

RAYONIER INC
Form 8-K
October 17, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

October 16, 2007 (October 11, 2007)

RAYONIER INC.

COMMISSION FILE NUMBER 1-6780

Incorporated in the State of North Carolina

I.R.S. Employer Identification Number 13-2607329

50 North Laura Street, Jacksonville, Florida 32202

(Principal Executive Office)

Telephone Number: (904) 357-9100

Check the appropriate box below if the form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

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- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On October 11, 2007, Rayonier TRS Holdings Inc. (TRS), a wholly-owned subsidiary of Rayonier Inc. (Rayonier), entered into a purchase agreement (the Purchase Agreement), pursuant to which TRS sold an aggregate of \$300 million principal amount (including \$50 million principal amount pursuant to the purchasers' exercise of their overallotment option) of its 3.75% Senior Exchangeable Notes due 2012 (the Notes) to the several purchasers named in the Purchase Agreement (the Purchasers). A copy of the Purchase Agreement is attached hereto as Exhibit 4.1, is incorporated herein by reference, and is hereby filed. The description of the Purchase Agreement in this report is a summary and is qualified in its entirety by the terms of the Purchase Agreement.

On October 16, 2007, TRS and Rayonier entered into an indenture (the Indenture) among TRS, as issuer, Rayonier, as guarantor, and The Bank of New York Trust Company, N.A., as trustee, governing the Notes. A copy of the Indenture is attached hereto as Exhibit 4.2, is incorporated herein by reference and is hereby filed. The description of the Indenture in this report is a summary and is qualified in its entirety by the terms of the Indenture.

The Notes are fully and unconditionally guaranteed by Rayonier. The Notes are exchangeable into cash and, if applicable, shares of common stock of Rayonier (Rayonier Common Shares), based on an initial exchange rate of 18.2433 Rayonier Common Shares per \$1,000 principal amount of Notes (which is equal to an initial exchange price of approximately \$54.81 per share) subject to adjustment, during the 30 calendar days ending at the close of business on the business day immediately preceding the maturity date and prior thereto only under the following circumstances: (1) during any calendar quarter beginning after December 31, 2007 (and only during such calendar quarter), if the closing price per share of Rayonier Common Shares at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the then applicable exchange price per share; (2) during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the Notes for each day of the five trading day period was less than 98% of the product of the closing sale price per share of Rayonier Common Shares and the then applicable exchange rate per \$1,000 principal amount of the Notes; and (3) upon the occurrence of specified corporate transactions set forth in the Indenture. Upon exchange, a holder will receive an amount in cash based on a daily exchange value, calculated on a proportionate basis for each day of the 20 trading day reference period. If the exchange value exceeds the principal amount of the Note on the exchange date, Rayonier will also deliver Rayonier Common Shares for the exchange value in excess of \$1,000.

The Notes bear interest at a rate of 3.75% per year payable semiannually on each April 15 and October 15 of each year, beginning April 15, 2008. The Notes mature on October 15, 2012.

The holders of the Notes who exchange their Notes in connection with certain fundamental changes, as defined in the Indenture, may be entitled to a make-whole premium in

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the form of an increase in the exchange rate. Additionally, in the event of a fundamental change, the holders of the Notes may require TRS to purchase all or a portion of their Notes at a purchase price equal to 100% of the principal amount of Notes, plus accrued and unpaid interest, if any.

The Notes are TRS's unsubordinated unsecured obligations and rank equal in right of payment to all of TRS's other existing and future unsubordinated unsecured indebtedness. The Notes rank senior in right of payment to any future indebtedness of TRS that is expressly subordinated to the Notes. The Notes are effectively subordinated in right of payment to (i) any future secured indebtedness of Rayonier TRS, to the extent of the value of the collateral securing such obligation, and (ii) all indebtedness and liabilities (including trade credit) of the subsidiaries of TRS. Rayonier's guarantee of the Notes is unsecured and ranks equal in right of payment to all of Rayonier's other existing and future unsubordinated unsecured indebtedness. Rayonier's guarantee of the Notes ranks senior in right of payment to any future indebtedness of Rayonier that is expressly subordinated to the guarantee. The guarantee is effectively subordinated in right of payment to any future secured indebtedness of Rayonier, to the extent of the value of the collateral securing such obligation. The guarantee is effectively subordinated in right of payment to all indebtedness and liabilities (including trade credit) of the subsidiaries of Rayonier.

In connection with the sale of the Notes, TRS and Rayonier entered into a registration rights agreement, dated as of October 16, 2007, with Credit Suisse Securities (USA) LLC, as representative of the Purchasers named therein (the "Registration Rights Agreement"). Under the Registration Rights Agreement, TRS and Rayonier have agreed to (i) use their commercially reasonable efforts to file a shelf registration statement with respect to the resale of the Notes and Rayonier Common Shares issuable upon exchange of the Notes within 90 days after the closing of the offering of the Notes and (ii) use their commercially reasonable efforts to cause to become effective within 180 days after the closing of the offering of the Notes, a shelf registration statement with respect to the resale of the Notes and Rayonier Common Shares issuable upon exchange of the Notes. TRS and Rayonier will use their commercially reasonable efforts to keep the shelf registration statement effective until the earliest of (i) two years from the latest date of original issuance of the Notes; (ii) the date when the Notes and Rayonier Common Shares have been registered under the Securities Act; (iii) the date on which the Notes and the Rayonier Common Shares issuable upon exchange of the Notes may be sold by persons that are not affiliated with TRS or Rayonier pursuant to paragraph (k) of Rule 144 under the Securities Act; or (iv) the date on which all Notes and Rayonier Common Shares issuable upon exchange of the Notes cease to be outstanding. TRS and Rayonier will be required to pay liquidated damages, subject to some limitations, to the holders of the Notes if TRS and Rayonier fail to comply with their obligations to register the Notes and the Rayonier Common Shares issuable upon exchange of the Notes. A copy of the Registration Rights Agreement is attached hereto as Exhibit 4.3, is incorporated herein by reference, and is hereby filed. The description of the Registration Rights Agreement in this report is a summary and is qualified in its entirety by the terms of the Registration Rights Agreement.

In connection with the sale of the Notes, TRS entered into exchangeable note hedge transactions with respect to Rayonier Common Shares (the "Bond Hedge Transactions") with affiliates of Credit Suisse Securities (USA) LLC and J.P. Morgan Securities Inc., as dealers (the "Dealers").

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The Bond Hedge Transactions will cover, subject to customary anti-dilution adjustments, the net Rayonier Common Shares that would be deliverable to exchanging noteholders in the event of an exchange of the Notes. TRS paid an aggregate amount of approximately \$28 million of the net proceeds from the sale of the Notes for the cost of the Bond Hedge Transactions.

Copies of the note hedge confirmations relating to the Bond Hedge Transactions (the Bond Hedge Transaction Confirmations) are attached hereto as Exhibits 4.4 and 4.5, are incorporated herein by reference, and are hereby filed. The description of the Bond Hedge Transaction Confirmations in this report are a summary and are qualified in their entirety by the terms of the Bond Hedge Transaction Confirmations.

Rayonier also entered into separate warrant transactions whereby Rayonier has sold to the Dealers warrants to acquire, subject to customary anti-dilution adjustments, approximately 5,472,991 Rayonier Common Shares (the Warrants) at an exercise price of \$62.902 per share. On exercise of the Warrants, Rayonier has the option to deliver cash or Rayonier Common Shares equal to the difference between the then market price and strike price. Rayonier received aggregate proceeds of approximately \$17 million from the sale of the Warrants. Copies of the issuer warrant transaction confirmations (the Issuer Warrant Transaction Confirmations) and issuer warrant transaction amendments (the Issuer Warrant Transaction Amendments) relating to the Warrants are attached hereto as Exhibits 4.6, 4.7, 4.8 and 4.9, are incorporated herein by reference, and are hereby filed. The description of the Issuer Warrant Transaction Confirmations and Issuer Warrant Transaction Amendments in this report are summaries and are qualified in their entirety by the terms of the Issuer Warrant Transaction Confirmations and Issuer Warrant Transaction Amendments.

The Bond Hedge Transactions and Warrants are separate contracts entered into by each of TRS and Rayonier with the Dealers, are not part of the terms of the Notes and will not affect the noteholders' rights under the Notes. The Bond Hedge Transactions are expected to offset the potential dilution upon exchange of the Notes in the event that the market value per share of Rayonier Common Shares at the time of exercise is greater than the strike price of the Bond Hedge Transactions, which corresponds to the initial exchange price of the Notes and is simultaneously subject to certain customary adjustments.

If the market value per share of Rayonier Common Shares at the time of exchange of the Notes is above the strike price of the Bond Hedge Transactions, the Bond Hedge Transactions entitle Rayonier to receive from the Dealer net shares of Rayonier Common Shares (and cash for any fractional share cash amount), based on the excess of the then current market price of Rayonier Common Shares over the strike price of the Bond Hedge Transactions. Additionally, if the market price of Rayonier Common Shares at the time of exercise of the Warrants exceeds the strike price of the Warrants, TRS will owe the Dealers net shares of Rayonier Common Shares or cash, not offset by the Bond Hedge Transactions, in an amount based on the excess of the then current market price of Rayonier Common Shares over the strike price of the Warrants.

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ITEM 2.03. CREATION OF DIRECT FINANCIAL OBLIGATION OR OBLIGATION UNDER AN OFF-BALANCE SHEET
ARRANGEMENT OF A REGISTRANT

On October 16, 2006, TRS issued \$300 million aggregate principal amount of the Notes in reliance upon an exemption from the registration requirements under the Securities Act. On such date, Rayonier fully and unconditionally guaranteed TRS's obligations to pay the principal of, and interest on, the Notes. The Notes are governed by the Indenture.

Additional terms and conditions are contained in Item 1.01 and are incorporated herein by reference.

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ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES

On October 16, 2006, TRS sold an aggregate principal amount of \$300 million (including \$50 million principal amount pursuant to the Purchasers' exercise of their overallotment option) of the Notes to the several Purchasers named in the Purchase Agreement. The net proceeds from the offering were estimated to be \$294 million (after deducting the Purchasers' discount, but before other offering expenses). The Notes are fully and unconditionally guaranteed by Rayonier. TRS offered and sold the Notes to Purchasers in reliance on the exemption from the registration requirements under the Securities Act provided by Section 4(2) of the Securities Act. The Purchasers then sold the Notes to qualified institutional buyers pursuant to the exemption from registration provided by Rule 144A under the Securities Act.

In connection with the sale of the Notes, TRS entered into the Bond Hedge Transactions with affiliates of the Purchasers. The Bond Hedge Transactions will cover, subject to customary anti-dilution adjustments, the net Rayonier Common Shares that would be deliverable to exchanging noteholders in the event of an exchange of the Notes.

In connection with the sale of the Notes, Rayonier entered into separate warrant transactions whereby Rayonier has sold the Warrants to affiliates of certain of the Purchasers. On exercise of the Warrants, Rayonier has the option to deliver cash or Rayonier Common Shares equal to the difference between the then market price and strike price. The Warrants and the underlying Rayonier Common Shares issuable upon exercise of the Warrants have not been registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Rayonier previously has reported substantially the same information as required by this item under its Current Report on Form 8-K dated October 11, 2007.

This report on Form 8-K does not constitute an offer to sell, or a solicitation of an offer to buy, any security and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offering would be unlawful.

Additional terms and conditions are contained in Item 1.01 and are incorporated herein by reference.

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ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

| Exhibit No. | Item |
|--------------------|--|
| 4.1 | Purchase Agreement dated as of October 10, 2007 among Rayonier TRS Holdings Inc., Rayonier Inc. and Credit Suisse Securities (USA) LLC, as representative of the several purchasers named therein. |
| 4.2 | Indenture related to the 3.75% Senior Exchangeable Notes due 2012, dated as of October 16, 2007, among Rayonier TRS Holdings Inc., as issuer, Rayonier Inc., as guarantor, and The Bank of New York Trust Company, N.A., as trustee. |
| 4.3 | Registration Rights Agreement, dated October 16, 2007 among Rayonier TRS Holdings Inc., Rayonier Inc. and Credit Suisse Securities (USA) LLC, as representative of the several purchasers named therein. |
| 4.4 | Convertible Bond Hedge Transaction Confirmation, dated October 10, 2007 between Credit Suisse Capital LLC, as dealer, represented by Credit Suisse Securities (USA) LLC, as agent, and Rayonier TRS Holdings Inc. |
| 4.5 | Convertible Bond Hedge Transaction Confirmation, dated October 10, 2007 between JP Morgan Chase Bank, National Association, London Branch and Rayonier TRS Holdings Inc. |
| 4.6 | Issuer Warrant Transaction Confirmation dated October 10, 2007 between Credit Suisse Capital LLC, as dealer, represented by Credit Suisse Securities (USA) LLC, as agent, and Rayonier Inc. |
| 4.7 | Issuer Warrant Transaction Confirmation dated October 10, 2007 between JPMorgan Chase Bank, National Association, London Branch, as dealer, and Rayonier Inc. |
| 4.8 | Issuer Warrant Transaction Amendment dated October 15, 2007 between Rayonier Inc. and Credit Suisse Capital LLC, as dealer, represented by Credit Suisse Securities (USA) LLC, as agent. |
| 4.9 | Issuer Warrant Transaction Amendment dated October 15, 2007 between Rayonier Inc. and JPMorgan Chase Bank, National Association, London Branch, as dealer. |

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SIGNATURE

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

RAYONIER INC. (Registrant)

BY: /s/ HANS E. VANDEN NOORT
Hans E. Vanden Noort
Senior Vice President and Chief Financial Officer

October 17, 2007

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