary (including execution and delivery of any document) required to give effect to any such selective buyback of Ausco Shares; and
  - iii. agrees to do such further and other things as may be necessary to give effect to any such selective buyback of Ausco Shares.

**5.9 Waiver of pre-emptive rights on certain transfers: If:**

- (a) WFL has any successful warranty claims under the Subscription Agreement; and
- (b) all relevant parties agree, pursuant to the Subscription Agreement, that any such warranty claims will be satisfied by way of a transfer from Ausco Shareholders, Ausco and / or RCL, to WFL (or Phaunos, as appropriate), of Ausco Shares and/or Holdco Shares together with the corresponding portion of Debt Commitment (held, in Ausco's case, by the Ausco Shareholders),

then such transfers will not be subject to the pre-emptive rights process otherwise provided for under this agreement in respect of either Holdco Shares, Ausco Shares or their corresponding portion of the Debt Commitment.

## 6. WARRANTIES

**6.1 Warranties of each party:** Each party to this agreement warrants to each other party as follows:

- (a) It is not aware of any circumstance which might reasonably be expected materially and adversely to affect its entry into this agreement.
- (b) It has the legal right and power to enter into this agreement and to consummate the transactions contemplated under this agreement on and subject to the terms and conditions of this agreement.
- (c) The execution, delivery and performance of this agreement by it has been duly and validly authorised and this agreement is a valid and binding agreement of it enforceable in accordance with its terms.
- (d) This agreement will not conflict with, or result in a breach of, the terms, conditions or provisions of its constitutional documents or any instrument or agreement to which it is a party or by which it may be bound, or which constitutes (with or without the passage of time, the giving of notice, or both) a default under any such instrument or agreement, or results in the acceleration of any indebtedness or the imposition of any penalty or charge.
- (e) No further authorisation, consent or approval of any person is required as a condition to the validity of this agreement or to give effect to the transactions contemplated under this agreement.

## 7. COMPLIANCE WITH THIS AGREEMENT AND THE CONSTITUTION

**7.1 Ausco Shareholders:** Each Ausco Shareholder undertakes to the other Ausco Shareholders that it shall:

- (a) take all practicable steps including, without limitation, the exercise of votes it directly or indirectly controls at meetings of the Ausco Board and Ausco Shareholder meetings of Ausco to ensure that the terms of this agreement are complied with and to procure that the Ausco Board and Ausco complies with its obligations and that it shall do all such other acts and things as may be necessary or desirable to implement this agreement;
- (b) comply fully and promptly with the provisions of the Ausco Constitution so that each and every provision of the Ausco Constitution (subject to clause 12.1) shall be enforceable by the Ausco Shareholders as between themselves in whatever capacity.

**7.2 Holdco Shareholders:** Each Holdco Shareholder undertakes to the other Holdco Shareholders that it shall:

- (a) take all practicable steps including, without limitation, the exercise of votes it directly or indirectly controls at meetings of the Holdco Board and Holdco Shareholder meetings of Holdco to ensure that the terms of this agreement are complied with and to procure that the Holdco Board and Holdco complies with its obligations and that it shall do all such other acts and things as may be necessary or desirable to implement this agreement;
- (b) comply fully and promptly with the provisions of the Holdco Constitution so that each and every provision of the Holdco Constitution (subject to clause 12.1) shall be enforceable by the Holdco Shareholders as between themselves in whatever capacity.



## 8. DEFAULT IN RELATION TO HOLDCO

**8.1 Procedure on Event of Default:** If an Event of Default occurs in relation to a Holdco Shareholder (**Defaulting Holdco Shareholder**), the non defaulting Shareholders (**Non Defaulting Holdco Shareholders**) may (if the Non-Defaulting Holdco Shareholders agree unanimously) require that:

- (a) If the Event of Default occurs (however arising) and:
  - i. the breach or failure is capable of remedy, until the breach or failure is remedied; or
  - ii. the breach of failure is not capable of remedy, pending completion of the action contemplated by clauses 8.1(b) or 8.1(c),  
the voting rights of the Defaulting Holdco Shareholder are deemed suspended;
- (b) the Defaulting Holdco Shareholder shall be deemed to have given a Holdco Sale Notice in accordance with clause 3.4 in relation to all of its Holdco Shares and Debt Commitment, or in the event that Ausco is the Defaulting Holdco Shareholder, all of the Ausco Shareholders' Debt Commitment, or in the event that WFL is the Defaulting Shareholder, all of Phaunos' Debt Commitment, at Holdco Fair Value (in which case the Holdco Board shall be authorised to give all notices and take all actions required in relation to that Holdco Sale Notice); or
- (c) Holdco is liquidated.

**8.2 Definition:** An Event of Default occurs in respect of a Holdco Shareholder if:

- (a) that Holdco Shareholder commits any material breach of or fails to observe any of the material obligations under this agreement and (where such breach or failure is capable of remedy) does not remedy that breach or failure within 20 Business Days of receiving written notice from the Non-Defaulting Holdco Shareholders specifying the breach or failure and requiring the remedy of the breach or failure;
- (b) that Holdco Shareholder ceases or threatens to cease to carry on all or substantially all of its business or operations;
- (c) an order is made, or a resolution is passed, for the dissolution of that Holdco Shareholder;
- (d) an encumbrancer takes possession or a liquidator, provisional liquidator, trustee, receiver, receiver and manager, inspector appointed under any companies or securities legislation, or similar official, is appointed in respect of that Holdco Shareholder;
- (e) any step is taken to appoint or with a view to appointing a statutory manager (including the making of any recommendation in that regard by the Securities Commission) under the Corporations (Investigation and Management) Act 1989 in respect of that Holdco Shareholder, or it is declared at risk pursuant to that Act;
- (f) a distress, attachment or other execution is levied or enforced upon or commenced against any of the material assets of that Holdco Shareholder and is not discharged or stayed within 10 Business Days;
- (g) that Holdco Shareholder is unable to pay its debts when due, or is deemed unable to pay its debts under any law, or enters into dealings with any of its creditors with a view to avoiding or in expectation of insolvency, or makes a general assignment or an arrangement or composition with or for the benefit of any of its creditors, or stops or threatens to stop payments generally; or

(h) anything analogous, or having a substantially similar effect, to anything referred to in paragraphs (b) to (g) inclusive occurs in relation to that Holdco Shareholder under the laws of a jurisdiction other than New Zealand.

**8.3 Cross Indemnity:** To the extent that an Event of Default as described in clause 8.2 is due to a breach by an Ausco Shareholder (**Breaching Party**) of its obligations under this agreement and the Ausco Constitution, then the Breaching Party or the Breaching Parties, as the case may be, agree to indemnify the non breaching Ausco Shareholders for any losses, expenses or liabilities sustained or incurred by the non breaching Ausco Shareholders as a result of the occurrence of that Event of Default.

**8.4 Other remedies:** Clause 8.1 is without prejudice to any other right, power or remedy under this agreement, at law, or otherwise, that any Holdco Shareholder has in respect of a default by any other Holdco Shareholder.

## 9. LIQUIDATION

**9.1 Procedure on liquidation:** If pursuant to any provision of this agreement Holdco is required to be liquidated, the Holdco Shareholders shall without delay take all necessary steps to ensure that a special resolution of shareholders of Holdco is passed appointing as liquidator of Holdco a person agreed by the Holdco Shareholders, or failing agreement, chosen on the application of any Holdco Shareholder by the president for the time being of the New Zealand Institute of Chartered Accountants or his or her nominee.

## 10. NOTICES TO CHH AND RNZ

**10.1 Notices and approvals:** No party to this agreement will purport to give any notice, or exercise any approval, discretion or right of waiver, pursuant to the CHH SPA or the RNZ SPA (other than RNZ in its capacity as seller of the RNZ Assets), without the prior written approval of Rayonier and Ausco. This clause is intended to confer a benefit upon Rayonier which may be enforced by Rayonier.

## 11. GENERAL

**11.1 Conflicting provisions:** If there is any conflict or inconsistency between the provisions of this agreement and the Ausco Constitution, the Holdco Constitution or the Treece Constitution, as the case may be, this agreement shall prevail.

**11.2 Termination:** This agreement may be terminated upon the written agreement of all parties.

**11.3 Payments free and clear:** All amounts payable by one party to another pursuant to this agreement shall be paid free and clear of and, except to the extent required by law, without any deduction or withholding on account of any tax. If any party is required by law to make any deduction or withholding from any amount it is required to pay pursuant to this agreement, then that party shall increase the relevant payment to ensure that the recipient receives a net amount equal to the amount it would have received had no such deduction or withholding been made.

**11.4 Confidentiality:** Each party shall at all times keep confidential, treat as privileged, and not directly or indirectly make any disclosure or use, or allow any disclosure or use to be made, of any provision of this agreement or of any information relating to any provision, or the subject matter, of this agreement, or any information directly or indirectly obtained from another party under or in connection with this agreement, except to the extent:

- (a) required by law;
- (b) to satisfy the reporting requirements of any related company or other member of its group;
- (c) necessary to satisfy the requirements of any applicable stock exchange; or

- (d) necessary to obtain the benefit of, or to carry out obligations under, this agreement;
- (e) that the information is or becomes available in the public domain without breach by a party of its confidentiality obligations under this clause or at law; or
- (f) that disclosure is made to a proposed third party purchaser of Holdco Shares or the Matariki Estate, which has entered into an appropriate confidentiality agreement to the satisfaction of Holdco.

**12.4A Announcements:** If a party (Disclosing Party) is required by law or by the rules of any applicable stock exchange or regulatory authority to make any announcement or disclosure relating to any matter the subject of this Agreement, prior to making such announcement or disclosure, to the extent permitted by such law or rules, the Disclosing Party shall give the other parties (Non Disclosing Parties) at least 2 Business Days notice and shall consult with the Non Disclosing Parties regarding the form and content of the announcement or disclosure.

**11.5 Liability:** For the avoidance of doubt, the liability of each party to this agreement to any other party is limited (save as required by law) to the extent expressly provided for in this agreement.

**11.6 Variation:** Subject to paragraph 2.18 of schedule three, no variation of this agreement shall be valid unless it is in writing and signed by or on behalf of each of the parties hereto, provided as follows:

- (a) The Ausco Shareholders alone may, if an 80% majority of Ausco Shareholders agree, amend the provisions of schedule two, provided that such amendment does not impose an obligation on any party save for Ausco, an Ausco Shareholder or the Ausco Board. If schedule two is amended pursuant to this clause, the amendment shall be deemed effective upon Ausco delivering the amended schedule to all parties to this agreement.
- (b) The Holdco Shareholders alone may, if an 85% majority of the Holdco Shareholders agree, amend the provisions of schedule three, provided that such amendment does not impose an obligation on any party save for Holdco, a Holdco Shareholder or the Holdco Board. If schedule three is amended pursuant to this clause, the amendment shall be deemed effective upon Holdco delivering the amended schedule to all parties to this agreement.

**11.7 Requirements of Trustee:** To the extent that any Trustee has any legal requirements, either by way of statute or a deed of trust, the parties to this agreement agree to use reasonable endeavours to accommodate such legal requirements.

**11.8 No waiver:** The failure to exercise or delay in exercising a right or remedy under this agreement shall not constitute a waiver of the right or remedy or a waiver of any other rights or remedies and no single or partial exercise of any right or remedy under this agreement shall prevent any further exercise of the right or remedy or the exercise of any other right or remedy.

**11.9 Rights and remedies cumulative:** The rights and remedies contained in this agreement are cumulative and not exclusive of any rights or remedies provided by law.

**11.10 Assignment:** No party shall assign or transfer or purport to assign or transfer any of its rights or obligations under this agreement, except as expressly permitted herein.

**11.11 Full agreement:** This agreement contains a final and complete integration of all prior expressions by the parties with respect to the subject matter of this agreement and constitutes the entire agreement between the parties with respect to the subject matter of this agreement, superseding all prior oral or written understandings.

**11.12 Further assurances:** The parties shall each execute and deliver such further and other documents and instruments and do such further and other things as may be necessary to implement and carry out the intent of this agreement.

**11.13 Counterparts:** This agreement may be executed in any number of counterparts each of which when executed and delivered (including by way of facsimile) shall be an original, but all the counterparts together shall constitute one and the same instrument.

**11.14 Notices:** Each notice, agreement and other communication (each a communication) to be given, delivered or made under this agreement is to be in writing but may be sent by personal delivery, post (by airmail if to another country) or facsimile. Each communication is to be sent to the address of the relevant party set out below or to any other address from time to time designated for that purpose by at least five working days' prior notice to the other parties. The initial address details of the parties are set out in schedule four.

**11.15 Service:** A communication under this agreement will only be effective:

- (a) in the case of personal delivery, when delivered;
- (b) if posted locally or delivered to a document exchange, 3 Business Days in the place of receipt, after posting or delivery;
- (c) if posted or delivered overseas, 10 Business Days in the place of receipt, after posting by airmail;
- (d) if made by facsimile, upon production of a transmission report by the machine from which the facsimile was sent which indicates that the correct number of pages was sent to the facsimile number of the recipient designated for the purpose of this agreement,

provided that any communication received or deemed received after 5pm or on a day which is not a Business Day in the place to which it is delivered, posted or sent shall be deemed not to have been received until the next Business Day in that place.

**11.16 Governing law:** This agreement shall be governed by and construed and interpreted in accordance with the laws of New Zealand and each party submits to the exclusive jurisdiction of the courts of New Zealand. Each party irrevocably waives any objection which it might at any time have to the courts of New Zealand being nominated as the forum to hear and determine any proceedings and to settle any disputes and agrees not to claim that the courts of New Zealand are not a convenient or appropriate forum.

**EXECUTION:**

**SIGNED by SAS TRUSTEE CORPORATION** by its attorneys in the presence of:

/s/ Jeremy Don

\_\_\_\_\_  
Signature of attorney

Jeremy Don

\_\_\_\_\_  
Name of attorney

/s/ Richard Hedley

\_\_\_\_\_  
Signature of attorney

Richard Hedley

\_\_\_\_\_  
Name of attorney

/s/ Ren Huang

\_\_\_\_\_  
Signature of witness

Ren Huang

\_\_\_\_\_  
Name of witness

Analyst

\_\_\_\_\_  
Occupation

Sydney

\_\_\_\_\_  
City/town of residence

**SIGNED by RAYONIER CANTERBURY LLC** by:

/s/ Timothy H. Brannon

\_\_\_\_\_  
Signature of officer

Timothy H. Brannon

\_\_\_\_\_  
Name of officer

/s/ Paul Nicholls

\_\_\_\_\_  
Signature of officer

Paul Nicholls

\_\_\_\_\_  
Name of officer

**SIGNED by RAYONIER NEW ZEALAND LIMITED by:**

/s/ Timothy H. Brannon

\_\_\_\_\_  
Signature of director

Timothy H. Brannon

\_\_\_\_\_  
Name of director

/s/ Paul Nicholls

\_\_\_\_\_  
Signature of director

Paul Nicholls

\_\_\_\_\_  
Name of director

**SIGNED by MATARIKI FORESTRY GROUP by:**

/s/ Martin Smith

\_\_\_\_\_  
Signature of director

Martin Smith

\_\_\_\_\_  
Name of director

/s/ Paul Nicholls

\_\_\_\_\_  
Signature of director

Paul Nicholls

\_\_\_\_\_  
Name of director

**SIGNED by MATARIKI FORESTS AUSTRALIA PTY LIMITED** by:

/s/ Gregory Henry Roder

Signature of director/authorised signatory

Gregory Henry Roder

Name of director/authorised signatory

/s/ Leroy James Langeveld

Signature of witness

Leroy James Langeveld

Name of witness

Solicitor

Occupation

Auckland

City/town of residence

**SIGNED by MATARIKI FORESTRS** by:

/s/ Martin Smith

Signature of director

Martin Smith

Name of director

/s/ Paul Nicholls

Signature of director

Paul Nicholls

Name of director

**SIGNED** by **AMP CAPITAL INVESTORS LIMITED** on behalf of the **INFRASTRUCTURE TRUST NO.1** by its attorney in the presence of:

/s/ Gerald Naughton

\_\_\_\_\_  
Signature of attorney

Gerald Naughton

\_\_\_\_\_  
Name of attorney

/s/ Steven Reese Gosper

\_\_\_\_\_  
Signature of attorney

Steven Reese Gosper

\_\_\_\_\_  
Name of attorney

/s/ Carol Tutty

\_\_\_\_\_  
Signature of witness

Carol Tutty

\_\_\_\_\_  
Name of witness

\_\_\_\_\_  
Occupation

\_\_\_\_\_  
City/town of residence



**SIGNED** by **AMP CAPITAL INVESTORS LIMITED** on behalf of the **REST INFRASTRUCTURE TRUST** by its attorney in the presence of:

/s/ Gerald Naughton

\_\_\_\_\_  
Signature of attorney

Gerald Naughton

\_\_\_\_\_  
Name of attorney

/s/ Steven Reese Gosper

\_\_\_\_\_  
Signature of attorney

Steven Reese Gosper

\_\_\_\_\_  
Name of attorney

/s/ Carol Tutty

\_\_\_\_\_  
Signature of witness

Carol Tutty

\_\_\_\_\_  
Name of witness

\_\_\_\_\_  
Occupation

\_\_\_\_\_  
City/town of residence

**SIGNED** by **AMP INVESTMENT SERVICES PTY LIMITED** on behalf of the **INFRASTRUCTURE EQUITY FUND** by its attorney in the presence of:

/s/ Gerald Naughton

\_\_\_\_\_  
Signature of attorney

Gerald Naughton

\_\_\_\_\_  
Name of attorney

/s/ Steven Reese Gosper

\_\_\_\_\_  
Signature of attorney

Steven Reese Gosper

\_\_\_\_\_  
Name of attorney

/s/ Carol Tutty

\_\_\_\_\_  
Signature of witness

Carol Tutty

\_\_\_\_\_  
Name of witness

\_\_\_\_\_  
Occupation

\_\_\_\_\_  
City/town of residence

**SIGNED** by **AMP INVESTMENT SERVICES PTY LIMITED** on behalf of the **AMP CAPITAL GLOBAL INFRASTRUCTURE FUND NO. 2** by its attorney in the presence of:

/s/ Gerald Naughton

\_\_\_\_\_  
Signature of attorney

Gerald Naughton

\_\_\_\_\_  
Name of attorney

/s/ Steven Reese Gosper

\_\_\_\_\_  
Signature of attorney

Steven Reese Gosper

\_\_\_\_\_  
Name of attorney

/s/ Carol Tutty

\_\_\_\_\_  
Signature of witness

Carol Tutty

\_\_\_\_\_  
Name of witness

\_\_\_\_\_  
Occupation

\_\_\_\_\_  
City/town of residence

**SIGNED by WAIMARIE FORESTS PTY LIMITED by:**

/s/ Mason Browne

Signature of director

Mason Browne

Name of director

/s/ Liane Luke

Signature of director

Liane Luke

Name of director

**SIGNED by WAIMARIE FORESTS PTY LIMITED by:**

/s/ Kimberly Tara

Signature of director

Kimberly Tara

Name of director

/s/ Liane Luke

Signature of director

Liane Luke

Name of director

**SCHEDULE ONE**  
**SHAREHOLDER DETAILS<sup>1</sup>**

**PART 1**

**AUSCO**

<b>Ausco Shareholders</b>	<b>Percentage of Ausco Shares</b>
STC	41.65%
ITN	20.17%
RIT	10.00%
IEF	25.06%
GIF	3.12%

**PART B**

**HOLDCO**

<b>Holdco Shareholders</b>	<b>Percentage of Holdco Shares (and Relevant Proportion)</b>
Ausco (for Holdco Class A Shares and Holdco Redeemable Shares)	39%
RCL (for Holdco Class B Shares and Holdco Redeemable Shares)	26%
WFL (for Holdco Class C Shares and Holdco Redeemable Shares)	35%

**PART C**

**TREECO**

<b>Treeco Shareholder</b>	<b>Percentage Treeco Shares</b>
Holdco	100%

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<sup>1</sup> Note this schedule is to be updated in accordance with clause 5.4.

**SCHEDULE TWO**  
**GOVERNANCE OF AUSCO**

**1. INTERPRETATION**

1.1 **Definitions:** For the purpose of this schedule:

**Adjusted Voting Proportion** means, in relation to an Appointing Party, the percentage proportion of the Voting Shares owned by it.

**Appointing Party** means, in relation to a Director, the Entitled Party that appointed that Director in accordance with clause 2.1 of this schedule.

**Board** means the board of directors of Ausco.

**Company** means Ausco.

**Director** means a director of Ausco.

**Entitled Party** means:

- (a) a Shareholder who is not part of the Investor Group; or
- (b) the Investor Group.

**Share** means an ordinary share in Ausco.

**Shareholder** means a shareholder of Ausco.

**Voting Proportion** means, in relation to an Appointing Party, the percentage proportion of Shares owned by it.

**Voting Shares** means the Shares owned by the Entitled Parties qualified to appoint a Director pursuant to clause 2.1 of this schedule.

**2. COMPOSITION AND PROCEEDINGS OF THE BOARD**

2.1 **Number of directors:** The maximum number of Directors shall be three, unless the Shareholders unanimously agree otherwise, appointed as follows:

- (a) where there are three or less Entitled Parties, each Entitled Party shall be entitled to appoint one Director, provided that each such Entitled Party owns more than 20% of the Shares in the Company; or
- (b) where there are more than three Entitled Parties, the three Entitled Parties with the largest respective holdings in the Company shall each be entitled to appoint one Director provided that each such Entitled Party owns more than 20% of the Shares in the Company.

2.2 **Removal of Directors appointed:** A Director may only be removed by his or her Appointing Party.

2.3 **Board resolutions:** Except as provided in this agreement, resolutions of the Board shall be deemed to be passed if approved by a majority of Directors voting thereon.

2.4 **Quorum:** A quorum of any meeting of the Board must include each Director.

- 2.5 **Adjournment:** If within 30 minutes after the time appointed for a meeting of the Board a quorum is not present the meeting is adjourned for 14 days to the same time and place unless otherwise agreed by all Directors. At least seven days notice of the adjourned meeting must be given, and the notice must include a statement that it is given pursuant to this clause. If at the adjourned meeting a quorum is not present within 30 minutes after the time appointed for the meeting the Director or Directors present are a quorum.
- 2.6 **Directors' voting rights:** At a meeting of the Board, each Director shall be entitled to exercise a percentage of the votes which may be cast at that meeting equal to the Voting Proportion of that Director's Appointing Party, provided that if one or more Entitled Parties are not qualified to appoint a Director pursuant to clause 2.1 of this schedule, each Director shall be entitled to exercise a percentage of the votes which may be cast at the meeting equal to the Adjusted Voting Proportion of that Director's Appointing Party.
- 2.7 **Interested Directors:** Except as provided in this agreement, a Director who has a material personal interest in a transaction entered into or to be entered into by the Company may not vote on any matter related to the transaction, but shall be included in the quorum of Directors considering the transaction.
- 2.8 **Regularity of Board Meetings:** Meetings of the Directors shall be held at regular intervals as shall be determined by the Board at such place or places as the Board may from time to time determine.
- 2.9 **Telephone meetings:** Meetings of the Board may be held with one or more Directors participating by telephone.
- 2.10 **Chairperson:** The Board shall appoint a chairperson. A new chairperson shall be elected on an annual basis. The chairperson shall not have a casting vote.
- 2.11 **Responsibility for management:** The Board shall be responsible for the overall guidance and direction of the Company. Subject to complying with their duties as directors, when exercising powers or performing duties, each Director may have regard to the interests of his/her appointing Shareholder.
- 2.12 **Board responsible for all matters:** Save to the extent that Shareholder approval is required by law, all decisions relating to the Company shall be made by the Board, by a simple majority.
- 2.13 **Exercise of votes at Holdco level:** In voting the Company's Holdco Shares in relation to a matter, the Board shall ensure that vote reflects proportionately the votes of the Directors on that matter. By way of example (without limitation):

**Scenario 1:**

There are three Shareholders, as follows:

- (i) Shareholder A (30%);
- (ii) Shareholder B (40%); and
- (iii) Shareholder C (30%).

Shareholders B and C comprise the Investor Group. Shareholder A and the Investor Group are each qualified to appoint a Director pursuant to clause 2.1(a).

If the Directors appointed by the Investor Group vote in favour of a matter, and the Director appointed by Shareholder A votes against, the Board shall ensure that the Holdco Shares owned by Ausco are voted to reflect the Voting Proportion of each of Shareholder A and the Investor Group (ie, 70% of the Holdco Shares shall be voted in favour of the matter, and 30% against).

## Scenario 2:

There are four Shareholders, as follows:

- (i) Shareholder A (10%);
- (ii) Shareholder B (25%);
- (iii) Shareholder C (25%); and
- (iv) Shareholder D (40%).

Shareholders B and C together form the Investor Group. The Investor Group and Shareholder D are each qualified to appoint a Director pursuant to clause 2.1 of this schedule. Shareholder A is not entitled to appoint a Director pursuant to clause 2.1 of this schedule.

If the Directors appointed by the Investor Group vote in favour of a matter, and the Director appointed by Shareholder D votes against, the Board shall ensure that the Holdco Shares owned by Ausco are voted to reflect the Adjusted Voting Proportion of each of the Investor Group and Shareholder D (ie, 55.56% of the Holdco Shares shall be voted in favour of the matter, and 44.44% against).

2.14 **Indemnity on removal of Director:** Any Appointed Party removing a director shall be responsible for and agrees with the Company and the other Entitled Parties to indemnify the other Entitled Parties and the Company against all losses, liabilities and costs which the other Entitled Parties or the Company may incur arising out of, or in connection with, any claim by the director for wrongful or unfair dismissal or redundancy or other compensation arising out of the director's removal or loss of office.

2.15 **Matters requiring supermajority consent:** Any decision relating to any of the following matters of the Company shall require the consent of a supermajority of the Board, being 80% of the votes to be cast by the Board:

- (a) any change in the capital structure of the Company, issue, division, subdivision or consolidation of Shares, the change to the rights attaching to Shares, or the creation of any options to subscribe for or acquire Shares, save to the extent:
  - (i) that a decision in relation to such change has been reserved to Shareholders, or excluded from the requirement for Shareholder approval, in accordance with clause 2.16 of this schedule;
  - (ii) contemplated in clause 5.8 of the agreement;
- (b) any change to the distribution policy set out in the agreement or any other distribution of the Company's assets;
- (c) approval or amendment of annual operating plans or budgets or any activity outside the scope of the annual budget of the Company;
- (d) any transaction by the Company with any Shareholder or any related Company of a Shareholder;
- (e) any change in the accounting policies or the Company's auditors, bankers, accounting reference date or bank mandates;
- (f) the making, granting or allowing of any claim, disclaimer, surrender, election or consent for taxation purposes in connection with the Company; or
- (g) appointing any committee of the Board or delegating any of the powers of the Board to any committee.



2.16 **Shareholder approval:** The following matters must be approved by 80% of Shareholders following approval by a simple majority of the Board:

- (a) the offer of any new shares or securities to Shareholders, other than:
  - (i) on a pro-rata basis; or
  - (ii) pursuant to clause 5.7 of the agreement,
- (b) the acquisition of, or an agreement to acquire, whether contingent or not, assets (other than assets owned by Holdco or its subsidiaries) the value of which is more than 20% of the value of the Company's assets before the acquisition (excluding assets owned by Holdco); or
- (c) the disposition of, or an agreement to dispose of, whether contingent or not, assets (other than assets owned by Holdco or its subsidiaries) the value of which is more than 20% of the value of the Company's assets before the disposition (excluding assets owned by Holdco); or
- (d) a transaction that has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities (including contingent liabilities) the value of which is more than 20% of the value of the Company's assets before the transaction (excluding assets owned by Holdco); or
- (e) any alteration to, or revocation of, the constitution; or
- (f) the merger, amalgamation, liquidation or winding up of the Company; or
- (g) any acquisition by the Company of any part of the issued share capital or of the assets and undertaking of another company (other than Holdco or its subsidiaries).

### 3. DISTRIBUTIONS

3.1 **Profits to be distributed:** Subject to the requirements of the Corporations Act, the full amount of the Company's profits available for distribution shall be distributed on a quarterly basis or as and when the Board determines fit.

### 4. ENFORCEMENT OF COMPANY'S RIGHTS

4.1 **Actions against Shareholders:** Any right of action which the Company may have in respect of breach or alleged breach of any agreement between the Company and a Shareholder or related company of a Shareholder shall be prosecuted by the Directors of the Company appointed by the Appointing Party or Appointing Parties representing the Shareholder or Shareholders (as the case may be) which are not, or whose related company is not, responsible for the breach. Those Directors shall have full authority on behalf of the Company to negotiate, litigate and settle any claim arising out of the breach or exercise any right of termination arising out of the breach and the Shareholders shall take all steps within their power to give effect to the provisions of this clause.

### 5. RECORDS AND FINANCIAL INFORMATION

5.1 **Financial year:** Each financial year of the Company shall end on 31 December unless otherwise determined by the Board.

5.2 **Books and records:** The Board shall procure the Company to maintain accurate and complete books, records, accounts, statements and documents of the operation business and financial affairs of the Company, all of which shall be available to the Board for the purpose of inspection and making copies and taking extracts.

- 5.3 **Financial statements:** The Shareholders shall procure that the Board arranges for the preparation of audited annual financial statements. These financial statements, accompanied by the report of the Auditors thereon, shall be prepared and delivered to each of the Shareholders as soon as is practicable after the end of each financial year of the Company, and in any case, within the time frame required by the Corporations Act.
- 5.4 **Additional financial information:** The Company will prepare and deliver to each of the Shareholders such further or other reports and statements concerning the operation, business and financial affairs of the Company as is required by the Corporations Act, or as the Board may from time to time consider necessary or advisable.

## SCHEDULE THREE

### GOVERNANCE OF HOLDCO AND ITS SUBSIDIARIES

#### 1. INTERPRETATION

1.1 **Definitions:** For the purpose of this schedule:

**Adjusted Voting Proportion** has the meaning set out in clause 1.1 of schedule two.

**Appointing Party means:**

- (a) in relation to a Class A Director, the party that appointed that Class A Director in accordance with clause 2.1(a) of this schedule;
- (b) in relation to a Class B Director, the party that appointed that Class B Director in accordance with clause 2.1(b) of this schedule; and
- (c) in relation to a Class C Director, the party that appointed that Class C Director in accordance with clause 2.1(c) of this schedule.

**Board** means the board of directors of Holdco, Treeco, or any other Direct Subsidiary of Holdco, as the case may be.

**Company** means Holdco, Treeco, MFT or any other Direct Subsidiary of Holdco, as the case may be.

**Constitution** means the constitution of the Company from time to time.

**Direct Subsidiary** means a subsidiary within the meaning of section 5(1)(a) of the Companies Act.

**Director** means a director of Holdco, Treeco, or any other subsidiary of Holdco, as the case may be.

**Independent Chairperson** means a person appointed as the independent chairperson of the Company in accordance with the Constitution.

**MFT** means Matariki Forests Trading Limited, a wholly owned subsidiary of Treeco.

**Shares** means an ordinary share (of whatever Class) in Holdco, Treeco, MFT or any other subsidiary of Holdco, as the case may be.

**Shareholder** means a shareholder of Holdco, Treeco, MFT or any other subsidiary of Holdco, as the case may be.

**Voting Proportion** has the meaning set out in clause 1.1 of schedule two.

## 2. COMPOSITION AND PROCEEDINGS OF THE BOARD

- 2.1 **Number of directors:** The maximum number of directors of the Company shall be five (excluding the Independent Chairperson). The directors (excluding the Independent Chairperson) shall be appointed as follows:
- (a) the Holdco Class A Shareholders shall appoint as Directors no more than two of the persons who are appointed as the Ausco Directors in accordance with clause 2.1 of schedule two (**Class A Directors**);
  - (b) a majority of the Holdco Class B Shareholders shall be entitled to appoint two directors (**Class B Directors**);
  - (c) a majority of the Holdco Class C Shareholders shall be entitled to appoint one directors (**Class C Directors**).

The Independent Chairperson (if appointed) shall be appointed in accordance with the Constitution.

- 2.2 **Board resolutions:** Except as provided in this agreement, resolutions of the Board shall be deemed to be passed if approved by a majority of the votes of Directors voting thereon. For the avoidance of doubt, the Independent Chairperson (if appointed) shall not be entitled to vote on a resolution of the Board (as prescribed by the Constitution).

- 2.3 **Quorum:** A quorum of any meeting of the Board must include each of the Class A Directors, at least one Class B Director and the Class C Director.

- 2.4 **Adjournment:** If within 30 minutes after the time appointed for a meeting of the Board a quorum is not present the meeting is adjourned for 14 days to the same time and place unless otherwise agreed by all Directors. At least seven days notice of the adjourned meeting must be given, and the notice must include a statement that it is given pursuant to this clause. If at the adjourned meeting a quorum is not present within 30 minutes after the time appointed for the meeting the Director or Directors present are a quorum.

- 2.5 **Directors' voting rights:** At a meeting of the Board:

- (a) Each Class A Director may exercise a percentage of the votes which may be cast at that meeting calculated in accordance with the following formula:

$$A=B \times C$$

A means the percentage of votes to be exercised by a Class A Director

B means the Voting Proportion or Adjusted Voting Proportion (as the case may be) of the Appointing Party of that Class A Director; and

C means the percentage of the Shares (of any class) held by the Holdco Class A Shareholders.

- (b) The Class B Directors shall be entitled to exercise a percentage of the votes which may be cast at that meeting equal to the percentage of the Shares held by the Holdco Class B Shareholders.
- (c) The Class C Director shall be entitled to exercise a percentage of the votes which may be cast at that meeting equal to the percentage of the Shares held by the Holdco Class C Shareholders.

For the avoidance of doubt, the Independent Chairperson (if appointed) shall not have any right to exercise a vote at a meeting of the Board.

- 2.6 **Interested Directors:** Except as provided in this agreement including in clause 4.1 below, a Director (other than the Independent Chairperson, if appointed) who is Interested (as defined in the Companies Act) in a

transaction entered into or to be entered into by the Company may vote on any matter related to the transaction, and shall be included in the quorum of Directors considering the transaction.

- 2.7 **Regularity of Board Meetings:** Meetings of the Directors shall be held at regular intervals as shall be determined by the Board but not less frequently than at two monthly intervals at such place or places as the Board may from time to time determine.
- 2.8 **Telephone meetings:** Meetings of the Board may be held with one or more Directors participating by telephone.
- 2.9 **Chairperson:** If the Board has not appointed an Independent Chairperson, the chairperson of the Board shall alternate annually between the Class A Directors and the Class B Directors. The chairperson shall not have a casting vote.
- 2.10 **Responsibility for management:** The Board shall be responsible for the overall guidance and direction of the Company. When exercising powers or performing duties, each Director may act in what the director believes is in the best interests of his/her appointing Shareholder, even though it may not be in the best interests of the Company.
- 2.11 **Indemnity on removal of Director:** Any Holdco Shareholder removing a director shall be responsible for and agrees with the Company and the other Holdco Shareholders to indemnify the other Shareholders and the Company against all losses, liabilities and costs which the other Shareholders or the Company may incur arising out of, or in connection with, any claim by the director for wrongful or unfair dismissal or redundancy or other compensation arising out of the director's removal or loss of office.
- 2.12 **Matters requiring supermajority consent:** Subject to clauses 2.13, 2.14 and 2.15 of this schedule) any decision relating to any of the following matters of the Company shall require the consent of a supermajority of the Board, being 85% of the votes to be cast by the Board:
- (a) the issue by the Company of any debenture or loan stock (whether secured or unsecured) or the creation of any mortgage, security interest, charge, lien, encumbrance or other third party right over any of the Company's assets or the giving by the Company of any guarantee or indemnity to or becoming surety for any third party;
  - (b) any change in the capital structure of the Company, issue, buyback, cancellation, division, subdivision or consolidation of Shares, the redemption of any Holdco Redeemable Shares, the change to the rights attaching to such Shares or Holdco Redeemable Shares, the creation of any options to subscribe for or acquire Shares or the creation of any new Class of Shares;
  - (c) any change to the distribution policy set out in the agreement or any other distribution of the Company's assets;
  - (d) pursuit or settlement by the Company of any litigation with a potential value in excess of \$5 million;
  - (e) appointment of any senior management employee of the Company (being an employee whose annual remuneration exceeds \$250,000) or alteration or approval of any remuneration or other benefits of any senior management employee (where such alteration or approval represents actions outside or beyond the ordinary increases made in accordance with established review policies implemented by the Company from time to time);
  - (f) approval or amendment of annual operating plans or budgets or any activity outside the scope of the annual operating plan or budget of the Company;
  - (g) any change in the nature of the Company's business;

- (h) the making of any loan by the Company or the creation, amendment to, renewal or extension of any borrowings by the Company (other than normal trade credit);
- (i) the acquisition or construction or lease of items of tangible or intangible property other than in accordance with the approved annual operating plans or budgets;
- (j) any transaction by the Company with any Shareholder or with any related company of a Shareholder;
- (k) any obligation of the Company which could involve the payment by it, in cash or otherwise, of amounts in excess of amounts approved under the Management Agreements or any approval of a proposal in accordance with schedule 3 "Manager's Authority" of either of the Management Agreements;
- (l) the assignment, sale or other disposal in any 12 month period of any asset or related group of assets (other than stumpage and logs) of the Company having a net book value in aggregate of NZD\$1,000,000 or more, other than in accordance with the approved annual operating plans or budgets;
- (m) any change in the accounting policies or the Company's auditors, bankers, accounting reference date or bank mandates;
- (n) the granting or entering into any licence, agreement or arrangement concerning any part of the name of the Company or any of its intellectual property rights;
- (o) the making, granting or allowing of any claim, disclaimer, surrender, election or consent for taxation purposes;
- (p) appointing any committee of the board or delegating any of the powers of the board to any committee;
- (q) entry into any contract other than on arms length terms;
- (r) an amendment to a Management Agreement;
- (s) termination of a Management Agreement, other than:
  - (i) for material breach in accordance with its terms;
  - (ii) for failure by RNZ to obtain approval for an assignment of the relevant Management Agreement by RNZ;
  - (iii) in the circumstances set out in clause 14.1(d) of the Management Agreement; or
  - (iv) pursuant to the automatic termination rights contained in clause 14.2 of the relevant Management Agreement.

2.13 **Management Agreement:** Any decision relating to termination of a Management Agreement:

- (a) for material breach in accordance with its terms;
- (b) for failure by RNZ to obtain approval for an assignment of the relevant Management Agreement by RNZ; or
- (c) in the circumstances set out in clause 14.1(d) of the Management Agreement; or
- (d) pursuant to the automatic termination rights contained in clause 14.2 of the relevant Management Agreement,

including any decision to bring proceedings in respect of that material breach or failure, or decision as to the conduct of such proceedings, shall require the consent of all Class A Directors and the Class C Director. For the avoidance of doubt, the Class B Directors shall not be entitled to vote on any such decision.

2.14 **Proceedings if Company is in financial distress:** If an "Event of Default" or "Event of Review" (however defined) occurs under any debt facility agreement, for which the indebtedness owned ranks in priority to the debt owed under the Investor Loan Facility, the Board shall be entitled to resolve, by a simple majority, to raise equity (on a pro-rata basis) amongst existing Shareholders and Classes of shares already on issue, and/or to incur further debt on behalf of the Company. If, as a result of Shares being issued pursuant to this clause, RCL's Relevant Proportion is diluted below 20%, the minimum Relevant Proportion of RCL which gives rise to termination rights under clause 14.2(a) of the Management Agreements shall be deemed to be reduced to the Relevant Proportion that RCL holds following the issue of Shares pursuant to this clause 2.14.

2.15 **Shareholder approval:** The following matters (which for the avoidance of doubt exclude any issue of securities) must be approved by 85% of Shareholders following approval by a simple majority of the Board:

- (a) the acquisition of, or an agreement to acquire, whether contingent or not, assets the value of which is more than 20% of the value of the Company's assets before the acquisition; or
- (b) the disposition of, or an agreement to dispose of, whether contingent or not, assets the value of which is more than 20% of the value of the Company's assets before the disposition; or
- (c) a transaction that has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities, including contingent liabilities, the value of which is more than 20% of the value of the Company's assets before the transaction; or
- (d) any alteration to, or revocation of, the constitution; or
- (e) any arrangement for any joint venture or partnership; or
- (f) the merger, amalgamation, liquidation or winding up of the Company; or
- (g) any acquisition by the Company of any part of the issued share capital or of the assets and undertaking of another company or entity;
- (h) an application for quotation of any shares or other securities of the Company on any securities exchange.

- 2.16 **Matters undertaken by indirect subsidiaries:** If any of the matters referred to in clauses 2.12 or 2.15 are to be undertaken by any subsidiary of Treeco (other than MFT) then such matter shall require the consent of:
- (a) a supermajority of the Board of Treeco being 85% of the votes to be cast by the Board if the matter is of the type referred to in clause 2.12; or
  - (b) 85% of the Shareholders of Treeco following approval by a simple majority of the Board if the matter is of the type referred to in clause 2.15.
- 2.17 **Independent Chairperson's Deed of Appointment:** Any person appointed as the Independent Chairperson shall immediately sign a Deed of Appointment in the form attached as schedule six.
- 2.18 **Amendment of Independent Chairperson's Deed of Appointment:** Any amendment to the form of the Independent Chairperson's Deed of Appointment (for the incumbent Independent Chairperson or a new Independent Chairperson) must be approved by majority Board resolution.
- 2.19 **Remuneration of Independent Chairperson:** The Independent Chairperson (if appointed) shall be entitled to remuneration for his or her services together with reimbursement for travel, accommodation, meals and any other reasonable out-of pocket expenses incurred in acting as Independent Chairperson. The level of remuneration for the Independent Chairperson (if appointed) shall be determined from time to time by the Board (excluding the Independent Chairperson).

### 3. DISTRIBUTIONS

- 3.1 **Profits to be distributed:** The full amount of the Company's profits available for distribution (within the meaning of section 2 of the Companies Act) in respect of each financial year during the term of this agreement after the provision of working capital and making such transfers to reserves and provisions as in the opinion of the Board ought reasonably to be made, shall be distributed by the Company to the Shareholders by way of distributions on a quarterly basis, or as and when the Board determines fit.

### 4. ENFORCEMENT OF COMPANY'S RIGHTS

- 4.1 **Actions against Shareholders:** Any right of action which the Company may have in respect of breach or alleged breach of any agreement between the Company and a Shareholder or related company of a Shareholder (including, without limitation, the Management Agreements and the RNZ SPA) shall be prosecuted by the Directors of the Company appointed by the Appointing Party or Appointing Parties representing the Shareholder or Shareholders (as the case may be) which are not, or whose related company is not, responsible for the breach. Those Directors shall have full authority on behalf of the Company to negotiate, litigate and settle any claim arising out of the breach or exercise any right of termination arising out of the breach and the Shareholders shall take all steps within their power to give effect to the provisions of this clause.

### 5. RECORDS AND FINANCIAL INFORMATION

- 5.1 **Financial year:** Each financial year of the Company shall end on 31 December unless otherwise determined by the Board.
- 5.2 **Books and records:** The Board shall procure the Company to maintain accurate and complete books, records, accounts, statements and documents of the operation business and financial affairs of the Company, all of which shall be available to the Board for the purpose of inspection and making copies and taking extracts.



5.3 **Financial statements:** The Shareholders shall procure that the Board will prepare and deliver to each of the Shareholders financial statements in respect of the Company consisting of a balance sheet, statement of cash flows and statement of profit and loss, together with such other statements as are advisable, prepared in accordance with generally accepted accounting principles, as follows:

- (a) unaudited monthly financial statements (which shall include a detailed balance sheet, a detailed statements of profit and loss, and cashflow statements, with comparison to budget and forecast) shall be prepared and delivered to each of the Shareholders within 15 days after the end of each month; and
- (b) audited annual financial statements, accompanied by the report of the Auditors thereon, shall be prepared and delivered to each of the Shareholders within three months after the end of each financial year of the Company;

provided that all or any of the above requirements may, to the extent permitted by applicable law, be waived by unanimous resolution of the Board.

5.4 **Additional financial information:** The Shareholders shall procure that the Company will prepare and deliver to each of the Shareholders such further or other reports and statements concerning the operation, business and financial affairs of the Company as the Board may from time to time consider necessary or advisable, it being the intent of the Shareholders that each of them shall be kept fully and regularly informed regarding the Company.

**SCHEDULE FOUR**  
**ADDRESS DETAILS OF THE PARTIES**

**SAS TRUSTEE CORPORATION:**

Address RREEF Infrastructure Level 16,  
Deutsche Bank Place Cnr  
Hunter and Phillip Sts Sydney,  
NSW, 2000  
Australia

Attention: Richard Hedley

Facsimile: 612 9249 9763

Email: [richard.hedley@rreef.com](mailto:richard.hedley@rreef.com)

**RAYONIER CANTERBURY LLC AND RAYONIER NEW ZEALAND LIMITED:**

Address **RNZ**  
Level5  
Symonds Centre  
49 Symonds Street  
Auckland

Attention: Paul Nicholls

Facsimile: 64 9 302 2318

Email: [paul.nicholls@rayonier.com](mailto:paul.nicholls@rayonier.com)

**MATARIKI FORESTS AUSTRALIA PTY LIMITED:**

Address RREEF Infrastructure Level 16,  
Deutsche Bank Place Cnr  
Hunter and Phillip Sts Sydney,  
NSW, 2000  
Australia

Attention: Richard Hedley

Facsimile: 612 9249 9763

Email: [richard.hedley@rreef.com](mailto:richard.hedley@rreef.com)

**MATARIKI FORESTRY GROUP AND MATARIKI FORESTS:**

Address **RNZ**  
Level5  
Symonds Centre  
49 Symonds Street  
Auckland

Attention: Paul Nicholls

Facsimile: 64 9 302 2318

Email: [paul.nicholls@rayonier.com](mailto:paul.nicholls@rayonier.com)

Address RREEF Infrastructure Level 16,  
Deutsche Bank Place Cnr  
Hunter and Phillip Sts Sydney,  
NSW, 2000  
Australia

Attention: Richard Hedley

Facsimile: 612 9249 9763

Email: [richard.hedley@rreef.com](mailto:richard.hedley@rreef.com)

**INVESTOR GROUP:**

Address AMP Capital Investors Limited  
Level 24,33 Alfred Street  
Sydney, NSW, 2000  
Australia

Attention: The Company Secretary

Facsimile: 612 9257 7178

**WAIMARIE FORESTS PTY LIMITED**

Address C/o Grant Thornton  
Level 17, 383 Kent Street  
Sydney, **NSW** 2000  
Australia

Attention: Les Corder

Facsimile: 61 2 9299 4445

Email: [lcorder@grantthornton.com.au](mailto:lcorder@grantthornton.com.au)

With a copy to: Liane Luke

C/o FourWinds Capital Management (US) Inc  
60 State Street  
37th Floor  
Boston MA 02109  
USA

Facsimile: 1 617 395 6861

Email: [Jluke@fourwindscm.com](mailto:Jluke@fourwindscm.com)

**PHAUNOS TIMBER FUND LIMITED**

Address Arnold House  
St Julian's Avenue St Peter Port

Guernsey GY1 3NF

Attention: Company Secretary

Facsimile: 44 0 1481 726725

With a copy to: Liane Luke

C/o FourWinds Capital Management (US) Inc  
60 State Street  
37th Floor  
Boston MA 02109  
USA

Facsimile: 617 395 6861

Email: [Jluke@fourwindscm.com](mailto:Jluke@fourwindscm.com)

**SCHEDULE FIVE**  
**FORM OF ACCESSION DEED**

**DEED** dated

**PARTIES** [ ] (**Transferor**)

[ ] (**Transferee**)

**INTRODUCTION**

- (A) The Transferor is a party to the Master Shareholder Agreement in relation to Matariki Forests Australia Pty Limited, Matariki Forestry Group and Matariki Forests originally dated 15 July 2005 (as amended, varied and restated from time to time) (**Shareholder Agreement**).
- (B) The Transferor wishes to transfer to the Transferee [ ] ordinary shares [and [•] redeemable shares] in [Ausco / Holdco] (**Shares**).
- (C) Under clause 5.1 of the Shareholder Agreement the Transferee is required to execute this deed.

**INTERPRETATION**

In this deed, unless the context otherwise requires, terms defined in the Shareholder Agreement shall have the same meaning in this deed.

**OPERATIVE PROVISIONS**

1. With effect from the date of this deed:
  - a. The Transferee becomes a party to the Shareholder Agreement as if it had been named as an [Ausco Shareholder / Holdco Shareholder] in the Shareholder Agreement and had executed it.
  - b. The [Transferor / Ausco Shareholder] transfers a corresponding proportion of its Debt Commitment, in accordance with clause 10.6 of the Investor Loan Facility.
2. If the transfer contemplated by this deed requires approval under clauses 3.9, or 4.8 of the Shareholder Agreement, the Transferor represents and warrants to each of the Transferee, Ausco and Holdco that it has obtained the consent of RCL as required by those clauses.
3. The Transferee assumes all of the obligations of the Transferor under the Shareholder Agreement. However, without limiting clause 4.7 of the Shareholder Agreement, the Transferor is not released from any liability to the remaining Holdco Shareholders and Ausco Shareholders existing as at the date of this deed and relating to the period prior to the date of transfer of the Shares (**Remaining Shareholders**).
4. The parties acknowledge that the matters agreed by them in this deed are for the benefit of, and may be relied on by, the **Remaining Shareholders**.
5. Each of the Transferor and the Transferee represents and warrants to each of Ausco and Holdco that the Transferor will not be in breach of clauses 3, 4 or 5 of the Shareholder Agreement following transfer of the Shares.
6. The provisions of clauses 2, 4 and 5 are for the benefit of, and are intended to be enforceable by, each of Ausco and Holdco under the Contracts (Privity) Act **1982**.
7. This deed shall be governed by, and construed in accordance with, the laws of New Zealand, and the parties hereby submit to the exclusive jurisdiction of the courts of New Zealand.

**SIGNED AS A DEED**

**SIGNED by [TRANSFEROR] by:**

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Signature of director

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Name of director

---

Signature of director

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Name of director

**SIGNED by [TRANSFeree] by:**

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Signature of director

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Name of director

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Signature of director

---

Name of director

**SCHEDULE SIX**  
**FORM OF DEED APPOINTMENT**

**PARTIES**

**MATARIKI FORESTRY GROUP**, an unlimited liability company incorporated in New Zealand having its registered office at Level 5, 49 Symonds Street, Auckland, New Zealand (**Holdco**);

**MATARIKI FORESTS**, an unlimited liability company incorporated in New Zealand having its registered office at Level 5, 49 Symonds Street, Auckland, New Zealand (**Treeco**);

**MATARIKI FORESTS TRADING LIMITED**, a limited liability company incorporated in New Zealand having its registered office at Level 5, 49 Symonds Street, Auckland, New Zealand (**MFT**)

[        ] (**Independent Chairperson**)

**INTRODUCTION**

(A) Holdco and Treeco (**Companies**), together with certain other parties, are each party to the Master Shareholder Agreement relating to the Companies originally dated 15 July 2005 (as amended, varied and restated from time to time) (**Shareholder Agreement**).

(B) [ ] has been appointed as the Independent Chairperson of each of the Companies, and of MFT, in accordance with the constitution of each such company.

(C) The parties wish to enter into this deed to set out the duties of the Independent Chairperson.

**OPERATIVE PROVISIONS**

1. **Definitions:** In this Deed:

**Board** means the board of directors of Holdco, Treeco or MFT, as the context requires.

**Company** means Holdco, Treeco or MFT, as the context requires.

**Group** means Holdco, Treeco and MFT.

**Manager** means Rayonier New Zealand Limited.

2. **Duties of Independent Chairperson:** The Independent Chairperson shall:

- a. chair all formal meetings of the Board (which, as a guide, will involve not less than four physical Board meetings in Auckland, and eight Board meetings held by teleconference);
- b. review Board agendas and papers (or any similar documentation), and provide assistance to the Manager (where required) in relation to the preparation of Board agenda and papers;
- c. guide the Board in implementing and maintaining good corporate governance processes;
- d. meet at least annually with the auditors, forest valuers and bank consortium of the Group;

- e. meet at least monthly with the Manager (in addition to formal Board meetings) to discuss any matters material to the Group;
  - f. assist in high-level political or government representations (as appropriate) from time to time; and
  - g. undertake any additional work reasonably required by the Group to ensure that the proceedings of the Board are run in an efficient and constructive manner.
3. **Time commitment of Independent Chairperson:** The Independent Chairperson agrees to devote 30 days (approximately) full-time equivalent work to his or her duties per annum. This work may be spread out over any number of part days
  4. **Remuneration of Independent Chairperson:** The Independent Chairperson shall be entitled to remuneration of \$[ ] per annum for his or her services together with reimbursement for travel, accommodation, meals and any other reasonable out-of-pocket expenses incurred in acting as Independent Chairperson.
  5. **No voting rights:** The Independent Chairperson agrees that, whilst he or she will be a director of the Company, he or she shall not have any right to exercise a vote at a meeting of the Board.
  6. **Compliance with Constitution and Shareholder Agreement:** The Independent Chairperson agrees to comply with the Constitution of the Company and the Shareholder Agreement, to the extent that those documents refer to the duties and obligations of the Independent Chairperson.
  7. **Assignment:** No party shall assign or transfer or purport to assign or transfer any of its rights or obligations under this agreement, except as expressly permitted herein.
  8. **Governing Law:** This deed shall be governed by, and construed in accordance with, the laws of New Zealand, and the parties hereby submit to the exclusive jurisdiction of the courts of New Zealand.



**SIGNED AS A DEED**

**SIGNED by MATARIKI FORESTRY GROUP by:**

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Signature of director

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Name of director

---

Signature of director

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Name of director

**SIGNED by MATARIKI FORESTS by:**

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Signature of director

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Name of director

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Signature of director

---

Name of director

**SIGNED by MATARIKI FORESTS TRADING LIMITED by:**

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Signature of director

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Name of director

---

Signature of director

---

Name of director

**SIGNED by [ ] by in the presence of:**

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Signature

---

Name

---

Signature of witness

---

Name of witness

---

Occupation

---

City/town of residence

DEED OF AMENDMENT AND RESTATEMENT  
OF SHAREHOLDER AGREEMENT

**RAYONIER CANTERBURY LLC**  
**WAIMARIE FORESTS PTY LIMITED**  
**MATARIKI FORESTRY GROUP**  
**MATARIKI FORESTS**  
**PHAUNOS TIMBER FUND LIMITED**

Simpson Grierson

SHAG (amended March 2016 FINAL) – 27539468 v 2 DOCX

## PARTIES

- A. **RAYONIER CANTERBURY LLC**, a limited liability company incorporated in Delaware having its registered office at 225 Water Street, Suite 1400, Jacksonville, FL 32202 (**RCL**);
- B. **WAIMARIE FORESTS PTY LIMITED** a limited liability company incorporated in Australia having its registered office at cl- Grant Thornton, Level 17, 383 Kent Street, Sydney NSW 2000, Australia (**WFL**);
- C. **MATARIKI FORESTRY GROUP, AN UNLIMITED LIABILITY COMPANY INCORPORATED IN NEW ZEALAND HAVING ITS REGISTERED OFFICE AT LEVEL 5, 32 - 34 MAHUHU CRESCENT, AUCKLAND 1010, NEW ZEALAND (MFG)**;
- D. **MATARIKI FORESTS, AN UNLIMITED LIABILITY COMPANY INCORPORATED IN NEW ZEALAND HAVING ITS REGISTERED OFFICE AT LEVEL 5, 32 - 34 MAHUHU CRESCENT, AUCKLAND 1010, NEW ZEALAND (MF)**; and
- E. **PHAUNOS TIMBER FUND LIMITED** a limited liability company incorporated in Guernsey having its registered office at Arnold House, St Julian's Avenue, St Peter Port, Guernsey GY1 3NF (Phaunos).

## INTRODUCTION

The parties wish to amend the Shareholder Agreement in relation to Matariki Forestry Group and Matariki Forests (originally entered into on 15 July 2005, amended and restated on each of 29 September 2005, 24 April 2006, 10 January 2008, 19 February 2010, 22 April 2014 and 8 December 2015) (Shareholder Agreement) on the terms set out in this deed.

## COVENANTS

1. **Amendment and Restatement: With effect from the date of this deed:**
  - (a) the Shareholders Agreement is amended and restated in the form set out in the schedule to this deed (**Amended Form**); and
  - (b) references in the Shareholders Agreement to 'this agreement' shall be references to the Shareholders Agreement as amended and restated by this deed.
2. **Counterparts:** This deed may be executed in any number of counterparts (including facsimile copies) and provided that every party has executed a counterpart, the counterparts together shall constitute a binding and enforceable deed.

3. **Further assurance:** Each party shall make all applications, execute all documents and do all acts and things necessary to implement and to carry out its obligations under this deed.
4. **Amendment:** No amendment to this deed will be effective unless it is in writing and signed by each party.
5. **Assignment:** No party will assign or otherwise transfer any of its rights or obligations under this deed to any other person.
6. **Governing law:** This deed is governed by and is to be construed in accordance with New Zealand law.

**SIGNED by RAYONIER CANTERBURY LLC by:**

\_\_\_\_\_  
/s/ P.S. Nicholls

Signature of the officer

\_\_\_\_\_  
Paul Nicholls

Name of officer

\_\_\_\_\_  
Signature of the officer

\_\_\_\_\_  
Name of officer

**SIGNED BY WAIMARIE FORESTS PTY LIMITED BY:**

\_\_\_\_\_  
Signature of the director

\_\_\_\_\_  
Name of director

\_\_\_\_\_  
Signature of the director

\_\_\_\_\_  
Name of director

SHAG (amended March 2016 FINAL) – 27539468 v 2 DOCX



---

Signature of the director

---

Name of director

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DEED OF AMENDMENT AND RESTATEMENT  
OF SHAREHOLDER AGREEMENT

RAYONIER CANTERBURY LLC

WAIMARIE FORESTS PTY LIMITED

MATARIKI FORESTRY GROUP

MATARIKI FORESTS

PHAUNOS TIMBER FUND LIMITED

Simpson Grierson

SHAG (amended March 2016 FINAL) – 27539468 v 2 DOCX



5. **Assignment:** No party will assign or otherwise transfer any of its rights or obligations under this deed to any other person.

6. **Governing law:** This deed is governed by and is to be construed in accordance with New Zealand law.

SIGNED by **RAYONIER CANTERBURY LLC** by:

---

Signature of the officer

---

Name of officer

---

Signature of the officer

---

Name of officer

**SIGNED BY WAIMARIE FORESTS PTY LIMITED BY:**

/s/ Richard Nettleton

---

Signature of the director

Richard Nettleton

---

Name of director

---

Signature of the director

---

Name of director

**SIGNED by MATARIKI FORESTRY GROUP by:**

---

Signature of the director

---

Name of director

---

Signature of the director

---

Name of director

**SIGNED by MATARIKI FORESTS by:**

---

Signature of the director

---

Name of director

---

Signature of the director

---

Name of director

DEED OF AMENDMENT AND RESTATEMENT

OF SHAREHOLDER AGREEMENT

RAYONIER CANTERBURY LLC

WAIMARIE FORESTS PTY LIMITED

MATARIKI FORESTRY GROUP

MATARIKI FORESTS

PHAUNOS TIMBER FUND LIMITED

Simpson Grierson

SHAG (amended March 2016 FINAL) – 27539468 v 2 DOCX

5. **Assignment:** No party will assign or otherwise transfer any of its rights or obligations under this deed to any other person.
6. **Governing law:** This deed is governed by and is to be construed in accordance with New Zealand law.

**SIGNED by RAYONIER CANTERBURY LLC by:**

/s/ David L. Nunes

Signature of the officer

David L. Nunes

Name of officer

\_\_\_\_\_  
Signature of the officer

\_\_\_\_\_  
Name of officer

**SIGNED BY WAIMARIE FORESTS PTY LIMITED BY:**

\_\_\_\_\_  
Signature of the director

\_\_\_\_\_  
Name of director

\_\_\_\_\_  
Signature of the director

\_\_\_\_\_  
Name of director

**SIGNED by MATARIKI FORESTRY GROUP by:**

SHAG (amended March 2016 FINAL) – 27539468 v 2 DOCX

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Signature of the director

---

Name of director

---

Signature of the director

---

Name of director

**SIGNED by MATARIKI FORESTS by:**

---

Signature of the director

---

Name of director

---

Signature of the director

---

Name of director

**SCHEDULE**  
**AMENDED FORM OF SHAREHOLDERS AGREEMENT**

**CONTENTS**

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**SCHEDULES**

SCHEDULE ONE SHAREHOLDER DETAILS

SCHEDULE TWO GOVERNANCE OF MFG AND ITS SUBSIDIARIES

SCHEDULE THREE ADDRESS DETAILS OF THE PARTIES

This **AGREEMENT** was originally entered into on 15 July 2005, amended and restated on each of 29 September 2005, 24 April 2006, 10 January 2008, 19 February 2010, 22 April 2014 and 8 December 2015.

## **PARTIES**

1. **RAYONIER CANTERBURY LLC**, a limited liability company incorporated in Delaware having its registered office at 225 Water Street, Suite 1400, Jacksonville, FL 32202 (**RCL**);
2. **WAIMARIE FORESTS PTY LIMITED**, a limited liability company incorporated in Australia having its registered address at cl- Grant Thornton, Level 17, 383 Kent Street, Sydney NSW 2000, Australia (**WFL**);
3. **MATARIKI FORESTRY GROUP**, an unlimited liability company incorporated in New Zealand having its registered office at Level 5, 32-34 Mahuhu Crescent, Auckland, New Zealand (**MFG**);
4. **MATARIKI FORESTS**, an unlimited liability company incorporated in New Zealand having its registered office at Level 5, 32-34 Mahuhu Crescent, Auckland, New Zealand (**MF**); and
5. **PHAUNOS TIMBER FUND LIMITED** a limited liability company incorporated in Guernsey having its registered office at LEGIS, 11 New Street, Saint Peter Port, Guernsey GY1 2BT (**Phaunos**).

## **BACKGROUND**

- A. RCL and WFL are the shareholders of MFG. MFG is the holding company for the Matariki forestry group of companies. MF, a wholly owned subsidiary of MFG, holds the assets comprising the Matariki forest estate (Matariki Estate). Rayonier Inc has invested in MFG through RCL, its wholly owned subsidiary. Phaunos has invested in MFG through its wholly owned subsidiary, WFL.
- B. The parties wish to enter into this shareholder agreement to record their respective rights and obligations in relation to MFG and MF.

## **THIS AGREEMENT RECORDS THAT:**

### **1. DEFINITIONS AND INTERPRETATION**

---

**1.1 Definitions:** In this agreement, unless the context indicates otherwise:

**Acceptance Notice** has the meaning given to that term in clause 3.5;

**Acquisition Notice** has the meaning given to that term in clause 3.4;

**Acquisition Price** has the meaning given to that term in clause 3.4;

**Appointing Party** has the meaning given to that term in clause 1.1 of Schedule 2;

**Business Day** means any day (other than a Saturday) when banks in Auckland, New Zealand are open for the transaction of normal business;

**Board** has the meaning given to that term in clause 1.1 of Schedule 2;

**Class** means a class of MFG Shares having attached to them identical rights, privileges, limitations and conditions;

**Companies Act** means the Companies Act 1993 (New Zealand);

**Company** means MFG, MF or any other subsidiary of MFG, as the case may be;

**Constitution** means the constitution of the Company from time to time;

**Consultant** means Rayonier TRS Holdings Inc. in its capacity as consultant to MFG under a Consultancy Agreement dated on or about the date of this deed, or any other consultant MFG may appoint from time to time in connection with managing the Matariki Estate;

**Debt Commitment** means, in relation to RCL or Phaunos, that party's Commitment under, and as defined in, the Investor Loan Facility;

**Defaulting MFG Shareholder** has the meaning set out in clause 8.1;

**Direct Subsidiary** has the meaning given to it in clause 1.1 of Schedule 2;

**Disclosing Party** has the meaning given to that term in clause 12.5;

**Dispute Notice** has the meaning given to that term in clause 9.3(a);

**Event of Default** has the meaning given to that term in clause 8.2;

**Expert** has the meaning given to that term in clause 9.3(a);

**Independent Valuer** has the meaning given to that term in clause 11.1;

**Investor Loan Facility** means the investor loan facility agreement relating to an investor loan made to MF originally dated 29 September 2005, as amended and restated on 19 February 2010, amended on 3 February 2011, amended on 25 April 2013 and amended on or about the date of this deed;

**Matariki Estate** has the meaning given to that term in the background to this agreement.

**MF Constitution** means the constitution of MF, as amended from time to time;

**MF Share** means any ordinary share in MF;

**MFG Board** means the board of directors of MFG for the time being;



**MFG Constitution** means the constitution of MFG, as amended from time to time;

**MFG Fair Value** in relation to the Shares held by an MFG Shareholder means the Relevant Proportion of the value of the net assets of the Matariki forestry group of companies as determined in accordance with clause 11;

**MFG Ordinary Shares** means the ordinary shares in the capital of MFG on issue from time to time;

**MFG Redeemable Share** means any redeemable share in MFG of whatever Class, the terms of which have been agreed by the parties;

**MFG Share** means any share in MFG, of whatever Class;

**MFG Shareholder** means the holder of MFG Shares from time to time;

**MFG Shareholder** Sister Company means, in relation to an MFG Shareholder, an entity that is:

(a) wholly owned (directly or indirectly) by the same holding company as that MFG Shareholder;

(b) a wholly owned subsidiary of that MFG Shareholder; or

(c) owned by the same parties that own that MFG Shareholder;

**MFT** has the meaning given to that term in clause 1.1 of Schedule 2;

**New Equity Securities** has the meaning given to that term in clause 4.3;

**Non-selling Shareholder** has the meaning given to that term in clause 3.3;

**Non-defaulting MFG Shareholder** has the meaning given to that term in clause 8.2;

**Non-Disclosing Parties** has the meaning given to that term in clause 12.5;

**Phaunos Dissolution** means the Phaunos shareholders voting at the Phaunos 2016 annual general meeting to wind up operations of Phaunos and to procure an orderly realisation of its assets (or any resolution of substantially the same effect);

**Relevant Proportion** means the percentage proportion of the total interest that each of RCL and WFL hold (directly or indirectly) in MFG from time to time as set out in part A of schedule one (updated from time to time in accordance with clause 5.5);

**Sale Interest** has the meaning given to that term in clause 3.3;

**Sale Notice** has the meaning given to that term in clause 3.3;

**Share** means an MFG Ordinary Share or an MFG Redeemable Share, as the case may be;

**Shareholder** has the meaning given to that term in clause 1.1 of Schedule 2;

**Selling Shareholder** has the meaning given to that term in clause 3.3.

**Stapled Proportion** has the meaning given to that term in clause 4.1; and

**Transferring MFG Shareholder** has the meaning given to that term in clause 3.9.

**1.2 Interpretation:** In this agreement, unless the context indicates otherwise, a reference to:

(a) a subsidiary or holding company or related company shall be construed in accordance with sections 2(3) and 5 of the Companies Act;

(b) the singular includes the plural and vice versa;

(c) a statutory provision includes a reference to:

(i) the statutory provision as modified or re-enacted or both from time to time (whether before or after the date of this agreement); and

(ii) any subordinate legislation made under the statutory provision (whether before or after the date of this agreement);

(d) persons includes a reference to any body corporate, unincorporated association or partnership;

(e) a person includes a reference to that the person's legal personal representatives or successors;

(f) a clause or schedule, unless the context otherwise requires, is a reference to a clause or schedule to this agreement;

(g) \$ is to New Zealand dollars, unless otherwise specified.

**1.3 Schedules:** The schedules form part of this agreement and shall have the same force and effect as if set out in the body of this agreement, and references to this agreement include the schedules.

**1.4 Headings:** The headings in this agreement shall not affect the interpretation of this agreement.

## **2. GOVERNANCE**

---

**2.1 MFG governance:** MFG shall be governed in accordance with the provisions set out in schedule two, and otherwise in accordance with the MFG Constitution.

### **3. DEALING IN SHARES IN MFG**

---

**3.1 Grant of security, etc:** No MFG Shareholder shall, except with the prior written consent of the other MFG Shareholder, such consent not to be unreasonably withheld or delayed:

(a) pledge, mortgage, charge or otherwise encumber any Share or any interest in any Share;

(b) grant an option over any Share, or any interest in any Share; or

(c) enter into any agreement in respect of the votes attached to any Share.

**3.2 Pre-emptive rights:** Subject to clauses 3.8 to 3.9, Shares may only be transferred in accordance with clauses 3.3 to 3.7.

**3.3 Sale notice:** In order for any MFG Shareholder (**Selling Shareholder**) to sell, transfer or otherwise dispose of the legal or beneficial ownership of, or the control of, any of its Shares, the Selling Shareholder shall first give notice (**Sale Notice**) to MFG and the other MFG Shareholder (**Non-selling Shareholder**) specifying the total number of Shares it wishes to sell, and the corresponding proportion of its MFG Ordinary Shares and/or MFG Redeemable Shares and Debt Commitment (which, in the case of WFL, shall be the corresponding proportion of Phaunos' Debt Commitment) that it is required to transfer with the relevant Shares pursuant to clause 5.2 and 5.3 (**Sale Interest**). The minimum number of Shares that may be specified in a Sale Notice must be at least 20% of the Shares (unless the Selling Shareholder holds fewer than 20% of the Shares, in which case the number of Shares that must be specified in a Sale Notice is the total number of Shares held by the Selling Shareholder).

**3.4 Acquisition Notice:** The Non-selling Shareholder may, not later than 20 Business Days after the date of the Sale Notice give irrevocable notice to the Selling Shareholder (**Acquisition Notice**) offering to acquire the Sale Interest and specifying the cash price being offered for the Sale Interest (**Acquisition Price**).

**3.5 Acceptance of Acquisition Notice:** The Selling Shareholder may, not later than 20 Business Days after the date of the Acquisition Notice, give irrevocable notice to the Non-selling Shareholder (**Acceptance Notice**) accepting the offer contained in the Acquisition Notice in which case the Selling Shareholder will be bound to sell, and the Non-selling Shareholder will be bound to acquire, the Sale Interest at the Acquisition Price and, unless the Selling Shareholder and the Non selling Shareholder agree otherwise, on the terms and conditions set out below:

(a) the sale shall be conditional on the parties obtaining all necessary consents and approvals to the sale and purchase of the Sale Interest. If the sale is conditional as contemplated in this paragraph (a), the Selling Shareholder and the Non-selling Shareholder shall use their reasonable endeavours, with all due speed and diligence, to obtain all necessary consents;

- (b) the sale shall be settled on the date 10 Business Days after the date of the Acceptance Notice, or if the sale is conditional as contemplated by clause (a), 10 Business Days after the last of the relevant consents is obtained;
- (c) the Selling Shareholder shall transfer to the Non-selling Shareholder good title to the Sale Interest free of any charge or encumbrance (other than any charge or encumbrance to which the Non-selling Shareholder gives its prior approval in writing);
- (d) on settlement of the purchase of the Sale Interest, the Non-selling Shareholder shall pay the purchase price to the Selling Shareholder in cleared funds, and the Selling Shareholder shall deliver to the Non-selling Shareholder a transfer of the Sale Interest, in a form reasonably acceptable to the both parties;
- (e) the parties shall take all necessary steps to procure the MFG Board to cause the Non-selling Shareholder to be registered as holder of the Sale Interest; and
- (f) if the Sale interest comprises all of the Selling Shareholder's interest in MFG, the Selling Shareholder will, upon settlement of the purchase of the Sale Interest, procure the removal of any Director appointed by it.

### 3.6

#### Options to sell: If:

- (a) the Non-selling Shareholder does not give an Acquisition Notice by the deadline set out in clause 3.4;
- (b) the Selling Shareholder does not give an Acceptance Notice by the deadline set out in clause 3.5; or
- (c) any conditions referred to in clause 3.5(a) are not satisfied within 6 months, or if any statutory consents or approvals are required, 9 months, of the date of the Acceptance Notice,

the Selling Shareholder may sell the Sale Interest to any other person provided that, unless the Non-selling Shareholder consents in writing:

- (d) the entire Sale Interest must be sold to that person;
- (e) the consideration for the sale (which the Non-selling Shareholder shall be entitled to have independently verified and, if non-cash, valued) must be no less than the Acquisition Price;
- (f) the sale must be on the terms and conditions which are not more advantageous to the purchaser than those offered to the Non-selling Shareholder, provided that the terms and conditions shall not be construed as being more advantageous solely because those terms contain arm's length warranties and other arm's length purchaser protections usual for a transaction of the nature contemplated; and

- (g) the sale must be completed within 6 months of the date of the Sale Notice (unless clause 3.6(c) is relevant in which case the sale must be completed within 12 months of the date referred to in that clause).

3.7 **Assistance:** MFG and the Non-selling Shareholder shall (and MFG shall procure that the Consultant will), at the cost of the Selling Shareholder, provide such assistance as may be reasonably required by the Selling Shareholder for the purposes of enabling the Selling Shareholder to solicit offers for the Sale Interest, including allowing prospective purchasers to undertake due diligence.

3.8 **Clause to apply again:** If the Selling Shareholder proposes to sell, transfer, or otherwise dispose of the Sale Interest outside the period referred to in clause 3.6(g), then clauses 3.3 to 3.7 will again apply, with any necessary modifications.

3.9 **Transfer to related companies:** Nothing in clause 3.2 shall prevent any MFG Shareholder (**Transferring MFG Shareholder**) transferring all or some of its Shares to a holding company or an MFG Shareholder Sister Company, and the provisions of clauses 3.3 to 3.7 shall not apply to such transfer, provided where the transferee ceases to be a holding company or an MFG Shareholder Sister Company of the Transferring MFG Shareholder, the transferee shall, and the Transferring MFG Shareholder shall procure that, the transferee forthwith transfers back to the Transferring MFG Shareholder (or another holding company or MFG Shareholder Sister Company of the Transferring MFG Shareholder) all Shares that it holds.

#### 4. ISSUE OF SHARES IN MFG

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4.1 **Stapled Proportions:** The MFG Board must ensure that:

- (a) RCL holds an equal proportion of MFG Ordinary Shares, MFG Redeemable Shares and Debt Commitment (if any); and
- (b) WFL holds an equal proportion of MFG Ordinary Shares and MFG Redeemable Shares, and Phaunos holds a proportion of Debt Commitment (if any) equal to WFL's Relevant Proportion,

being, in each case, the Stapled Proportion.

4.2 **Classes of shares:** The MFG Board may issue different Classes of shares in accordance with the provisions of this agreement. Without limiting the Classes which the MFG Board may issue:

- (a) each Class of shares is deemed to constitute a separate Class but, except as expressly provided in this agreement, all the MFG Ordinary Shares have the same rights and privileges and are subject to the same restrictions; and
- (b) any share may be issued upon the basis that it:

- (i) confers preferential rights to distributions of capital or income (or no rights to such distributions); or
- (ii) confers special, limited or conditional voting rights; or
- (iii) does not confer voting rights; or
- (iv) is redeemable in accordance with section 68 of the Companies Act.

#### 4.3

**MFG Board may issue shares and other securities:** The MFG Board may, subject to the terms of this agreement, only issue shares, securities that are convertible into or exchangeable for shares, or options to acquire shares (together referred to in this clause as **New Equity Securities**) in accordance with the following provisions:

- (a) subject to any special rights or restrictions attaching to any existing shares, all New Equity Securities must be offered to all MFG Shareholders in proportion to each MFG Shareholder's Stapled Proportion;
- (b) subject to sub-clause (c) below, the offer must be made by written notice to each MFG Shareholder stating:
  - (i) the number of New Equity Securities to which that MFG Shareholder is entitled;
  - (ii) the Class or Classes of which the New Equity Securities will form part, and in the case of securities convertible into, or exchangeable for, shares, the Class of which those shares will upon issue form part;
  - (iii) the consideration for which the New Equity Securities will be issued and the terms on which they will be issued;
  - (iv) the time (not being less than 10 days nor more than 28 days) within which the offer, if not accepted, will be deemed to be declined;
  - (v) that any MFG Shareholder who wishes to acquire New Equity Securities in excess of that MFG Shareholder's entitlement must, when accepting the offer, state the number of excess New Equity Securities which that MFG Shareholder wishes to acquire;
  - (vi) that any unclaimed New Equity Securities will be used for satisfying the requests for excess New Equity Securities, upon the basis that the New Equity Securities not claimed by any MFG Shareholder will be allocated first to the other MFG Shareholders who have requested excess New Equity Securities, in proportion to that MFG Shareholder's Stapled Proportion, provided that no MFG Shareholder shall be allocated more excess New Equity Securities than the number which that MFG Shareholder has requested;

- (vii) that if, thereafter, any New Equity Securities remain unallocated, the MFG Board may offer them to any person whom the MFG Board is prepared to register as an MFG Shareholder provided that the consideration and terms of issue are no more advantageous to that person than those offered to the MFG Shareholders provided further that the terms on which New Equity Securities are offered to that person shall not be construed as being more advantageous solely because those terms contain arm's length warranties and other arm's length subscriber protections usual for a transaction of the nature contemplated; and
  
- (viii) that each MFG Shareholder who accepts the offer of New Equity Securities must increase their holding of MFG Ordinary Shares, MFG Redeemable Shares and/or Debt Commitment (as may be the case) in order to maintain their Stapled Proportion, provided that where WFL accepts the offer of New Equity Securities, Phaunos shall be required to increase its Debt Commitment, equal to the Relevant Proportion held by WFL following the issue of New Equity Securities,
  
- (c) the New Equity Securities offered to each MFG Shareholder shall be of a Class or Classes already held by that MFG Shareholder. For these purposes, any excess New Equity Securities offered pursuant to clause 4.3(b)(vi) shall, on issue, be issued as MFG Shares of the Class or Classes already held by the relevant MFG Shareholder. New Equity Securities which are convertible or exchangeable into MFG Shares shall be convertible or exchangeable into MFG Shares of a Class or Classes already held by the relevant MFG Shareholder (unless those New Equity Securities are convertible or exchangeable into a new Class of MFG Shares);
  
- (d) notwithstanding the provisions of sub-clauses (a) and (b) and (c), but subject always to the provisions of schedule two of this agreement, the MFG Board may issue New Equity Securities to such persons and on such terms as it thinks fit; and
  
- (e) if any holders of securities in MFG other than MFG Shares are entitled by the terms of issue of those securities to participate in any issue of New Equity Securities, the provisions of this clause shall be appropriately modified to take account of such entitlement.

## 5. FURTHER PROVISIONS REGARDING DEALING IN SHARES

- 5.1 **Deed of accession:** If an MFG Shareholder transfers the legal or beneficial ownership of any MFG Shares to any party (other than to a party who has already signed this agreement or a deed of accession), that MFG Shareholder shall procure that the relevant transferee validly executes a deed of accession in a form reasonably satisfactory to the other parties to this agreement, and delivers a copy of that deed of accession to each party to this agreement. If the proposed transfer is of less than the MFG Shareholder's entire interest in MFG, the parties will negotiate in good faith such amendments to this agreement as are necessary and desirable to reflect an increase in the number of shareholders.

- 5.2 **Stapling of interest under Investor Loan Facility:** Subject to any variation of the terms below in the Investor Loan Facility, no MFG Shareholder shall transfer all or any of its MFG Shares without transferring a corresponding proportion of its Debt Commitment, or where WFL is the transferring MFG Shareholder, procuring transfer of a corresponding proportion of Phaunos' Debt Commitment in accordance with clause 10.6 of the Investor Loan Facility.
- 5.3 **Stapling of MFG Ordinary Shares with MFG Redeemable Shares:** No MFG Shareholder shall transfer legal or beneficial ownership to all or any of its MFG Ordinary Shares without transferring a corresponding proportion of its MFG Redeemable Shares and vice versa.
- 5.4 **Registration of transfers:** The MFG Shareholders shall procure that the MFG Board does not register a transfer of MFG Ordinary Shares or MFG Redeemable Shares unless such transfer has been carried out in accordance with clauses 3.2 to 3.9, clauses 5.1, 5.2 and 5.3 and the requirements of the Companies Act and the MFG Constitution.
- 5.5 **Board to procure amendment to schedule one:** As soon as is practicable after the registration of a transfer of MFG Shares pursuant to clause 5.4 or any other alteration of the MFG share capital, the MFG Board shall procure an amendment to schedule one reflecting the consequential changes to the identities and shareholdings of the shareholders referred to in that schedule. Upon delivery of that amended schedule to all parties, that amended schedule shall be deemed to be a variation to this agreement.
- 5.6 **Investment management agreements:** For the avoidance of doubt, nothing in this agreement shall be construed to preclude an MFG Shareholder entering into an investment management agreement in relation to its investment in the Matariki group of companies with any investment manager as permitted by this agreement.
- 5.7 **Liability of transferring shareholders:** Except to the extent required by law, each MFG Shareholder which transfers its entire holding of MFG Shares to another party, in accordance with the terms of this agreement, shall be deemed released by all other parties hereto from all liability under this agreement from the date of that transfer (except in relation to any prior breach of this agreement by the transferor) and shall no longer be a party to this agreement.

## 6. WARRANTIES

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- 6.1 **Warranties of each party:** Each party to this agreement warrants to each other party as follows:
- (a) it is not aware of any circumstance which might reasonably be expected materially and adversely to affect its entry into this agreement;
  - (b) it has the legal right and power to enter into this agreement and to consummate the transactions contemplated under this agreement on and subject to the terms and conditions of this agreement;
  - (c) the execution, delivery and performance of this agreement by it has been duly and validly authorised and this agreement is a valid and binding agreement of it enforceable in accordance with its terms;



- (d) this agreement will not conflict with, or result in a breach of, the terms, conditions or provisions of its constitutional documents or any instrument or agreement to which it is a party or by which it may be bound, or which constitutes (with or without the passage of time, the giving of notice, or both) a default under any such instrument or agreement, or results in the acceleration of any indebtedness or the imposition of any penalty or charge; and
- (e) no further authorisation, consent or approval of any person is required as a condition to the validity of this agreement or to give effect to the transactions contemplated under this agreement.

## 7. COMPLIANCE WITH THIS AGREEMENT AND THE CONSTITUTION

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7.1 **MFG Shareholders:** Each MFG Shareholder undertakes to the other MFG Shareholder that it shall:

- (a) take all practicable steps including, without limitation, the exercise of votes it directly or indirectly controls at meetings of the MFG Board and MFG Shareholder meetings of MFG to ensure that the terms of this agreement are complied with and to procure that the MFG Board and MFG complies with its obligations and that it shall do all such other acts and things as may be necessary or desirable to implement this agreement; and
- (b) comply fully and promptly with the provisions of the MFG Constitution so that each and every provision of the MFG Constitution (subject to clause 10.1) shall be enforceable by the MFG Shareholders as between themselves in whatever capacity.

## 8. DEFAULT IN RELATION TO MFG

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8.1 **Definition:** An Event of Default occurs in respect of an MFG Shareholder (**Defaulting MFG Shareholder**) if, other than as a consequence of a Phaunos Dissolution:

- (a) that MFG Shareholder commits any material breach of or fails to observe any of the material obligations under this agreement and (where such breach or failure is capable of remedy) does not remedy that breach or failure within 20 Business Days of receiving written notice from the Non Defaulting MFG Shareholder specifying the breach or failure and requiring the remedy of the breach or failure;
- (b) that MFG Shareholder ceases or threatens to cease to carry on all or substantially all of its business or operations;
- (c) an order is made, or a resolution is passed, for the dissolution of that MFG Shareholder;
- (d) an encumbrancer takes possession or a liquidator, provisional liquidator, trustee, receiver, receiver and manager, inspector appointed under any companies or securities legislation, or similar official, is appointed in respect of that MFG Shareholder;

- (e) any step is taken to appoint or with a view to appointing a statutory manager (including the making of any recommendation in that regard by the Securities Commission) under the Corporations (Investigation and Management) Act 1989 in respect of that MFG Shareholder, or it is declared at risk pursuant to that Act;
- (f) a distress, attachment or other execution is levied or enforced upon or commenced against any of the material assets of that MFG Shareholder and is not discharged or stayed within 10 Business Days;
- (g) that MFG Shareholder is unable to pay its debts when due, or is deemed unable to pay its debts under any law, or enters into dealings with any of its creditors with a view to avoiding or in expectation of insolvency, or makes a general assignment or an arrangement or composition with or for the benefit of any of its creditors, or stops or threatens to stop payments generally; or
- (h) anything analogous, or having a substantially similar effect, to anything referred to in paragraphs (b) to (g) inclusive occurs in relation to that MFG Shareholder under the laws of a jurisdiction other than New Zealand

**8.2 Event of Default:** If an Event of Default occurs:

- (a) the Defaulting MFG Shareholder will be deemed to have given the other MFG Shareholder (**Non-defaulting MFG Shareholder**) a Sale Notice under clause 3.3 in respect of its entire interest in MFG;
- (b) if the Non-defaulting MFG Shareholder gives the Defaulting MFG Shareholder an Acquisition Notice under clause 3.4:
  - (i) within 20 Business Days of the Non-defaulting MFG Shareholder becoming aware of the Event of the Default; or
  - (ii) if the Event of Default is continuing, while the Event of Default is continuing,

(whichever is the later) and the Acquisition Price specified in that Acquisition Notice is no less than MFG Fair Value less 15%, the Defaulting MFG Shareholder will be deemed to have given an Acceptance Notice under clause 3.5;

- (c) the voting rights of the Defaulting MFG Shareholder will be deemed to have been suspended.

**8.3 Other remedies:** Clause 8.2 is without prejudice to any other right, power or remedy under this agreement, at law, or otherwise, that any MFG Shareholder has in respect of a default by any other MFG Shareholder.

## **9. PHAUNOS DISSOLUTION**

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**9.1 Phaunos Dissolution:** If a Phaunos Dissolution occurs, WFL must use its reasonable endeavours to sell its entire interest in MFG to a third party. For the avoidance of doubt, clauses 3.2 to 3.8 will apply to any sale under this clause 9.

**9.2 Partition plan:** If a sale is not completed within 2 years of the Phaunos Dissolution occurring, WFL and RCL must, within 60 Business Days from the end of the 2 year period, agree on the terms and conditions of a partition plan or an alternative solution.

**9.3 Failure to agree partition plan:**

- (a)** If the Defaulting MFG Shareholder and the Non-Defaulting MFG Shareholder fail to come to an agreement as contemplated in clause 9.2, either may give written notice to the other and to MFG (**Dispute Notice**) referring the matter for determination by a single person who is suitably qualified and experienced expert (**Expert**). If the parties are unable to agree on the person to be appointed as Expert within 5 Business Days after delivery of the Dispute Notice, the Expert will be nominated by the President for the time being of the New Zealand Law Society;
- (b)** The Expert will be appointed to determine a fair and equitable division of the estate between the MFG Shareholders meeting the following criteria:

  - (i)** the proportionate value of the net assets each MFG Shareholder is allocated must approximate, insofar as practicable, that MFG Shareholder's Relevant Proportion;
  - (ii)** the determination may require an MFG Shareholder to make a cash payment to the other to ensure that, when the cash payment is taken into account, the criterion in paragraph (i) is met;
  - (iii)** the determination must require that RCL be allocated all of the Shares (the intention being that the assets of MFG which are to be allocated to WFL will be transferred to WFL or its nominee, and the Shares which WFL holds in MFG will be transferred to RCL or its nominee); and
  - (iv)** the value of the net assets of the Matariki forestry group of companies, and the value of the net assets allocated to each MFG Shareholder, will be determined in accordance with clause 11;and
- (a)** In determining the matter:

  - (i)** the Expert will be deemed to be acting as an expert, not as a mediator or an arbitrator;
  - (ii)** nothing in this clause will constitute a submission to arbitration under the Arbitration Act 1996;
  - (iii)** each party must give the Expert any information and assistance, and will ensure that its duly authorised representatives meet with the Expert, as the Expert may reasonably require in order to expedite the resolution of the Dispute;

- (iv) the parties will be jointly and severally liable to the Expert for all costs incurred by the Expert, but the Expert may allocate, as between the parties, the responsibility for payment of those costs and that allocation will be binding on the parties; and
- (v) any determination of the Expert will, in the absence of obvious error or fraud on the part of the Expert, be final and binding on the parties.

## 10. LIQUIDATION

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- 10.1 Procedure on liquidation:** If pursuant to any provision of this agreement MFG is required to be liquidated, the MFG Shareholders shall without delay take all necessary steps to ensure that a special resolution of shareholders of MFG is passed appointing as liquidator of MFG a person agreed by the MFG Shareholders, or failing agreement, chosen on the application of any MFG Shareholder by the president for the time being of Chartered Accountants Australia and New Zealand or his or her nominee.

## 11. DETERMINING NET ASSET VALUE

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- 11.1 Net Asset Value:** In determining the net asset value of the Matariki forestry group of companies under this agreement, the following provisions will apply:

- (a) the value of the land and forestry assets shall be determined by reference to the most recent forestry valuation and land valuation carried out by the independent forestry valuer and the independent land valuer appointed to Matariki (**Independent Valuer**) in relation to the Matariki forestry group of companies, unless an MFG Shareholder or the Expert requires that the forestry valuation and land valuation be updated, in which case:
  - (i) the parties will ensure that the Independent Valuer will prepare, at the cost of MFG, an updated forestry valuation and land valuation as soon as reasonably practicable;
  - (ii) the value of the land and forestry assets shall be determined by reference to the updated forestry valuation and land valuation provided by the Independent Valuer;
  - (iii) the MFG Shareholders shall promptly and openly make available to the Independent Valuer all information in their possession or under their control relating to MFG to enable the Independent Valuer to proceed with the preparation of the updated forestry valuation and land valuation;
  - (iv) the parties shall adhere to such adjustments to the time frames set out in clause 8 or 9 (as the case may be) as may be appropriate to reflect the time taken to prepare the updated forestry valuation and land valuation;
  - (v) the determination of the Independent Valuer will, in the absence of obvious error or fraud on the part of the Independent Valuer, be final and binding; and

- (b) the other assets and liabilities will be valued at fair market value, consistent with MFG's IFRS financial statements.

## 12 GENERAL

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- 12.1 Conflicting provisions:** If there is any conflict or inconsistency between the provisions of this agreement and the MFG Constitution or the MF Constitution, as the case may be, this agreement shall prevail.
- 12.2 Termination:** This agreement may be terminated upon the written agreement of all parties.
- 12.3 Payments free and clear:** All amounts payable by one party to another pursuant to this agreement shall be paid free and clear of and, except to the extent required by law, without any deduction or withholding on account of any tax. If any party is required by law to make any deduction or withholding from any amount it is required to pay pursuant to this agreement, then that party shall increase the relevant payment to ensure that the recipient receives a net amount equal to the amount it would have received had no such deduction or withholding been made.
- 12.4 Confidentiality:** Each party shall at all times keep confidential, treat as privileged, and not directly or indirectly make any disclosure or use, or allow any disclosure or use to be made, of any provision of this agreement or of any information relating to any provision, or the subject matter, of this agreement, or any information directly or indirectly obtained from another party under or in connection with this agreement, except to the extent:
- (a) required by law;
  - (b) to satisfy the reporting requirements of any related company or other member of its group;
  - (c) necessary to satisfy the requirements of any applicable stock exchange;
  - (d) necessary to obtain the benefit of, or to carry out obligations under, this agreement;
  - (e) that the information is or becomes available in the public domain without breach by a party of its confidentiality obligations under this clause or at law;
  - (f) that disclosure is made to a subsidiary of the relevant party, or to a director, officer, employee, adviser or financier of the party or a subsidiary of the party, and that person has been informed of the party's confidentiality obligations under this agreement; or
  - (g) that disclosure is made to a proposed third party purchaser of MFG Shares or the Matariki Estate, which has entered into an appropriate confidentiality agreement to the satisfaction of MFG.

- 12.5** **Announcements:** If a party (**Disclosing Party**) is required by law or by the rules of any applicable stock exchange or regulatory authority to make any announcement or disclosure relating to any matter the subject of this Agreement, prior to making such announcement or disclosure, to the extent permitted by such law or rules, the Disclosing Party shall give the other parties (**Non Disclosing Parties**) at least 5 Business Days' notice and shall consult with the Non Disclosing Parties regarding the form and content of the announcement or disclosure.
- 12.6** **Liability:** For the avoidance of doubt, the liability of each party to this agreement to any other party is limited (save as required by law) to the extent expressly provided for in this agreement.
- 12.7** **Variation:** No variation of this agreement shall be valid unless it is in writing and signed by or on behalf of each of the parties hereto, except that the MFG Shareholders may, if both of the MFG Shareholders agree, amend the provisions of schedule two, provided that such amendment does not impose an obligation on any party save for MFG, an MFG Shareholder or the MFG Board. If schedule two is amended pursuant to this clause, the amendment shall be deemed effective upon MFG delivering the amended schedule to all parties to this agreement.
- 12.8** **No waiver:** The failure to exercise or delay in exercising a right or remedy under this agreement shall not constitute a waiver of the right or remedy or a waiver of any other rights or remedies and no single or partial exercise of any right or remedy under this agreement shall prevent any further exercise of the right or remedy or the exercise of any other right or remedy.
- 12.9** **Rights and remedies cumulative:** The rights and remedies contained in this agreement are cumulative and not exclusive of any rights or remedies provided by law.
- 12.10** **Assignment:** No party shall assign or transfer or purport to assign or transfer any of its rights or obligations under this agreement, except as expressly permitted herein.
- 12.11** **Full agreement:** This agreement contains a final and complete integration of all prior expressions by the parties with respect to the subject matter of this agreement and constitutes the entire agreement between the parties with respect to the subject matter of this agreement, superseding all prior oral or written understandings.
- 12.12** **Further assurances:** The parties shall each execute and deliver such further and other documents and instruments and do such further and other things as may be necessary to implement and carry out the intent of this agreement.
- 12.13** **Counterparts:** This agreement may be executed in any number of counterparts each of which when executed and delivered (including by way of facsimile) shall be an original, but all the counterparts together shall constitute one and the same instrument.

**12.14** **Notices:** Each notice, agreement and other communication (each a communication) to be given, delivered or made under this agreement is to be in writing but may be sent by personal delivery, post (by airmail if to another country), facsimile or email. Each communication is to be sent to the address of the relevant party set out below or to any other address from time to time designated for that purpose by at least five working days' prior notice to the other parties. The initial address details of the parties are set out in schedule three.

**12.15** **Service:** A communication under this agreement will only be effective:

- (a) in the case of personal delivery, when delivered;
- (b) if posted locally or delivered to a document exchange, 3 Business Days in the place of receipt, after posting or delivery;
- (c) if posted or delivered overseas, 10 Business Days in the place of receipt, after posting by airmail;
- (d) if made by facsimile, upon production of a transmission report by the machine from which the facsimile was sent which indicates that the correct number of pages was sent to the facsimile number of the recipient designated for the purpose of this agreement; or
- (e) if made by email, upon the recipient acknowledging receipt (whether by way of an automated message or otherwise),

provided that any communication received or deemed received after 5pm or on a day which is not a Business Day in the place to which it is delivered, posted or sent shall be deemed not to have been received until the next Business Day in that place.

**12.16** **Governing law:** This agreement shall be governed by and construed and interpreted in accordance with the laws of New Zealand and each party submits to the exclusive jurisdiction of the courts of New Zealand. Each party irrevocably waives any objection which it might at any time have to the courts of New Zealand being nominated as the forum to hear and determine any proceedings and to settle any disputes and agrees not to claim that the courts of New Zealand are not a convenient or appropriate forum.

**SCHEDULE ONE  
SHAREHOLDER DETAILS 1**

**PART A**

**MFG**

<b>MFG Shareholders</b>	<b>Percentage of MFG Shares</b>
RCL (for MFG Shares and MFG Redeemable Shares)	76.99%
WFL (for MFG Shares and MFG Redeemable Shares)	23.01%

**PART B**

**MF**

<b>MF Shareholder</b>	<b>Percentage MF Shares</b>
MFG	100%

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' Note this schedule is to be updated in accordance with clause 5.5.

**SCHEDULE TWO**

**GOVERNANCE OF MFG AND ITS SUBSIDIARIES**

**1. INTERPRETATION**

**1.1 Definitions:** For the purpose of this schedule:

**Appointing Party** means the party that appointed a director:

(a) in relation to a Director, the party that appointed that Director in accordance with clause 2.1(a) of this schedule; and



(b) in relation to an Alternate Director, the party that appointed that Alternate Director in accordance with clause 2.1(b) of this schedule;

**Board** means the board of directors of MFG, MF, MFT or any other Direct Subsidiary of MFG or MF, as the case may be;

**Company** means MFG, MF, MFT or any other Direct or indirect Subsidiary of MFG of MF, as the case may be;

**Constitution** means the constitution of the Company from time to time;

**Direct Subsidiary** means a subsidiary within the meaning of section 5(1)(a) of the Companies Act.

**Director** means a director of MFG, MF, MFT or any other subsidiary of MFG or MF, as the case may be;

**MFT** means Matariki Forests Trading Limited, a wholly owned subsidiary of MF;

**Shares** means an ordinary share in MFG or any other subsidiary of MFG, as the case may be; and

**Shareholder** means a shareholder of MFG, MF or any other subsidiary of MFG, as the case may be.

## 2. COMPOSITION AND PROCEEDINGS OF THE BOARD

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2.1 **Number of directors:** The directors of the Company shall be appointed as follows:

(a) each MFG Shareholder will have the power to appoint two directors; and

(b) each MFG Shareholder may from time to time appoint by ordinary resolution, or by notice in writing to the Company, any person not already a director to act as an alternate director

- 2.2 **Board resolutions:** Except as provided in this agreement, resolutions of the Board shall be deemed to be passed if approved by a majority of the votes of Directors voting thereon.
- 2.3 **Quorum:** A quorum of any meeting of the Board must include at least one Director appointed by each MFG Shareholder.
- 2.4 **Adjournment:** If within 30 minutes after the time appointed for a meeting of the Board a quorum is not present the meeting is adjourned for 14 days to the same time and place unless otherwise agreed by all Directors. At least seven days' notice of the adjourned meeting must be given, and the notice must include a statement that it is given pursuant to this clause. If at the adjourned meeting a quorum is not present within 30 minutes after the time appointed for the meeting the Director or Directors present are a quorum.
- 2.5 **Directors' voting rights:** At a meeting of the Board, the Directors appointed by an MFG Shareholder (including their alternates) shall together be entitled to exercise a percentage of the votes which may be cast at that meeting equal to the percentage of the Shares held by the MFG Shareholder who appointed them.
- 2.6 **Interested Directors:** Except as provided in this agreement including in clause 4.1 below, a Director who is Interested (as defined in the Companies Act) in a transaction entered into or to be entered into by the Company may vote on any matter related to the transaction, and shall be included in the quorum of Directors considering the transaction.
- 2.7 **Regularity of Board Meetings:** Meetings of the Directors shall be held at regular intervals as shall be determined by the Board but not less frequently than half yearly, but subject to this clause 2.7 the Board may from time to time determine the schedule of such meetings.
- 2.8 **Telephone or video meetings:** Meetings of the Board may be held with one or more Directors participating by telephone or video conference.
- 2.9 **Responsibility for management:** The Board shall be responsible for the overall guidance and direction of the Company. When exercising powers or performing duties, each Director may act in what the director believes is in the best interests of his/her appointing Shareholder, even though it may not be in the best interests of the Company.
- 2.10 **Indemnity on removal of Director:** Any MFG Shareholder removing a director shall be responsible for and agrees with the Company and the other MFG Shareholder to indemnify the other Shareholder and the Company against all losses, liabilities and costs which the other Shareholder or the Company may incur arising out of, or in connection with, any claim by the director for wrongful or unfair dismissal or redundancy or other compensation arising out of the director's removal or loss of office.

**Matters requiring supermajority consent:** Subject to clause 2.12 and 2.13 of this schedule) any decision relating to any of the following matters of the Company shall require the consent of a supermajority of the Board, being 80% of the votes to be cast by the Board:

- (a) the issue by the Company of any debenture or loan stock (whether secured or unsecured) or the creation of any mortgage, security interest, charge, lien, encumbrance or other third party right over any of the Company's assets or the giving by the Company of any guarantee or indemnity to or becoming surety for any third party;
- (b) any change in the capital structure of the Company, issue, buyback, cancellation, division, subdivision or consolidation of Shares, the redemption of any MFG Redeemable Shares, the change to the rights attaching to such Shares or MFG Redeemable Shares, the creation of any options to subscribe for or acquire Shares or the creation of any new Class of Shares;
- (c) any change to the distribution policy set out in the agreement or any other distribution of the Company's assets;
- (d) pursuit or settlement by the Company of any litigation with a potential value in excess of \$5 million;
- (e) approval or amendment of annual operating plans or budgets or any activity outside the scope of the annual operating plan or budget of the Company (and, for the avoidance of any doubt, the "management plan" and the "budget" referred to in the Management Agreement, dated on or about the date of this agreement, shall be included for the purposes of this clause);
- (f) any change in the nature of the Company's business;
- (g) the making of any loan by the Company or the creation, amendment to, renewal or extension of any borrowings by the Company (other than normal trade credit);
- (h) the acquisition or construction or lease of items of tangible or intangible property other than in accordance with the approved annual operating plans or budgets;
- (i) any transaction by the Company with any Shareholder or with any related company of a Shareholder;
- (j) the assignment, sale or other disposal in any 12 month period of any asset or related group of assets (other than stumps and logs) of the Company having a net book value in aggregate of \$5,000,000 or more, other than in accordance with the approved annual operating plans or budgets;
- (k) any change in the accounting policies or the Company's auditors, bankers, accounting reference date or bank mandates;

- (l) the granting or entering into any licence, agreement or arrangement concerning any part of the name of the Company or any of its intellectual property rights;
- (m) the making, granting or allowing of any claim, disclaimer, surrender, election or consent for taxation purposes;
- (n) appointing any committee of the board or delegating any of the powers of the board to any committee;
- (o) entry into any contract other than on arms-length terms;
- (p) any change in the external forest certification for Matariki Forests (being the Forestry Stewardship Council); and
- (q) any change to the independent forestry valuer appointed to Matariki from the current valuer (being Indufor Asia Pacific Limited).

2.12

**Proceedings if Company is in financial distress:** If an "Event of Default" or "Event of Review" (however defined) occurs under any debt facility agreement, for which the indebtedness owed ranks in priority to the debt owed under the Investor Loan Facility, the Board shall be entitled to resolve, by a supermajority of the Board, being 80% of the votes to be cast by the Board, to raise equity (on a pro-rata basis) amongst existing Shareholders and Classes of shares already on issue, and/or to incur further debt on behalf of the Company.

2.13

**Shareholder approval:** The following matters (which for the avoidance of doubt exclude any issue of securities) must be approved by the Shareholder(s) following approval by a supermajority of the Board, being 80% of the votes to be cast by the Board:

- (a) the acquisition of, or an agreement to acquire, whether contingent or not, assets the value of which is more than 20% of the value of the Company's assets before the acquisition; or
- (b) the disposition of, or an agreement to dispose of, whether contingent or not, assets the value of which is more than 20% of the value of the Company's assets before the disposition; or
- (c) a transaction that has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities, including contingent liabilities, the value of which is more than 20% of the value of the Company's assets before the transaction; or
- (d) any alteration to, or revocation of, the constitution; or
- (e) any arrangement for any joint venture or partnership; or
- (f) the merger, amalgamation, liquidation or winding up of the Company; or

(g) any acquisition by the Company of any part of the issued share capital or of the assets and undertaking of another company or entity; or

(h) an application for quotation of any shares or other securities of the Company on any securities exchange.

2.14 **D&O Insurance:** The MFG Shareholders will procure that MFG will effect insurance for the directors of the Company, in respect of:

(a) liability, not being criminal liability, for any act or omission by him or her in such capacity;

(b) costs incurred by him or her in defending or settling any claim or proceeding relating to any such liability; or

(c) costs incurred by him or her in defending any criminal proceedings that have been brought against the director in relation to any act or omission in his or her capacity as a director and in which he or she is acquitted.

### 3. DISTRIBUTIONS

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3.1 **Profits to be distributed:** The full amount of the Company's net cash profits available for distribution (within the meaning of section 2 of the Companies Act) in respect of each financial year during the term of this agreement after the provision of working capital and making such transfers to reserves and provisions as in the opinion of the Board ought reasonably to be made, shall be distributed by the Company to the Shareholders by way of distributions on not less than an annual basis, or as and when the Board determines fit (unless the parties agree otherwise).

### 4. ENFORCEMENT OF COMPANY'S RIGHTS

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4.1 **Actions against Shareholders:** Any right of action which the Company may have in respect of breach or alleged breach of any agreement between the Company and a Shareholder or related company of a Shareholder shall be prosecuted by the Directors of the Company appointed by the Appointing Party representing the Shareholder which is not, or whose related company is not, responsible for the breach. Those Directors shall have full authority on behalf of the Company to negotiate, litigate and settle any claim arising out of the breach or exercise any right of termination arising out of the breach and the Shareholders shall take all steps within their power to give effect to the provisions of this clause.

### 5. RECORDS AND FINANCIAL INFORMATION

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5.1 **Financial year:** Each financial year of the Company shall end on 31 December unless otherwise determined by the Board.

5.2 **Books and records:** The Board shall procure the Company to maintain accurate and complete books, records, accounts, statements and documents of the operation business and financial affairs of the Company, all of which shall be available to the Board for the purpose of inspection and making copies and taking extracts.

5.3 **Financial statements:** The Shareholders shall procure that the Board will prepare and deliver to each of the Shareholders financial statements in respect of the Company consisting of a balance sheet, statement of cash flows and statement of profit and loss, together with such other statements as are advisable, prepared in accordance with international financial reporting standards, as follows:

- (a) unaudited monthly financial statements (which shall include a detailed balance sheet, a detailed statements of profit and loss, and cashflow statements, with comparison to budget and forecast) shall be prepared and delivered to each of the Shareholders within 15 days after the end of each month; and
- (b) audited annual financial statements, accompanied by the report of the auditors thereon, shall be prepared and delivered to each of the Shareholders within three months after the end of each financial year of the Company,

provided that all or any of the above requirements may, to the extent permitted by applicable law, be waived by unanimous resolution of the Board.

5.4 **Additional financial information:** The Shareholders shall procure that the Company will prepare and deliver to each of the Shareholders such further or other reports and statements concerning the operation, business and financial affairs of the Company as the Board may from time to time consider necessary or advisable, it being the intent of the Shareholders that each of them shall be kept fully and regularly informed regarding the Company.

**SCHEDULE THREE**

**ADDRESS DETAILS OF THE PARTIES**

**RAYONIER CANTERBURY LLC**

**Physical Address:** 225 Water Street  
Suite 1400  
Jacksonville, FL 32202  
USA

**Attention:** David Nunes

**Email:** david.nunes@rayonier.com

**WAIMARIE FORESTS PTY LIMITED**

**Physical Address:** c/- Grant Thornton  
Level 17, 383 Kent Street  
Sydney, NSW 2000  
Australia

**Attention:** L Corder

**Email:** lcorder@grantthornton.com.au

**With a copy to:** Theo de Jager  
Floor 4, 24 Old Bond Street  
London  
W1S4AW

**Email:** theodejager@staffordcp.com

**PHAUNOS TIMBER FUND LIMITED**

**Physical Address:** LEGIS Orangefield  
11 New Street,  
Saint Peter Port,  
Guernsey GY1 2BT

**Attention:** Lisa Garnham

**With a copy to:** Theo de Jager  
Floor 4, 24 Old Bond Street  
London  
W1S4AW

**Email:** theodejager@staffordcp.com

## INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT (the "Agreement") is entered into, effective as of April \_\_\_\_, 2019 between Rayonier Inc., a North Carolina corporation (the "Company"), and \_\_\_\_\_ (the "Indemnitee").

WHEREAS, it is essential that the Company attract and maintain responsible, qualified directors and corporate officers; and

WHEREAS, the Indemnitee is a director or corporate officer of the Company; and

WHEREAS, both the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and corporate officers of public companies in today's environment, as well as the possibility that in certain control situations a threat of litigation may be employed to deter them from exercising their best judgment in the interest of the Company, and the consequent need to allocate the risk of personal liability through indemnification and insurance; and

WHEREAS, the Amended and Restated Articles of Incorporation of the Company (the "Charter") requires the Company to indemnify and advance expenses to its directors and officers to the fullest extent permitted from time to time by law and the Indemnitee is willing to serve or continue to serve as a director or corporate officer of the Company provided that he be indemnified as provided herein; and

WHEREAS, in recognition of the Indemnitee's need for substantial protection against personal liability and of the Indemnitee's reliance on the Charter, and in part to provide Indemnitee with specific contractual assurance that the protection promised by the Charter will be available to the Indemnitee (regardless of, among other things, any amendment to or revocation of the Charter or any change in the composition of the Company's Board of Directors or any acquisition transaction involving the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancement of expenses to the Indemnitee to the fullest extent permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors and officers liability insurance policies.

NOW, THEREFORE, in consideration of the premises and of the Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto do hereby covenant and agree as follows:

### 1. Certain Definitions.

**(a) Change in Control:** Shall mean 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 Securities Exchange Act of 1934 (the "Act") disclosing that any person, other than the Company or any employee benefit plan sponsored by the Company, is the beneficial owner (as the term is defined in Rule 13d-3 under the Act) directly or indirectly, of securities representing 20 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 20 percent or more of the total voting power represented by the Company's then outstanding Voting Securities (all as calculated under clause (i)); or



(iii) the 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.

(b) **Expenses:** Shall mean expenses of every kind incurred in connection with a Proceeding, including counsel fees. Expenses shall include, without limitation, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone and fax charges, postage, delivery service charges, costs associated with procurement of surety bonds or loans or other costs associated with the stay of a judgment, penalty or fine, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

(c) **Independent Counsel:** Shall mean a lawyer or law firm that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or the Indemnitee in any matter, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine Indemnitee’s rights under this Agreement. Independent Counsel may be, but need not be, a member of the bar of North Carolina.

(d) **Proceeding:** Shall mean any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal. A “Proceeding” may be instituted by another party, or by or in the right of the Company, or by the Indemnitee. The term “Proceeding” shall also include any

preliminary inquiry or investigation that the Indemnitee in good faith believes might lead to the institution of a "Proceeding".

(e) **Reviewing Party:** Shall mean any appropriate person or body consisting of (i) a member or members of the Company's Board of Directors or (ii) any other person or body duly appointed by the Board who is not a party to the particular Proceeding for which the Indemnitee is seeking indemnification, or (iii) Independent Counsel.

(f) **Voting Securities:** Shall mean any securities of the Company which vote generally in the election of directors.

2. **Term of Agreement.** This Agreement shall continue until and terminate upon the later of (i) the tenth anniversary after the date that the Indemnitee shall have ceased to serve as a director or officer of the Company (or in any other capacity in respect of which he has rights of indemnification hereunder); or (ii) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder, including any Proceeding commenced by the Indemnitee to enforce the Indemnitee's rights under this Agreement.

### 3. Right to Indemnification and Advance; How Determined.

(a) In the event the Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Proceeding by reason of (or arising in whole or in part out of) Indemnitee's present or former status as a director, officer or fiduciary of the Company, or Indemnitee having served or serving at the request of the Company as a current or former director, officer, employee, trustee, agent or fiduciary of another corporation, joint venture, employee benefit plan, trust, organization or other enterprise, the Company shall indemnify the Indemnitee to the fullest extent permitted by law in effect on the date hereof (and to such greater extent as applicable law may hereafter permit) against the obligation to pay any and all Expenses, judgments, settlements, penalties, or fines (including any interest assessed, and including any excise tax assessed with respect to an employee benefit plan) incurred on account of or with respect to such Proceeding. Such indemnification shall be made as soon as practicable, but in any event no later than sixty days after written demand is presented to the Secretary of the Company. This Agreement shall be effective as well with respect to any such Proceedings which relate to acts or omissions occurring or allegedly occurring prior to the execution of this Agreement, and regardless of whether the Company may have been incorporated in a different jurisdiction at the time of such acts or omissions.

(b) In connection with any such Proceeding, if so requested by the Indemnitee, the Company shall advance, within two business days of such request, any and all reasonable Expenses to the Indemnitee (an "Expense Advance"). An Expense Advance shall be made without awaiting the results of the Proceeding giving rise to the Expenses or the outcome of any further Proceeding to determine the Indemnitee's right to indemnification hereunder, and without making any preliminary determination as to the Indemnitee's state of mind at the time of the activities in question.

(c) Notwithstanding the foregoing, the Company shall not be obligated to indemnify under this Section 3 a person made a party to a Proceeding if (i) the Indemnitee is not successful within the meaning of Section 6 and (ii) the appropriate Reviewing Party specified in subsection (e) below shall have affirmatively determined (in a written opinion in any case in which Independent Counsel referred to in Section 4 hereof is involved, a copy of which shall be delivered to the Indemnitee) that the Indemnitee's activities in question were at the time taken known or believed by him to be clearly in conflict with the best interests of the Company. The obligation of the Company promptly to make an Expense Advance(s) pursuant to subsection (b) above is unqualified, is not subject to any means or other credit test, and shall be enforceable by the Indemnitee in summary judicial proceedings; but shall be subject, however, to the condition subsequent that if, when and to the extent the Reviewing Party may subsequently determine that the Indemnitee's activities were at the time taken known or believed by him to be clearly in conflict with the best interests of the Company, then the Company shall be entitled to be reimbursed by the Indemnitee for all such amounts theretofore advanced. The obligation of the Indemnitee to make such reimbursement shall be unsecured and without interest. The Indemnitee hereby undertakes so to reimburse the Company, the receipt of which unsecured and interest free undertaking is hereby accepted by the Company as the sole condition of advancing the Indemnitee's Expenses pursuant to subsection (b) above. If the Indemnitee has commenced legal or arbitration proceedings to secure a determination that the Indemnitee should be indemnified hereunder, the Indemnitee shall not be required to reimburse the Company for any Expense

Advance until a final determination is made by the court or the arbitrators as the case may be that the Indemnitee's activities were at the time taken known or believed by him to be clearly in conflict with the best interests of the Company.

(d) Notwithstanding anything in this Agreement to the contrary, prior to a Change in Control, the Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Proceeding initiated by the Indemnitee unless the Board of Directors has authorized or consented to the initiation of such Proceeding. For purposes of the foregoing sentence, a Proceeding shall not be deemed to have been "initiated" by the Indemnitee where its primary purpose is to enforce the Indemnitee's rights under this Agreement.

(e) If there has not been a Change in Control, the Reviewing Party shall be as determined by the Board of Directors, either in the specific case or under procedures adopted by the Board. If there has been a Change in Control (other than one approved in advance by a majority of the company's Board of Directors who were elected by the public shareholders prior to such Change in Control), the Reviewing Party shall be the Independent Counsel referred to in Section 4.

(f) If there has been a Change in Control and any dispute arises under this Agreement, the parties agree that at the Indemnitee's option such dispute shall be resolved by binding arbitration proceedings in accordance with the rules of the American Arbitration Association and the results of such proceedings shall be conclusive on both parties and shall not be subject to judicial interference or review on any ground whatsoever, including without limitation any claim that the Company was wrongfully induced to enter into this agreement to arbitrate such a dispute. The Company shall pay the cost of any arbitration proceedings under this Agreement. The Indemnitee shall be entitled to advancement of his Expenses in connection with such proceedings and, notwithstanding anything to the contrary in subsection (c) above, the Indemnitee shall be obligated to reimburse the Company for his Expenses in connection with such arbitration proceedings only if it is finally and specifically determined by the arbitrators that the Indemnitee's position in initiating the arbitration was frivolous and completely without merit.

#### **4. Independent Counsel.**

(a) The Company agrees that if there is a Change in Control of the Company (other than a Change of Control which has been approved in advance by a majority of the Company's Board of Directors who were elected by the public shareholders prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of the Indemnitee to indemnity payments and Expense Advances under the Charter, this Agreement or any other agreement or Company by-law now or hereafter in effect relating to indemnification, the Company shall (unless otherwise agreed by the Indemnitee) seek legal advice exclusively from Independent Counsel selected by the Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and to the Indemnitee as to whether the Indemnitee is entitled to be indemnified under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel and fully to indemnify such counsel against any and all expenses (including attorney's fees), claims, liabilities and damages arising out of or relating to this Agreement or such counsel's engagement pursuant hereto.

(b) Following the initial selection of Independent Counsel by the Indemnitee the Company may within seven (7) days deliver to the Indemnitee a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel selected does not satisfy the definition of Independent Counsel in subsection 1(c) and the objection shall set forth with particularity the factual basis for such assertion. Absent a proper and timely objection, the person, persons or firm selected shall act as Independent Counsel. If such written objection is made, the Indemnitee may select alternate Independent Counsel. If the Company objects to the alternate selection the Indemnitee may either seek a judicial determination that such objections were inappropriate or else the Indemnitee may direct that the Company select Independent Counsel by lot from among the North Carolina firms having more than 25 attorneys and having a rating of "av" or better in the then current Martindale-Hubbell Law Directory. Such selection by lot shall be made by the principal financial officer of the Company in the presence of the Indemnitee (and the Indemnitee's legal counsel, or either or neither of them as the Indemnitee may elect). Such law firms shall be contacted in the order of their selection, requesting each firm to accept engagement to make the determination required, until one of such firms accepts such engagement. Notwithstanding the foregoing, in lieu of selection of alternate Independent Counsel after the Company has objected to the Indemnitee's first or second selection, the Indemnitee may

request and direct that the Independent Counsel method be dispensed with and that any dispute be decided by arbitration as provided in subsection 3(f).

(c) Considering that a fundamental purpose of this Agreement is to provide for and ensure the timely advance of an Indemnitee's Expenses in any event, if there is a Change of Control and the Indemnitee must commence arbitration proceedings to secure an advance of his Expenses, the arbitrators shall have discretion to award punitive damages to the Indemnitee if it is found that the Company's failure to advance the Indemnitee's expenses makes such an award appropriate in the circumstances.

**5. Indemnification for Enforcement Expenses.** The Company shall indemnify the Indemnitee against any and all Expenses (including attorneys' fees) and, if requested by the Indemnitee, shall (within two business days of such request) advance such expenses to the Indemnitee, which are incurred by the Indemnitee in connection with any Proceeding initiated by the Indemnitee for: (i) indemnification or advancement of Expenses by the Company under the North Carolina Business Corporation Act (the "NCBCA"), the Charter, this Agreement, or any other agreement or Company by-law, vote of shareholders or resolution of the Board now or hereafter in effect relating to indemnification; or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company. The Indemnitee shall cooperate with the person, persons or entity making the determination with respect to the Indemnitee's entitlement to indemnification under this Agreement. Any expenses incurred by the Indemnitee in so cooperating shall be borne by the Company (irrespective of the determination as to the Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold the Indemnitee harmless therefrom.

**6. Success; Partial Indemnity, etc.** Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee has been successful on the merits or otherwise in defense of any or all claims made against him in a Proceeding or in defense of any issue or matter therein, including dismissal without prejudice, the Indemnitee shall be indemnified against all Expenses incurred in connection therewith. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, settlements, penalties or fines paid as a result of a Proceeding but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled.

**7. Burden of Proof.** In connection with any determination by the Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the person or persons or entity or body making such determination shall presume that the Indemnitee is entitled to indemnification under this Agreement and the burden of overcoming such presumption by clear and convincing evidence shall be on the Company. The termination of any claim, action, suit or proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere*, or its equivalent, shall not create a presumption that the Indemnitee's activities were at the time taken known or believed by him to be clearly in conflict with the best interests of the Company, or that a court has determined that indemnification is not permitted. In addition, neither the failure of the Reviewing Party to have made a determination as to the Indemnitee's state of mind, nor an actual determination by the Reviewing Party that the Indemnitee had a state of mind prior to the commencement of arbitration (if applicable) or legal proceedings to secure a determination that the Indemnitee should be indemnified under this agreement and applicable law, shall be a defense to the Indemnitee's claim or create a presumption of any kind. The knowledge and/or actions, or failure to act, of any director, officer, agent, fiduciary or employee of the Company shall not be imputed to the Indemnitee for purposes of determining the right to indemnification under this Agreement.

**8. Nonexclusivity, Etc.** The rights of the Indemnitee hereunder shall be in addition to any other rights the Indemnitee may have under the Charter, the North Carolina Business Corporation Act (the "NCBCA"), any by-law of the Company, any other agreement, a vote of shareholders or a resolution of the Board of Directors or otherwise. To the extent that a change in the NCBCA (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Charter and this Agreement, it is the intent of the parties that the Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

**9. Contribution.** In the event the indemnification provided for in Section 3 of this Agreement is unavailable to the Indemnitee in connection with any Proceeding under any Federal law, the Company, in lieu of indemnifying the Indemnitee, shall contribute to the Expenses incurred by the Indemnitee in such proportion as deemed fair and reasonable

by the Reviewing Party, in light of all the circumstances of the Proceeding giving rise to such Expenses, in order to reflect (i) the relative benefits received by the Company and the Indemnitee as a result of the event(s) and/or transaction(s) giving rise to such Proceeding, and (ii) the relative fault of each.

10. **Liability Insurance.** To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, the Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

11. **Period of Limitations.** No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against the Indemnitee, the Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

12. **Procedures Valid.** The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Agreement that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. If a determination is made that the Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration.

13. **Amendments, Etc.** No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

14. **Subrogation.** In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute an appropriate document in favor of the Company to secure such rights.

15. **No Duplication of Payments.** The Company shall not be liable under this Agreement to make any payment in connection with any Proceeding to the extent the Indemnitee has otherwise actually received payment (under any insurance policy, the Charter, Company by-laws or otherwise) of the amounts otherwise indemnifiable hereunder.

16. **Binding Effect, Etc.** This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns (including any direct or indirect successor by purchase, merger or consolidation or otherwise to all or substantially all of the business and/or assets of the Company), spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director or corporate officer of the Company or of any other entity at the Company's request. In the event of his demise, this agreement shall be enforceable by the Indemnitee's legal representatives as fully as if the Indemnitee had survived.

17. **Severability; Headings; Pronouns.** The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law. The headings of the Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof. The masculine pronoun wherever used in this Agreement includes the corresponding feminine pronoun.

18. **Notice of Proceedings; Notices.** The Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to

any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) upon delivery if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) on the third business day after mailing if mailed by certified or registered mail with postage prepaid, and addressed as follows: If to the Indemnitee, as shown after the Indemnitee's signature below; and if to the Company, to Corporate Secretary, Rayonier Inc., 1 Rayonier Way, Wildlight, Florida 32097 or such other address as may have been furnished in writing to the Indemnitee by the Company or to the Company by the Indemnitee, as the case may be.

19. **Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of North Carolina applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

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

“Company”  
RAYONIER INC.

By: \_\_\_\_\_  
Mark R. Bridwell  
Vice President, General Counsel and  
Corporate Secretary

“Indemnitee”

By: \_\_\_\_\_  
Name  
Title

**Rayonier**  
**2019 Performance Share Award Program**

The number of shares to which a participant could become entitled under the 2019 Performance Share Award Program (the “Program”) can range from 0% to a maximum of 200% of the Target Award depending on Rayonier’s total shareholder return (“TSR”) performance for the Performance Period of April 1, 2019 through March 31, 2022, as compared to the TSR performance of the designated peer group companies for the same period. There will be no payout if results fall below the 30<sup>th</sup> percentile performance threshold.

- TSR is defined as stock price appreciation plus the reinvestment of dividends on the ex-dividend date. For purposes of performance measurement, TSR shall be the final reported figure as may be adjusted by the Committee for unusual, special or non-recurring items to avoid distortion in the operation of the Program.
- TSR over the performance period will be calculated by measuring the value of a hypothetical \$100 investment in Rayonier shares as compared to an equal investment in each of the peer group companies.
- TSR calculations of stock price appreciation will be the average of the closing prices of Rayonier common shares and that of each of the peer group companies for the first 20 trading dates and last 20 trading dates of the Performance Period.

The final number of shares in an Award will be determined as follows:

- The TSR performance of Rayonier and the peer group companies will be calculated and Rayonier’s relative performance, on a percentile basis, is determined.
- The payout percentage of Target Award based on Rayonier’s percentile TSR performance against the peer group companies will be calculated per the following table:

<b>Percentile Rank</b>	<b>Award (Expressed As Percent of Target Award)</b>
80 <sup>th</sup> and Above	200%
51 <sup>st</sup> –79 <sup>th</sup>	100%, plus 3.33% for each incremental percentile position over the 50 <sup>th</sup> percentile
50 <sup>th</sup>	100%
31 <sup>st</sup> – 49 <sup>th</sup>	30%, plus 3.5% for each incremental percentile position over the 30 <sup>th</sup> percentile
30 <sup>th</sup>	30%
Below 30 <sup>th</sup>	0%

- The payout percentage may not exceed 100% of the Target Award if Rayonier’s TSR for the Performance Period is negative.
- Payment, if any, is to be made in Rayonier Common Shares, and may be offset, to the extent allowed under applicable regulations, by the number of shares equal in value to the amount needed to cover associated tax liabilities.
- Dividend equivalents and interest will be paid in cash on the number of Rayonier Common Shares earned under the Program. Dividends will be calculated by taking the dividends paid on one share of Rayonier Common Stock during the performance period times the number of shares awarded at the end of the period. Interest on such dividends will be earned at a rate equal to the prime rate as reported in the Wall Street Journal, adjusted and compounded annually, from the date such cash dividends were paid by the Company.
- Awards will be valued on April 14 following the end of the performance period. If April 14 is a non-trading day, then the next trading following April 14 will be used. Awards, including dividends and interest, will be distributed to participants as soon as practicable following the valuation date.
- In cases of termination of participant’s employment due to Retirement, Death, or Total Disability, in accordance with Plan provisions, outstanding Performance Shares will remain outstanding and will vest subject to the terms and conditions of the Award Agreement and this Performance Share Award Program document. Any Performance Shares earned based on performance during the full performance period will be prorated based on the portion of the performance period during which the participant was employed by the Company, with payment of any such earned Performance Shares to occur at the time that the Awards are paid to employees generally.
- Notwithstanding any other provision in this Plan to the contrary, any award or shares issued thereunder and any amount received with respect to the sale of any such Award or shares, shall be subject to potential cancellation, recoupment, rescission, payback, or other action in accordance with the terms of the Company’s Clawback Policy as in effect from time to time (the “Clawback Policy”).

## 2019 Performance Share Award Program – Peer Group

April 1, 2019 – March 31, 2022

The peer group consists of timber companies and the companies comprising the real estate segment of the S&P 400 Midcap Index. In order to place more weighting on those companies considered to be our closest competitors, each timber company will be counted in the percentile calculation eight times whereas each real estate company will be counted only once.

- Catchmark Timber Trust (8x)
- PotlatchDeltic Corporation (8x)
- Pope Resources (8x)
- Weyerhaeuser (8x)
- Jones Lang LaSalle Incorporated (1x)
- CoreSite Realty Corporation (1x)
- First Industrial Realty Trust Inc. (1x)
- Cousins Properties Incorporated (1x)
- CyrusOne Inc. (1x)
- LaSalle Hotel Properties (1x)
- Camden Property Trust (1x)
- Liberty Property Trust (1x)
- Life Storage, Inc. (1x)
- Lamar Advertising Company (1x)
- Douglas Emmett, Inc. (1x)
- Medical Properties Trust, Inc. (1x)
- JBG Smith Properties (1x)
- Kilroy Realty Corporation (1x)
- Taubman Centers, Inc. (1x)
- Hospitality Properties Trust (1x)
- National Retail Properties, Inc. (1x)
- Alexander & Baldwin, Inc. (1x)
- Weingarten Realty Investors (1x)
- Healthcare Realty Trust Incorporated (1x)
- Urban Edge Properties (1x)
- Senior Housing Properties Trust (1x)
- Realogy Holding Corp (1x)
- Omega Healthcare Investors, Inc. (1x)
- EPR Properties (1x)
- Corporate Office Properties Trust (1x)
- American Campus Communities, Inc. (1x)
- Sabra Health Care REIT, Inc (1x)
- Tanger Factory Outlet Centers, Inc. (1x)
- Mack-Call Realty Corporation (1x)
- The GEO Group, Inc. (1x)
- CoreCivic, Inc. (1x)
- Uniti Group Inc. (1x)
- Highwoods Properties, Inc (1x)

- 
- § In the event of a merger, acquisition, or business combination transaction of a peer company with or by another peer company, the surviving entity shall remain a peer company and the acquired entity shall be removed from the peer group.
- § In the event of a merger of a peer company with an entity that is not a peer company, where the peer company is the surviving entity and remains publicly traded, the peer company shall remain in the peer group.
- § In the event of a merger or acquisition or business combination transaction of a peer company by or with an entity that is not a peer company or a “going private” transaction involving a peer company, where the peer company is not the surviving entity or is otherwise no longer publicly traded, the peer company shall be removed from the peer group.
- § In the event of a bankruptcy, liquidation or delisting of a peer company, such company shall remain a peer company but be forced to the lowest performance within the peer group.



§ In the event of a stock distribution from a peer company consisting of the shares of a new publicly-traded company (a “spin-off”), the peer company shall remain a peer company and the stock distribution shall be treated as a dividend from the peer company based on the closing price of the shares of the spun-off company on its first day of trading. The performance of the shares of the spun-off company shall not thereafter be tracked for purposes of calculating TSR.

## RAYONIER INCENTIVE STOCK PLAN

### SUPPLEMENTAL TERMS APPLICABLE TO THE PERFORMANCE SHARE AND RESTRICTED STOCK UNIT AWARD AGREEMENTS IN THE EVENT OF RETIREMENT

#### A. Purpose.

The purpose of this supplemental terms agreement (these “Supplemental Terms”) is to identify certain conduct considered contrary to the best interests of the Company, and to obtain your agreement not to engage in that conduct, as a condition to continued vesting of certain equity awards after your Retirement.

Such equity awards include unvested performance shares and restricted stock units granted under any “Restricted Stock Unit Award Agreement” and/or the “Performance Share Award Agreement” pursuant to the Rayonier Incentive Stock Plan (the “Plan”).

These Supplemental Terms clarify your obligations under the “Restricted Stock Unit Award Agreement” and the “Performance Share Award Agreement” and outline remedies available to the Company in the event of breaches or threatened breaches of those obligations, but shall not or be deemed to in any way waive, limit or modify the rights of the Company under the “Restricted Stock Unit Award Agreement,” the “Performance Share Award Agreement” or the Plan.

Capitalized terms not otherwise defined herein have the definitions assigned to them in Annex A hereto, and capitalized terms not otherwise defined below or in Annex A to these Supplemental Terms shall have the same meaning as under the Plan.

#### B. Detrimental Conduct.

In recognition of your role at the Company and the knowledge that you have gained about the Company’s legitimate and proprietary business interests, including your possession of Confidential Company Information, and its substantial business, customer and employee relationships, you hereby agree to refrain from engaging in “Detrimental Conduct,” defined as any of the following conduct occurring at any time during the period commencing with your Retirement and continuing until the end of the twenty four (24) months following the end of your employment:

- i. engaging in any business, services, or activities whatsoever, whether as an employee, director, consultant, advisor, agent, partner, or joint venturer, sole proprietor, investor, or stockholder, for or on behalf of any business or enterprise engaged in the management (for itself or others), harvesting, development, marketing, buying, or selling of or investment in a portfolio of timberlands or other real estate of at least 100,000 acres in the United States and/or New Zealand (the “Non-Competition Restriction”). The Non-Competition Restriction shall not apply, in each case, (1) to the extent of your status as a mere stockholder holding less than one percent (1%) of the outstanding shares of any such entity whose shares are listed and posted for trading on a recognized public stock exchange, or (2) if waived in a writing signed by the most senior human resources executive of the Company, which waiver shall be granted or denied in the Company’s sole and absolute discretion; provided, however, that in the event your employment with the Company is involuntarily terminated for reasons other than cause (as determined by the Committee), approval of a request for a waiver, if made by you, shall not be unreasonably withheld. The Company will provide a response to any such waiver request with fifteen (15) days of receipt.

You agree and understand that the restrictive covenants set forth above are an essential requirement for your eligibility to receive continued vesting of Awards after Retirement and that, but for your agreement to comply with these

Supplemental Terms, your Awards would not continue to vest after Retirement. Further, you expressly acknowledge that the restrictions herein are reasonable and necessary to protect the Company's legitimate interests, including its Confidential Company Information, and its substantial business and customer relationships.

**C. Retirement Benefits.**

The terms of this paragraph shall apply to all outstanding Awards on the date of your Retirement. Provided you comply with all the terms and conditions set forth herein, you shall be eligible to receive special treatment of your outstanding Awards under the Plan (or any successor plan thereto) upon your Retirement, subject to the terms and conditions of the respective Award agreements, as follows:

- Outstanding restricted stock units and, if applicable, outstanding performance shares, granted twelve (12) or more months before your Retirement will continue to vest in full and payout upon the original vesting schedule, and based on actual performance in the case of performance shares.
- Outstanding restricted stock units and, if applicable, outstanding performance shares, granted within twelve (12) months of your Retirement will be prorated based on the number of months worked since the grant date divided by twelve (12). The prorated awards will continue to vest and payout upon the original vesting schedule, and based on actual performance in the case of performance shares.

**D. Condition to Continued Vesting.**

Your acknowledgment of the application of these Supplemental Terms by signing below is a condition to the continued vesting of Awards after Retirement pursuant to paragraph C and will apply to Performance Share Awards and Restricted Stock Unit Awards.

**E. Consequences of Engaging in Detrimental Conduct.**

Within 30 days after the Company sends written notice to you at any time following your having engaged in any Detrimental Conduct described in subparagraph B(i) above (the "Breach Notice"), you agree to return all Award Shares that vested subsequent to your Retirement (the "Vested Award Shares") and forfeit the right to continued vesting of any remaining Awards, as determined by the Company in accordance with these Supplemental Terms. In the event you no longer own or control the Vested Award Shares at the time the Company issues the Breach Notice, you agree to return shares equal in number to the Vested Award Shares or the value of such Vested Award Shares based on the closing price of the Company's stock on the date the Breach Notice was issued.

You acknowledge and agree that in the event of Detrimental Conduct by you, the Company may, in addition to other rights and remedies existing in its favor at law or in equity, apply to any court of competent jurisdiction for specific performance and/or injunctive relief in order to enforce the provisions of the prohibition of Detrimental Conduct, including the Non-Competition Restriction, or prevent or redress any violations thereof (without posting a bond or other security), and that the enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

**F. Right to Offset.**

The Company may offset its obligation to make any payment owed to you against amounts due to the Company hereunder, except to the extent such offset is not permitted under Code Section 409A without the imposition of additional taxes or penalties on you.

**G. At-Will Employment.**

Nothing in these Supplemental Terms shall be construed as changing your status as an employee-at-will of the Company or its applicable affiliate.

**H. Maximum Force of Restrictive Covenants.**

Because of the nature of your work for the Company and the breadth of your knowledge of Confidential Company Information about the Company and its customers, if any portion of these Supplemental Terms shall be held contrary to law or invalid or unenforceable as to one or more periods of time, geographic territories, or areas of business activities, or any part thereof, the remaining provisions shall not be affected but shall remain in full force and effect and that any such invalid or unenforceable provision shall be deemed, without further action on the part of any person, modified and limited to the extent necessary to render the same valid and enforceable in such jurisdiction. Notwithstanding the foregoing, it is the intent and agreement of you and the Company that these covenants be given the maximum force, effect and application permissible under applicable law.

**I. Governing Law/Successors and Assigns.**

These Supplemental Terms shall be governed, interpreted and construed in accordance with the laws of the State of Florida, excluding its conflicts or choice of law principles. The Company's rights and benefits under these Supplemental Terms shall inure to the benefit of the Company, its subsidiaries and/or controlled affiliates and any successors to any such entity's business and/or assets, whether by operation of law or otherwise.

**J. Prior Agreements.**

These Supplemental Terms supersede any and all prior "supplemental terms" agreements to which you and the Company are party. Specifically, your obligations and the available remedies described under any other supplemental terms agreements relating to the Awards will cease to have any effect after the date hereof and the terms hereof shall apply to such Awards and any shares to which such supplemental terms applied. Notwithstanding the foregoing or anything else contained in these Supplemental Terms, these Supplemental Terms do not in any way modify, amend, supersede or replace other existing agreements you may have entered into with the Company, including those relating to the ownership of intellectual property, protection of confidential information, and non-competition, if any, and all such agreements are hereby ratified and confirmed.

Key Employee Acknowledgment:

*I have access to the Plan and have received a copy the terms of the "Restricted Stock Unit Award Agreement" and the "Performance Share Award Agreement" and these Supplemental Terms and hereby acknowledge that in addition to such remedies as otherwise may be available to the Company, I may be required to return or forfeit the right to receive my Award Shares should I engage in Detrimental Conduct.*

KEY EMPLOYEE

Name

\_\_\_\_\_

Date

\_\_\_\_\_

FOR THE COMPANY:

\_\_\_\_\_

Vice President

Date

\_\_\_\_\_

**Annex A to the Supplemental Terms**

For purposes of these Supplemental Terms, the following terms have the indicated meaning:

“Award” means any unvested Performance Share Award and/or Restricted Stock Unit Award granted pursuant to the Rayonier Incentive Stock Plan.

“Award Shares” means any and all shares of Company common stock or cash to which you may become entitled upon the post-retirement vesting or settlement of any Award, as applicable.

“Company” means Rayonier Inc. and shall include its subsidiaries and controlled affiliates and any successors to any such entity’s business and/or assets, whether by operation of law or otherwise.

“Confidential Company Information” means trade secrets and confidential information about the Company’s strategic business plans, operations, research and development projects, product pricing, costs and margins, purchasing, customer and supplier relationships, customer retention strategies, preferences and contracts, strategies and plans for servicing customers, experimental and new products, and other similar nonpublic information that provides a competitive advantage to the Company.

“Retirement” means an employee’s separation from service having met the age and service requirements that would have resulted in the employee’s being eligible to receive immediate retirement benefits under a Participating Company qualified defined benefit pension plan, but without regard to whether or not such employee participates in such pension plan.

### Rayonier Incentive Stock Plan Restricted Stock Unit Award Agreement

This Award Agreement (the "Award Agreement") is entered into by and between Rayonier Inc., a corporation organized under the laws of the State of North Carolina with its principal office at 1 Rayonier Way, Wildlight, FL 32097 (the "Company"), and the undersigned qualified individual ("Key Employee"), pursuant to the Rayonier Incentive Stock Plan (the "Plan") as of  $\$/GrantDate\$  (the "Effective Date").

WITNESSETH:

WHEREAS, the Company desires to grant to Key Employee an award of Restricted Stock Units ("RSUs"), with each such RSU representing a contractual right to receive one share of common stock of the Company ("Share"), subject to the terms and conditions of this Award Agreement;

WHEREAS, the RSUs will vest as provided in this Award Agreement, provided Key Employee remains continuously employed by the Company from the date hereof through the Vesting Dates, as defined below, subject to the provisions of this Award Agreement and of the Plan; and

WHEREAS, this Award Agreement is being entered into to convey an Award of RSUs to Key Employee.

NOW THEREFORE, in consideration of the mutual promises made herein, the parties agree as follows:

1. Definitions

All capitalized terms not expressly defined in this Award Agreement and used herein shall have the same meaning set forth in the Plan, available on the Merrill Lynch website.

2. Award of Shares; Vesting

(a) RSUs Awarded. Key Employee is hereby awarded  $\$/AwardsGranted\$  RSUs, subject to the terms of this Award Agreement, as of the Effective Date.

(b) Vesting. Key Employee shall become vested with respect to, and thereupon have a non-forfeitable right to, the Shares underlying the RSUs granted pursuant to Section 2(a) on the vesting dates shown below (as such vesting dates may be accelerated under Section 2(c), herein referred to as the "Vesting Dates"); *provided that*, Key Employee shall have remained continuously in the employ of the Company (or any other Participating Company) from the Effective Date through the Vesting Dates.

$\$/VestingSchedule\$

(c) Termination of Employment.

(i) Except as provided in this Section 2(c), if Key Employee's employment is terminated for any reason before the Vesting Date, then all of the RSUs subject to this Award Agreement, and all unpaid Dividend Equivalents, shall immediately be forfeited by Key Employee, and Key Employee shall have no further rights to such RSUs from and after the date of such termination.

(ii) In the event of Key Employee's termination of employment for any reason, or in cases of other circumstances deemed appropriate by the Committee, the Committee may, in its sole discretion, elect to waive all or part of the remaining restrictions with respect to Key Employee's RSUs then outstanding under this Award Agreement.

(e) Withholding Taxes.

(i) On the Vesting Date, or at any other time when withholding is required under the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall have the right to require Key Employee to pay to the Company the amount of taxes that the Company is required to withhold or, in the Company's discretion in lieu thereof, to retain, or sell without notice, a sufficient number of Shares held by it for Key Employee to cover the amount required to be withheld or to withhold from any other amounts due to Key Employee by the Company. If requested by the Key Employee, the Committee shall cancel Shares to be delivered to Key Employee having a Fair Market Value equal to the minimum statutory required tax withholding (or, if permitted by the Company, a rate that is higher than the minimum statutory withholding rate) in connection with delivery of such Shares, and apply the value of such Shares as payment for Key Employee's minimum statutory required tax withholding or higher withholding.

(ii) The Company may deduct from all Dividend Equivalents paid with respect to the Award, and from any interest deemed accrued thereon (if applicable), the amount of taxes, if any, that the Company is required to withhold with respect to such amounts.

3. Award Terms

(a) Shareholder Rights. The RSUs are contractual rights only, and no Shares will be issued in respect of the RSUs unless and until the terms and conditions established by the Committee are obtained or satisfied. RSUs do not carry any rights of a shareholder, including voting rights; *provided that*, Key Employee shall be entitled to Dividend Equivalents Rights under Section 3(b). Upon the receipt of Shares in settlement of any RSUs, Key Employee shall have all the rights of a shareholder with respect to those shares, including but not limited to, the right to vote such Shares.

(b) Dividend Equivalent Rights. Key Employee shall have the Dividend Equivalent Rights set forth herein with respect to the RSUs granted pursuant to this Award Agreement. Accordingly, unless otherwise determined by the Committee, upon the Company's payment of cash dividends with respect to its Common Stock, Key Employee shall be paid an amount equal to the cash dividends that would have been paid to Key Employee had Key Employee owned the number of Shares underlying the RSUs awarded pursuant to this Award Agreement on the dividend record date. Such payment shall be made to Key Employee within fifteen (15) days after the Company's dividend payment date.

(c) Issuance of Shares. RSUs shall be evidenced in book entry or electronic form, registered in the name of Key Employee, with notations referring to the terms, conditions and restrictions set forth in this Award Agreement. Upon vesting, Shares underlying Key Employee's RSUs then vesting shall be issued either (i) in certificate form or (ii) in book entry or electronic form, registered in the name of Key Employee. Any such Shares shall be delivered to Key Employee within fifteen (15) days after the Vesting Date.

4. Conformity with Securities Laws

Any issuance of Shares pursuant to this Award Agreement (and any transfers thereof) are subject to compliance with all applicable securities laws. Key Employee hereby represents to the Company that Key Employee is acquiring the Shares for investment and not with a view to the distribution thereof and that Key Employee has had full and complete access to the financial statements of the Company and to the Company's senior management. The Shares issued by the Company pursuant to this Award Agreement may bear a legend or notation describing the restrictions on resale thereof under applicable securities laws, and stop transfer orders with respect to such Shares may be entered in the stock transfer records of the Company.

5. Agreement Not To Solicit; Other Restrictions; Clawback

(a) Key Employee hereby covenants and agrees that for a period commencing on the Effective Date and ending twelve (12) months after the effective date of Key Employee's termination of employment with the Company, Key Employee, shall not, except for actions taken on behalf, and at the request of, the Company, directly or indirectly engage in or assist others in soliciting, persuading, hiring, recruiting, or attempting to persuade, solicit, hire or recruit, any person employed by or under contract with, the Company (or who was employed by or under contract with the Company in the six-month period prior to the date of any such prohibited contact).

(b) This Award and any receipt of Shares pursuant to this Award are expressly contingent upon your compliance with the terms and conditions in Section 16 of the Plan, Section 5(a) of this Award Agreement and in any other agreement



that governs your noncompetition with the Company or any subsidiary, your non-solicitation of employees, customers, suppliers, vendors or other business partners of the Company or any subsidiary, and/or your conduct with respect to proprietary and confidential information of the Company or any subsidiary.

(c) Notwithstanding any other provision in the Plan to the contrary, this Award, any Shares issued pursuant to this Award and any amount received with respect to the sale of any such Shares shall be subject to potential cancellation, recoupment, rescission, payback, or other action in accordance with the terms of the Company's Clawback Policy as in effect from time to time and Section 15 of the Plan.

6. Miscellaneous

(a) Assignments and Transfers. The rights and interests of Key Employee under this Award Agreement may not be sold, exchanged, hypothecated, assigned, transferred (including by gift), pledged or otherwise encumbered.

(b) No Right to Employment. Neither this Award Agreement nor any action taken hereunder shall be construed as giving Key Employee any right to be retained in the employ of any Participating Company.

(c) Headings. The headings contained in this Award Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Award Agreement.

(d) Consistency with the Plan. This Award Agreement is subject to all the provisions of the Plan. It is expressly agreed and understood that in the case of any inconsistency between the provisions of this Award Agreement and the Plan, the provisions of the Plan shall control, as determined in the sole judgment of the Committee.

(e) Code Section 409A. To the extent applicable hereto, this Award and the payments set forth herein are intended to be compliant with, or exempt from, the requirements of Section 409A of the Code and shall be interpreted and administered in accordance therewith, although no warranty as to such compliance is made.

(f) Applicable Law. The interpretation of the provisions hereof shall be governed by the laws of the State of Florida.

IN WITNESS WHEREOF, the undersigned have caused this Award Agreement to be executed and delivered on the Effective Date first above written.

KEY EMPLOYEE

/ParticipantName/ Name:  
/ParticipantAddress/

RAYONIER INC.

By /s/ Shelby L. Pyatt

Shelby L. Pyatt  
Vice President, HR and IT

## **RAYONIER NON-EQUITY INCENTIVE PLAN**

(as amended effective January 1, 2020)

### **1. Purpose**

This Rayonier Non-Equity Incentive Plan, as it may be amended from time to time (“Plan”), is the vehicle through which the Compensation and Management Development Committee of the Board (“Committee”) of Rayonier Inc., including any successor thereto, and any U.S. subsidiary of Rayonier Inc. (the “Company”) and its Affiliates, will make cash incentive awards to Designated Employees that have an impact on the Company’s achievement of annual or other short-term Performance Goals, as established by the Committee or at its direction from time to time.

### **2. Definitions**

- (a) “Affiliate” means, with respect to the Company, any U.S. entity that, directly or indirectly, is controlled by the Company. For purposes of this definition, the term “controlled by” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract or otherwise.
- (b) “Authorized Delegate” has the meaning set forth in Section 3(c).
- (c) “Base Pay” means the Designated Employee’s base pay earned for the Performance Period to include paid base salary earnings, including base salary, vacation, negotiated vacation days, awarded days off, personal days, holidays, holiday early release, regular personal/family sick days, floating holidays, jury duty, bereavement pay, retroactive base salary, overtime and additional straight time pay. Accrued vacation payments to terminated employees and wages received for a leave of absence are not included in Base Pay. Unless determined otherwise by the Committee, if a Designated Employee is not employed by the Company or an Affiliate or is not otherwise an eligible participant for an entire Performance Period, then his or her Bonus Award shall be calculated by reference to his or her Base Pay earned only for the portion of the Performance Period during which the Designated Employee was employed and was otherwise an eligible participant.
- (d) “Beneficiary” means the estate of a Designated Employee or such other beneficiary or beneficiaries lawfully designated pursuant to Section 6(g) to receive the amount, if any, payable under the Plan upon the death of a Designated Employee.
- (e) “Board” means the Board of Directors of the Company.
- (f) “Bonus Award” means the conditional right of a Designated Employee to receive a cash payment pursuant to a Bonus Program under the Plan, following the completion of a Performance Period, based upon achievement of individual, group or Company Performance Goals during the Performance Period as determined by the Committee. A Bonus Award shall become payable in accordance with, and to the extent provided for under, the terms and conditions of the applicable Bonus Program and this Plan. The provisions of Bonus Awards need not be the same with respect to each Designated Employee.
- (g) “Bonus Program” means the particular terms applicable to Bonus Awards for a Performance Period, as established by the Committee. Bonus Programs will be established by the Committee in its discretion subject to the terms of the Plan.
- (h) “Committee” has the meaning set forth in Section 1.
- (i) “Company” has the meaning set forth in Section 1.

- (j) “Designated Employees” means the U.S.-based employees of the Company or any Affiliate which are designated by the Committee as eligible to receive Bonus Awards for a particular Bonus Program, which designation may be made by reference to salary grade or otherwise.
- (k) “Effective Date” has the meaning set forth in Section 8.
- (l) “Executive Officer” means any employee designated by the Company as an “executive officer” of the Company as defined under the Securities Exchange Act of 1934, as amended.
- (m) “Performance Goals” means the performance goals established by the Committee in connection with a Bonus Program. Such goals may be expressed in terms of one or more of the following business criteria: (i) net income or net earnings (before or after taxes), (ii) earnings per share, (iii) operating income, (iv) operating cash flow, (v) free cash flow, (vi) recurring cash flow, (vii) cash available for distribution, (viii) revenue growth, (ix) earnings before income taxes and depreciation, (x) earnings before interest, taxes, depreciation and amortization, (xi) margins (including but not limited to gross or operating margins), (xii) reductions in operating expenses, (xiii) sales or return on sales, (xiv) stock price (including, but not limited to, growth measures and total stockholder return), (xv) return measures (including but not limited to return on equity, return on total capital, return on invested capital and return on assets), (xvi) economic value added, (xvii) expense targets, (xviii) cost reductions and savings, (xix) attainment of budget goals, (xx) increase in surplus, (xxi) productivity improvements, (xxii) attainment of strategic or operational initiatives, (xxiii) an executive’s attainment of personal objectives with respect to any of the foregoing criteria or other criteria, such as growth and profitability, customer satisfaction, market share, leadership effectiveness, business development, operational efficiency or operational improvement, strategic or operational initiatives, negotiating transactions and sales or developing long term business goals or (xxiv) any other business, financial, strategic or other performance goal, measure or objective as may be determined by the Committee in its discretion. A Performance Goal may be measured over a Performance Period on a periodic, annual, cumulative, average or other basis and may be established on a corporate-wide basis or established with respect to one or more operating units, divisions, subsidiaries, acquired businesses, minority investments, partnerships or joint ventures, or otherwise as the Committee may determine, and may be before or after such recurring or non-recurring adjustments or other items as may be established by the Committee. The level or levels of performance specified with respect to a Performance Goal may be established in absolute terms, as objectives relative to performance in prior periods, as an objective compared to the performance of one or more peer companies or an index covering multiple companies, or otherwise as the Committee may determine.
- (n) “Performance Period” means the period of time designated by the Committee during which performance will be measured for purposes of determining a Designated Employee’s entitlement to receive payment of a Bonus Award. A Performance Period will generally be a one year period. However, a Performance Period may be established as a period of less than or greater than one year. Multiple Performance Periods may be established in a given year. Performance Periods may run concurrently or sequentially. Nothing in this Plan shall prevent the Committee from establishing a Performance Period that commences prior to the termination of one or more Performance Periods.
- (o) “Plan” has the meaning set forth in Section 1.
- (p) “Retirement” has the meaning set forth in the Retirement Plan for Salaried Employees of Rayonier Inc. (“Retirement Plan”), without regard to whether a Designated Employee is a participant in the Retirement Plan.
- (q) “Section 409A Rules” means the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, or any successor thereto, the Treasury regulations promulgated thereunder and any applicable guidance issued in respect thereof.
- (r) “Target Award” means, with respect to a Designated Employee, an amount expressed as a percentage of the Designated Employee’s Base Pay for the Performance Period, or such other amount or target as may be designated by the Committee in its discretion.
- (s) “Target Percentage” means the percentage of Base Pay used to determine a Designated Employee’s Target Award.

(t) “Total Disability” means a determination that a Designated Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of at least twelve (12) months, as determined by the Committee upon the basis of such evidence as the Committee deems appropriate or necessary. A determination that the Designated Employee is eligible for full long-term disability payments under the Company’s long-term disability plan, as may be in effect from time to time, shall be conclusive evidence of Total Disability.

### **3. Administration of the Plan**

(a) Administration. The Plan shall be administered by the Committee. The Committee shall have the power to do all things necessary or convenient to effect the intent and purposes of the Plan consistent with the provisions hereof, including without limitation, the sole and exclusive power and authority to:

- (i) determine the terms and conditions of any Bonus Program that may be established under the Plan in the Committee’s discretion, including the Performance Goals thereunder;
- (ii) select the Designated Employees who shall participate in any Bonus Program established under the Plan;
- (iii) determine the extent to which any Performance Goals have been achieved;
- (iv) determine the amount to be paid pursuant to each Bonus Award;
- (v) determine whether and the extent to which the conditions to the payment of a Bonus Award have been satisfied;
- (vi) provide rules and regulations from time to time for the management, operation and administration of the Plan and Bonus Programs;
- (vii) construe, interpret and apply the Plan and Bonus Programs, which interpretations shall be final and conclusive upon all parties; and
- (viii) correct any defect, supply any omission or reconcile any inconsistency in the Plan and any Bonus Programs in such manner and to such extent as it shall deem expedient.

(b) Committee Discretion and Authority. All questions pertaining to the construction, regulation, validity, application and effect of the provisions of the Plan or any Bonus Program shall be determined in the sole discretion of the Committee, and all such determinations, including, without limitation, all determinations made under Section 3(a) above, shall be final, binding and conclusive.

(c) Delegation of Authority. The Committee may delegate to a subcommittee of one or more members of the Committee, to an officer of the Company (“Authorized Delegate”), or to a committee of two or more Authorized Delegates, any duties, powers and authority given to the Committee under this Plan, including discretion under the Plan or any Bonus Program to grant, amend, interpret, apply and administer Bonus Awards, with respect to any Designated Employee, other than an Executive Officer.

(d) Reliance and Indemnification. The Committee and its Authorized Delegates may employ attorneys, consultants, accountants or other advisors, and they shall be entitled to rely upon the advice, opinions or valuations of any such attorney, consultant, accountant or other advisor. The Committee and its Authorized Delegates shall not be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan and shall be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

### **4. Eligibility**

Awards may be granted only to U.S.-based employees of the Company and its Affiliates, as determined by the Committee, and who are identified as Designated Employees with respect to a Bonus Program. No Awards shall be granted to an

individual who is not a U.S.-based employee of the Company or an Affiliate. No employee shall, at any time, have a right to become a Designated Employee in any Bonus Program for any Performance Period, for any reason, including the individual's having previously participated in a Bonus Program. A Designated Employee ceasing to satisfy any eligibility criteria under the Plan shall immediately cease to be a participant in the Plan and applicable Bonus Program(s) and, unless otherwise determined by the Committee, shall forfeit his or her right to any Bonus Award under the Plan or applicable Bonus Program(s), including without limitation if he or she does not satisfy any such eligibility criteria as of the date of payment for any Bonus Program.

## **5. Procedures Applicable to Bonus Programs and Bonus Awards**

(a) **Bonus Programs.** The Committee may establish Bonus Programs under the Plan in its discretion. For each Bonus Program, the Committee shall, in accordance with the terms of the Plan, determine the following:

(i) **Identify Designated Employees.** The Committee shall determine the Designated Employees, by class or otherwise, who will participate in the Bonus Program for the particular Performance Period.

(ii) **Establish Performance Goals.**

(1) The Committee shall identify the Performance Goals to be applied for the Performance Period, including any applicable weightings to be given in respect of multiple Performance Goals for each Designated Employee or class of Designated Employees.

(2) The Committee shall establish the method for computing the amount of the Bonus Award that may be payable to each Designated Employee for such Bonus Program if the Performance Goals established for such Performance Period are attained in whole or in part. Each Bonus Award shall be calculated by reference to the Designated Employee's Target Award, unless otherwise determined by the Committee.

(3) Notwithstanding anything to the contrary contained herein, the Committee may establish in its discretion, a percentage by which individual Bonus Awards may be increased (subject to the limits in Section 5(a)(iii)(2) and Section 5(e)(2)) or decreased (including to zero) based upon factors, including but not limited to Company or individual performance, that the Committee may determine in its discretion. This Section 5(a)(ii)(3) shall be in addition to, not in limitation of, the authority granted in Section 5(d).

(iii) **Set Target Awards.**

(1) The Committee shall approve a Target Award for the Performance Period for each Designated Employee or class of Designated Employees covered by the Bonus Program.

(2) The maximum amount payable to any Designated Employee pursuant to a Bonus Program shall be 200% of such Designated Employee's Target Award, unless otherwise determined by the Committee.

(3) If a Designated Employee's Target Percentage changes during the applicable Performance Period, the Designated Employee's Bonus Award for the full Performance Period will be calculated based on his or her Target Percentage in effect on the last day of the Performance Period, unless otherwise determined by the Committee.

(b) **Performance Periods.** The Committee shall establish the duration of each Performance Period for each Bonus Program established under the Plan.

(c) **Payment of Bonus Awards.**

(i) **Time of Payment.** Except as otherwise determined by the Committee, any amounts payable in respect of Bonus Awards for a Performance Period will generally be paid as soon as practicable after the end of the Performance Period and the determination of final Bonus Award amounts and not later than March 15 of the year following the

applicable Performance Period (or at such other time as to allow the payment to be a “short term deferral” or otherwise not subject to Section 409A of the Code, as determined under the Section 409A Rules); provided that, the payment of a Bonus Award to an Executive Officer shall not be made prior to the determination required by Section 5(e) below. Any such Bonus Awards shall be payable, subject to all terms and conditions of the applicable Bonus Program, to any Designated Employee who is employed by the Company or Affiliate, as applicable, on the payment date for such Bonus Award.

(ii) Termination of Employment.

(1) In the event a Designated Employee terminates employment following the end of the applicable Performance Period but prior to the payment date as a result of death, Total Disability or Retirement, such Designated Employee may be paid his or her Bonus Award if so determined by the Committee in its discretion. If a Designated Employee terminates employment following the end of the applicable Performance Period but prior to the payment date for any reason other than death, Total Disability or Retirement, such Designated Employee shall not be entitled to receive any Bonus Award for such Performance Period unless the Committee determines, in its discretion, to pay all or any part of the Bonus Award to such Designated Employee (or his or her Beneficiary, if applicable).

(2) In the event a Designated Employee terminates employment during a Performance Period as a result of death, Total Disability or Retirement, such Designated Employee (or his or her Beneficiary, if applicable) may be paid a Bonus Award if so determined by the Committee in its discretion. If the Committee determines to pay a Bonus Award pursuant to this Section 5(c)(ii)(2), such Bonus Award shall be calculated by reference to such Designated Employee’s Base Pay earned only for the portion of the Performance Period during which the Designated Employee was employed and was otherwise an eligible participant in accordance with Section 2(c) unless otherwise determined by the Committee.

(3) In the event a Designated Employee terminates employment during a Performance Period for any reason other than death, Total Disability or Retirement, such Designated Employee shall not be entitled to receive any Bonus Award for such Performance Period unless the Committee determines, in its discretion, to pay all or any part of the Bonus Award to such Designated Employee (or his or her Beneficiary, if applicable). If the Committee determines to pay a Bonus Award pursuant to this Section 5(c)(ii)(3), such Bonus Award shall be calculated by reference to such Designated Employee’s Base Pay earned only for the portion of the Performance Period during which the Designated Employee was employed and was otherwise an eligible participant in accordance with Section 2(c) unless otherwise determined by the Committee.

(4) In the event that a Designated Employee becomes entitled to a full or partial Bonus Award in accordance with the provisions of Section 5(c)(ii), such Bonus Award shall be paid at the same time and in the same manner as other Bonus Awards for the applicable Bonus Program, unless otherwise determined by the Committee.

(iii) Employment After Commencement of a Performance Period. Subject to all terms and conditions of the applicable Bonus Program, Designated Employees who commence employment after the start of a Performance Period will participate in any Bonus Program then in effect and will earn a Bonus Award, unless otherwise determined by the Committee. If a Bonus Award is payable pursuant to this Section 5(c)(iii), such Bonus Award shall be calculated by reference to such Designated Employee’s Base Pay earned only for the portion of the Performance Period during which the Designated Employee was employed and was otherwise an eligible participant in accordance with Section 2(c) unless otherwise determined by the Committee.

(iv) Deferral of Payment. Participants may not elect to defer the receipt of Bonus Awards except as specifically permitted under a deferred compensation plan established by the Company.

(d) Adjustments to Bonus Awards and Performance Goals.

(i) The Committee is authorized at any time during or after a Performance Period to reduce or eliminate the Bonus Award of any Designated Employee for any reason, including, without limitation, changes in the position or duties of any Designated Employee with the Company or an Affiliate during or after a Performance Period, whether due to any termination of employment (including death, Total Disability, Retirement, voluntary termination or termination with or without cause) or otherwise, in its discretion.

(ii) The Committee is authorized at any time during or after a Performance Period, subject to the limits in Section 5(a)(iii)(2) and Section 5(e)(2) to increase the Bonus Award of any Designated Employee for any reason, including, without limitation, changes in the position or duties of any Designated Employee with the Company or an Affiliate during or after a Performance Period or otherwise in its discretion.

(iii) To the extent necessary to preserve the intended economic effects of the Plan to the Company and the Designated Employees, the Committee may adjust Performance Goals and/or the Bonus Awards to take into account: (1) a change in corporate capitalization, (2) a corporate transaction, such as any merger of the Company or any subsidiary into another corporation, any consolidation of the Company or any subsidiary into another corporation, any separation of the Company or any subsidiary (including a spin-off or the distribution of stock or property of the Company or any subsidiary), any reorganization of the Company or any subsidiary, any sale or acquisition of any business or other assets, or a large, special and non-recurring dividend paid or distributed by the Company (whether or not such reorganization comes within the definition of Section 368 of the Code), (3) any partial or complete liquidation of the Company or any subsidiary or (4) a change in accounting or other relevant rules or regulations.

(iv) When establishing, or determining achievement against, any Performance Goals for a Bonus Award, the Committee may provide with respect to any such Bonus Award that the evaluation of Performance Goals shall exclude or otherwise equitably adjust for any specified circumstance or event that occurs during a Performance Period, including by way of example, but not limited to, the following: (1) asset write-downs or impairment charges; (2) litigation or claim judgments or settlements; (3) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; (4) reorganization and restructuring; (5) acquisitions or divestitures and expenses related thereto; (6) gain, loss or other impact of foreign currency exchange; or (7) any other unusual or infrequently occurring items or any other special or designated items, events or circumstances as the Committee may in its discretion determine.

(e) Additional Rules Applicable to Executive Officers. Notwithstanding anything in this Plan to the contrary, the following rules apply to Executive Officers who participate in any Bonus Program:

(1) Final Determination. Following the completion of each Performance Period, the Committee shall determine in writing whether the Performance Goals and other material terms for paying amounts in respect of each Bonus Award for any Executive Officer have been achieved or met. Bonus Awards for an Executive Officer shall not be paid until the Committee has made this final determination.

(2) Maximum Amount Payable Per Executive Officer. An Executive Officer shall not be granted Bonus Awards for all of the Performance Periods commencing in any one calendar year that permit the Executive Officer in the aggregate to be paid an amount in excess of \$2,500,000.

(3) Chief Executive Officer Bonus Award. Any Bonus Award for the Chief Executive Officer shall be subject to review and approval by the independent members of the Board in accordance with the Committee's Charter.

## **6. Miscellaneous Provisions**

(a) No Right Prior to Bonus Award. No Designated Employee shall have any claim or right to be granted or paid a Bonus Award under the Bonus Program until such Bonus Award is actually made.

(b) Unsecured Creditor Status. No Designated Employee or any other party claiming an interest in amounts earned under the Bonus Program shall have any interest whatsoever in any specific asset of the Company. To the extent that

any person or entity acquires a right to receive payments under the Bonus Program, such rights shall be that of an unsecured general creditor of the Company.

(c) Non-Assignment of Awards. With the exception of payments made following the death of a Designated Employee, the rights and benefits of a Designated Employee hereunder are personal to the Designated Employee and shall not be subject to any voluntary or involuntary alienation, assignment, pledge, transfer, encumbrance, attachment, garnishment or other disposition.

(d) Other Company Plans. Nothing contained in this Bonus Program shall limit the ability of the Company to make payments or awards to Designated Employees under any other plan, agreement or arrangement in effect at time the Bonus Program is established or upon a subsequent date. Bonus Awards under this Bonus Program shall not constitute compensation for the purpose of determining participation or benefits under any other plan of the Company unless specifically included as compensation in such plan.

(e) No Employment Right. Neither the existence of this Plan, nor any action taken hereunder, shall be construed as giving any Designated Employee any right to be retained in the employ of the Company or any Affiliate or in any way interfere with or limit the right of the Company or Affiliate to terminate any Designated Employee's employment at any time.

(f) Withholding. The Company shall withhold the amount of any federal, state, local or other tax, charge or assessment attributable to the grant of any Bonus Award or lapse of restrictions under any Bonus Award as it may deem necessary or appropriate, in its sole discretion. The Company shall have the right to deduct from a Bonus Award or from any other amounts due the Designated Employee from the Company, any other amounts required or permitted to be withheld by law.

(g) Beneficiary. Unless otherwise provided in a written designation of Beneficiary filed with the Company, the Beneficiary of a Designated Employee shall be the Designated Employee's estate, which shall be entitled to receive the Bonus Award, if any, payable under the Plan upon his or her death. A Designated Employee may file with the Company a written designation of one or more persons as a Beneficiary in lieu of his or her estate, who shall be entitled to receive the Bonus Award, if any, payable under the Plan upon his or her death, subject to the enforceability of the designation under applicable law at that time. A Designated Employee may from time-to-time revoke or change his or her Beneficiary designation, with or without the consent of any prior Beneficiary except as required by applicable law, by filing a new designation with the Company. Subject to the foregoing, the last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company (c/o the Vice President, Human Resources) prior to the Designated Employee's death, and in no event shall it be effective as of a date prior to such receipt. If the Committee is in doubt as to the right of any person to receive such Bonus Award, the Company may retain such Bonus Award, without liability for any interest thereon, until the Committee determines the rights thereto, or the Company may pay such Bonus Award into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Company therefor.

(h) Clawback. Notwithstanding any other provision in this Plan to the contrary, any Bonus Award issued thereunder and any amount received with respect to any Bonus Award, shall be subject to potential cancellation, recoupment, rescission, reduction, payback or other action in accordance with the terms of any Company clawback policy, as may be in effect from time to time, and this Section 6(h) shall be deemed an integral part of each Bonus Award granted under the Plan.

(i) No Interest. If the Company for any reason fails to make payment of a Bonus Award at the time such Bonus Award becomes payable, the Company shall not be liable for any interest or other charges thereon.

(j) Severability. The invalidity or unenforceability of any provision of the Plan will not affect the validity or enforceability of the other provisions of the Plan, which will remain in full force or effect. If any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.



**7. Governing Law**

The Plan and all determinations made and actions taken pursuant to the Plan shall be governed in accordance with Florida law without regard to its conflict of laws principles.

**8. Effective Date; Term**

The effective date of the Plan, as amended, is January 1, 2020 (the "Effective Date"). Bonus Awards under this Plan may be granted with an effective date on or after the Effective Date until the Plan is terminated by the Board or the Committee. The Committee may amend, suspend, modify or terminate this Plan or any Bonus Program, in whole or in part, at any time, without the consent of any Designated Employee, whether prospectively or retroactively, including in any manner that adversely affects the rights of Designated Employees.

**SUBSIDIARIES OF RAYONIER INC.**  
**As of December 31, 2019**

<b>Name of Subsidiary</b>	<b>State/Country of Incorporation/Organization</b>
Matariki Forests	New Zealand
Matariki Forestry Group	New Zealand
Rayonier Forest Resources, L.P.	Delaware
Rayonier Operating Company LLC	Delaware
Rayonier TRS Forest Operations, LLC	Delaware
Rayonier TRS Holdings Inc.	Delaware
Raydient LLC	Delaware

In accordance with Item 601(b)(21) of Regulation S-K, we have omitted some subsidiaries that, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2019 under Rule 1-02(w) of Regulation S-X.

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Form S-3 No. 333-225530) of Rayonier, Inc.,
- 2) Registration Statement (Form S-4 Amendment No. 1 to No. 333-114858) of Rayonier Inc.,
- 3) Registration Statement (Form S-8 No. 333-129175) pertaining to the Rayonier 1994 Incentive Stock Plan,
- 4) Registration Statement (Form S-8 No. 333-129176) pertaining to the 2004 Rayonier Incentive Stock and Management Bonus Plan, and
- 5) Registration Statement (Form S-8 Amendment No. 2 to No. 333-152505) pertaining to the Rayonier Investment and Savings Plan for Salaried Employees;

of our reports dated February 24, 2020, with respect to the consolidated financial statements and schedule of Rayonier Inc. and the effectiveness of internal control over financial reporting of Rayonier Inc. included in this Annual Report (Form 10-K) of Rayonier Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Jacksonville, Florida  
February 24, 2020

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints David L. Nunes, Mark D. McHugh and Mark R. Bridwell, his or her true and lawful attorneys-in-fact, with full power in each to act without the other and with full power of substitution and resubstitution, to sign in the name of such person and in each of his offices and capacities with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, including any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: February 24, 2020

/s/ RICHARD D. KINCAID

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Richard D. Kincaid

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints David L. Nunes, Mark D. McHugh and Mark R. Bridwell, his or her true and lawful attorneys-in-fact, with full power in each to act without the other and with full power of substitution and resubstitution, to sign in the name of such person and in each of his offices and capacities with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, including any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: February 24, 2020

/s/ KEITH E. BASS

Keith E. Bass

POWER OF ATTORNEY

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Dated: February 24, 2020

/s/ DOD A. FRASER

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Dod A. Fraser

POWER OF ATTORNEY

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Dated: February 24, 2020

/s/ SCOTT R. JONES

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Scott R. Jones

POWER OF ATTORNEY

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Dated: February 24, 2020

/s/ BERNARD LANIGAN, JR.

Bernard Lanigan, Jr.



POWER OF ATTORNEY

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Dated: February 24, 2020

/s/ BLANCHE L. LINCOLN

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Blanche L. Lincoln

POWER OF ATTORNEY

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Dated: February 24, 2020

/s/ V. LARKIN MARTIN

V. Larkin Martin

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints David L. Nunes, Mark D. McHugh and Mark R. Bridwell, his or her true and lawful attorneys-in-fact, with full power in each to act without the other and with full power of substitution and resubstitution, to sign in the name of such person and in each of his offices and capacities with Rayonier Inc. (the "Company"), the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, including any amendments thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: February 24, 2020

/s/ ANDREW G. WILTSHIRE

Andrew G. Wiltshire

## CERTIFICATION

I, David L. Nunes, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 24, 2020

/s/ DAVID L. NUNES

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David L. Nunes

*President and Chief Executive Officer, Rayonier Inc.*

## CERTIFICATION

I, Mark McHugh, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 24, 2020

/s/ MARK MCHUGH

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Mark McHugh  
Senior Vice President and  
Chief Financial Officer, Rayonier Inc.

## 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 Annual Report on Form 10-K of Rayonier Inc. (the "Company") for the period ended December 31, 2019 (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.

February 24, 2020

/s/ DAVID L. NUNES

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David L. Nunes

*President and Chief Executive Officer,  
Rayonier Inc.*

/s/ MARK MCHUGH

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Mark McHugh

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

A signed original of this written statement required by Section 906 has been provided to Rayonier and will be retained by Rayonier and furnished to the Securities and Exchange Commission or its staff upon request.