

RAYONIER INC  
Form 11-K  
June 28, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 11-K

(Mark One):

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

For the year ended December 31, 2010

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 1-6780

RAYONIER INC. - FERNANDINA MILL  
SAVINGS PLAN FOR HOURLY EMPLOYEES

RAYONIER INC.  
1301 Riverplace Boulevard  
Jacksonville, Florida 32207  
Telephone Number: (904) 357-9100  
(Principal Executive Office)  
(Name and address of Issuer of the securities held pursuant to the Plan)

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RAYONIER INC. - FERNANDINA MILL  
SAVINGS PLAN FOR HOURLY EMPLOYEES  
AS OF DECEMBER 31, 2010 AND 2009  
AND FOR THE YEAR ENDED DECEMBER 31, 2010  
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Note: Other schedules required by Section 2520.103 - 10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and the Pension and Savings Plan Committee of the  
Rayonier, Inc. - Fernandina Mill Savings Plan for Hourly Employees  
Jacksonville, Florida

We have audited the accompanying statements of net assets available for benefits of the Rayonier, Inc. - Fernandina Mill Savings Plan for Hourly Employees (the "Plan") as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2010, and the schedule of reportable transactions for the year ended December 31, 2010, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

/s/ ENNIS, PELLUM & ASSOCIATES, P.A.

Ennis, Pellum & Associates, P.A.  
Certified Public Accountants  
Jacksonville, Florida  
June 28, 2011

RAYONIER INC. - FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES  
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
 AS OF DECEMBER 31,

	2010	2009
<b>ASSETS</b>		
Investments, at fair value (Notes 2, 3 and 4)	\$8,335,098	\$7,040,840
Receivables:		
Notes receivable from participants	160,665	—
Accrued interest and dividends	349	178
Employer contributions	5,938	1,508
Participant contributions	13,314	7,594
Total receivables	180,266	9,280
<b>NET ASSETS AVAILABLE FOR BENEFITS, BEFORE ADJUSTMENT</b>	<b>8,515,364</b>	<b>7,050,120</b>
Adjustment from fair value to contract value for fully benefit-responsive investment contracts (Note 2)	(368,512	) (234,669
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$8,146,852</b>	<b>\$6,815,451</b>

The accompanying notes are an integral part of these financial statements.

RAYONIER INC. - FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 FOR THE YEAR ENDED DECEMBER 31,

ADDITIONS TO NET ASSETS:	2010	
Net appreciation in fair value of investments (Note 4)	\$612,237	
Interest and dividends (Note 5)	189,252	
Interest on notes receivable from participants	1,300	
Employer contributions	209,369	
Participant contributions	820,022	
	1,832,180	
DEDUCTIONS FROM NET ASSETS:		
Distributions to participants	(485,777	)
Net increase	1,346,403	
Transfers of assets from this plan (Note 1)	(15,002	)
Net assets available for benefits:		
Beginning of year	6,815,451	
End of year	\$8,146,852	

The accompanying notes are an integral part of these financial statements.

RAYONIER INC. - FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS

1. Description of the Plan

The following brief description of the Rayonier Inc. - Fernandina Mill Savings Plan for Hourly Employees (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all full-time, hourly-paid, bargaining unit employees of the Fernandina mill of Rayonier Inc. ("Sponsor" or the "Company"). Certain part-time employees at the Fernandina mill are also eligible to participate in the Plan. Eligible full-time employees may join the Plan on the first day of the month following 120 days of service. A part-time employee is eligible for participation upon completion of 1,000 hours of service in a consecutive twelve-month period of employment measured from the date on which such employee's service commences. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Massachusetts Mutual Life Insurance Company ("MassMutual") serves as the custodian and record keeper of the Plan, and maintains and administers the Plan's investment assets for the benefit of participants. The trust forming part of the Plan (the "Trust") maintains the Plan's investment in the Rayonier Inc. Common Stock Fund and is administered by State Street Corporation ("State Street").

Subsequent Event

Effective June 3, 2011, Reliance Trust Company replaced State Street as Trustee.

Contributions

Each year, a participant may contribute to the Plan contributions from one percent to sixteen percent of eligible compensation, in one percent increments. Contributions may be made on a before-tax basis, after-tax basis, or a combination thereof.

Each year, the Company makes a matching contribution equal to 50 percent of the first six percent of contributions contributed each pay period by a participant. The Company's total annual matching contribution was limited to \$950 and \$900 per participant for the years ended December 31, 2010 and 2009, respectively. Matching Company contributions are initially invested in the Rayonier Inc. Common Stock Fund. Participants can elect to transfer all or part of their total account balance into any available investment under the Plan at any time.

The Company closed enrollment in its pension plans to new employees hired after April 2006. Effective May 2006, employees hired after April 2006 are automatically enrolled in this Plan and receive annually an enhanced contribution in accordance with the collective bargaining agreement.

Each year participants may contribute up to the maximum allowed by the Internal Revenue Code ("IRC"). In addition, the Plan allows for "catch-up" contributions by participants age 50 years and older as of the end of the Plan year. The Plan also permits rollover contributions from other qualified plans into the Plan.

Participant Accounts

Each participant's account is credited with the participant's contribution and the related Company contribution. Plan earnings and losses are allocated to participant accounts based upon account balances.

Vesting

Participants are immediately fully vested in their contributions plus actual earnings thereon at all times. Participants vest in the Company's contributions at a rate of 20 percent per year of service; full vesting occurs after five years of service.

Forfeitures

Forfeited non-vested accounts may be used to reduce future employer contributions or to pay for administrative expenses related to the Plan. Total forfeitures were \$3,461 for the year ended December 31, 2010. During 2010,



RAYONIER INC. - FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS

forfeitures of \$1,974 were utilized to reduce employer contributions. An insignificant amount of interest income is earned on the funds held in this account. At December 31, 2010 and 2009, the balance in forfeited, non-vested accounts totaled \$3,397 and \$1,848, respectively, and remains available in the Mass Mutual Fixed Income Fund ("MassMutual GIA").

#### Transfers

The Company maintains several defined contribution plans for its employees depending upon their employment status. If a participant transfers into a different plan during the year, the participant can elect to transfer their account balance into the corresponding plan. The transfer would be included in a "Transfers of assets" line on the Statement of Changes in Net Assets Available for Benefits.

#### Investment Options

Participants direct the investment of their contributions into various investment options offered by the Plan, as listed in the accompanying schedule of assets held at end of year.

Participants may elect to invest in the Rayonier Inc. Common Stock Fund but are prohibited from transferring into most investment options if they have transferred into and out of the same option within the previous 60 days. The MassMutual GIA is not subject to this rule nor does this rule prohibit participants from transferring out of any option at any time.

#### Notes Receivable from Participants

Effective October 2010, participant loans were made available. Participants may borrow a minimum of \$1,000 from their fund accounts. Loan amounts may not exceed the lesser of (a) 50 percent of the participant's vested balance or (b) \$50,000 reduced by the participant's highest outstanding loan balance, if any, during the prior one-year period. Loan terms range from one to five years or up to fifteen years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at prime rate plus one percent. Principal and interest are paid ratably through bi-weekly payroll deductions. Loan transactions are treated as transfers between the investment funds and the loan fund.

#### Payment of Benefits and Withdrawals

Plan benefits are payable to participants at the time of termination or retirement (including early retirement), in the case of becoming permanently and totally disabled, or to their beneficiaries in the event of death, and are based on the fully vested balance of their accounts. Alternatively, a participant may elect to defer distribution until April 1 of the year following the participant's attainment of age 70-1/2, provided the participant's vested account balance exceeds \$1,000. The participant may elect to receive one lump-sum payment or a series of benefit payments based on annual, semi-annual, quarterly, or monthly installments, generally over a period not to exceed twenty years.

Withdrawals of any amount may be made from the participant's after-tax account balance in excess of a prescribed minimum. Withdrawals from before-tax account balances are allowable before attaining the age of 59-1/2 in the case of death, permanent and total disability, or financial hardship. Existence of financial hardship is determined by Internal Revenue Service ("IRS") criteria.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting

The accompanying financial statements of the Plan are prepared under the accrual method of accounting.

### New or Recently Adopted Accounting Pronouncements

In September 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2010-25 which requires that participant loans be classified as notes receivable from participants and measured at their unpaid principal balance plus any accrued but unpaid interest. The amendments are effective for fiscal years ending after December 15, 2010. The Company's application of this guidance had no effect on the Statement of Changes





RAYONIER INC. - FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES  
 NOTES TO FINANCIAL STATEMENTS

in Net Assets Available for Benefits for the year ended December 31, 2010. The Statement of Net Assets Available for Benefits as of December 31, 2010 has segregated the notes receivable from plan participants from the investments measured at fair value.

Use of Estimates

The preparation of the financial statements requires the use of certain estimates in determining the reported amount of assets and liabilities at the date of the financial statements and the reported amount of contributions, earnings, distributions and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fully benefit-responsive investment contracts such as those held by the MassMutual GIA, are required to be reported at fair value pursuant to generally accepted accounting principles. However, contract value (generally equal to historical cost plus accrued interest) is the relevant measure for fully benefit-responsive investment contracts because it represents the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the accounting standard, all Plan investments are presented at fair value in the Statements of Net Assets Available for Benefits and an adjustment is made to revalue the fair value of the MassMutual GIA to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis. The guaranteed interest rate was 3.50 percent as of December 31, 2010 and 2009. The guaranteed interest rate is determined every six months.

The following table represents the annual interest credited to the account as a percentage of the average annual fair value of the MassMutual GIA:

Average yields	December 31,			
	2010		2009	
Based on actual earnings	3.25	%	3.57	%
Based on interest rate credited to participants	3.25	%	3.57	%

Purchases and sales of securities are recorded on a trade-date basis. Interest income and dividends are recorded on the accrual basis. See Note 3 - Fair Value Measurements below for additional information.

Notes Receivable from Participants

Participant loans are recorded as "Notes receivable from participants" and measured at their unpaid principal balance plus any accrued but unpaid interest in the Statements of Net Assets Available for Benefits as of December 31, 2010 and 2009. Delinquent participant loans are reclassified as distributions based upon the terms of the plan documents.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

Payment of Benefits

Benefits are recorded when paid.

Operating Expenses

Certain expenses of maintaining the Plan are paid by the Sponsor. Fees charged by the individual funds and



RAYONIER INC. - FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS

participant specific expenses are deducted from the participant's balance and reflected as a component of net gain from investment in plan assets.

### 3. Fair Value Measurements

Financial assets and liabilities disclosed in the financial statements on a recurring basis are recorded at fair value. 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. The guidance establishes a three-level hierarchy that prioritizes the inputs used to measure fair value as follows:

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

Level 2 - Observable inputs other than quoted prices included in Level 1, 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.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value, as of December 31, 2010:

Asset Category	Level 1	Level 2	Level 3	Total
MassMutual GIA	\$—	\$—	\$4,223,647	\$4,223,647
Rayonier Inc. Common Stock Fund	1,718,120	—	—	1,718,120
Pooled Separate Investment Accounts				—
Large Cap Equity	—	1,635,450	—	1,635,450
Asset Allocation/Retirement	—	426,955	—	426,955
Small Cap Equity	—	184,607	—	184,607
International Equity	—	103,124	—	103,124
Mid Cap Equity	—	38,945	—	38,945
Intermediate Term Bond	—	4,250	—	4,250
Investments at Fair Value	\$1,718,120	\$2,393,331	\$4,223,647	\$8,335,098

RAYONIER INC. - FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value, as of December 31, 2009:

Asset Category	Level 1	Level 2	Level 3	Total
MassMutual GIA	\$—	\$—	\$3,495,767	\$3,495,767
Rayonier Inc. Common Stock Fund	1,429,473	—	—	1,429,473
Pooled Separate Investment Accounts				
Large Cap Equity	—	1,665,799	—	1,665,799
Asset Allocation/Retirement	—	239,457	—	239,457
International Equity	—	133,028	—	133,028
Small Cap Equity	—	77,316	—	77,316
Investments at Fair Value	\$1,429,473	\$2,115,600	\$3,495,767	\$7,040,840

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended December 31, 2010.

Level 1 - Rayonier Inc. Common Stock Fund - fair value measured using the unit value calculated from observable market values of the stock plus short-term investment fund.

Level 2 - MassMutual Pooled Separate Investment Accounts - fair value measured using unit value calculated from the net assets of the underlying pool of securities.

Level 3 - MassMutual GIA - fair value measured using liquidation value based on an actuarial formula as defined under the terms of the contract.

Changes in the fair value of the Plan's Level 3 assets during the year ended December 31, 2010 were as follows:

	Level 3 Assets
	MassMutual GIA
Balance, beginning of the year	\$3,495,767
Interest Income	137,809
Change in fair value of fully benefit-responsive investment contract	77,060
Purchases, (issuances), and (settlements)	513,011
Balance, end of year	\$4,223,647



RAYONIER INC. - FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS

#### 4. Investments

The investments that represented five percent or more of the Plan's Net Assets Available for Benefits as of December 31, were as follows:

	2010	2009
MassMutual GIA	\$4,223,647	\$3,495,767
American Growth America Fund	1,560,612	—
American Century Equity Growth Fund	—	1,586,213
Rayonier Inc. Common Stock Fund	1,718,120	1,429,473

During 2010, the net appreciation in the fair value of investments held by the Plan (including gains and losses on investments bought, sold and held during the year) was as follows:

Rayonier Inc. Common Stock Fund	\$341,782
Pooled Separate Investment Accounts	270,455
Net Appreciation in Fair Value of Investments	\$612,237

#### 5. Dividends

The Plan received regular cash dividends of \$2.04 per share on Rayonier Inc. stock owned, totaling \$63,723 for the year ended December 31, 2010.

#### 6. Party-in-Interest Transactions

Certain Plan investments are in Rayonier Inc. common stock. As Rayonier Inc. is the Sponsor, these transactions also qualify as party-in-interest transactions. At December 31, 2010 and 2009, the Plan held 30,086 and 32,361 shares of Rayonier Inc. common stock, respectively, which represented 0.04 percent and 0.04 percent, respectively, of the total shares outstanding. In addition, the Plan Sponsor paid certain plan expenses totaling \$50,169.

#### 7. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

#### 8. Tax Status

In January 2011, the IRS informed the Plan Administrator by letter that the Plan is qualified under Section 401(a) of the IRC. Although the Plan has been amended since filing the determination letter, the Plan Administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The plan is subject to routine audits by taxing jurisdictions. However, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

RAYONIER INC. - FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES  
 NOTES TO FINANCIAL STATEMENTS

9. Reconciliation of Financial Statements to Form 5500:

The following table is a reconciliation of net assets available for benefits according to the financial statements as compared to Form 5500 as of December 31, 2009. No reconciliation is required for financial statements as of December 31, 2010, as the statements match Form 5500 for that period.

	2009	
Net assets available for benefits per the financial statements	\$6,815,451	
Less: Contributions receivable at December 31, 2009	(9,101	)
Net assets available for benefits per Form 5500	\$6,806,350	



## RAYONIER INC. – FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES

## SCHEDULE H, LINE 4i: SCHEDULE OF ASSETS (HELD AT END OF YEAR)

AS OF DECEMBER 31, 2010

PLAN NUMBER 034

EMPLOYER IDENTIFICATION NUMBER 13-2607329

Identity of Issue	Description	Current Value
* MassMutual GIA	Stable Value	\$4,223,647
* Rayonier Inc. Common Stock Fund	Company Stock	1,718,120
* American Growth America	Large Cap Growth	1,560,612
* WF Advantage Dow Jones Target Today	Asset Allocation/Lifecycle	217,038
* WF Advantage Dow Jones Target 2035	Asset Allocation/Lifecycle	130,841
* Select Small Company Value	Small Cap Value	103,396
* Invesco Van Kampen Small Cap Growth	Small Cap Growth	81,211
* American Europacific Growth	International/Global Large Core	75,642
* Select Indexed Equity	Large Cap Core	74,590
* WF Advantage Dow Jones Target 2025	Asset Allocation/Lifecycle	47,332
* Northern Mid Cap Index	Mid Cap Core	38,945
* Oppenheimer Developing Markets	Emerging Markets Equity	27,317
* WF Advantage Dow Jones Target 2045	Asset Allocation/Lifecycle	24,587
* WF Advantage Dow Jones Target 2015	Asset Allocation/Lifecycle	7,157
* Select PIMCO Total Return	Intermediate Term Bond	4,250
* Eaton Vance Large Cap Value	Large Cap Value	248
* Northern International Equity Index	International/Global Large Core	165
* Notes Receivable from Participants (a)	Participant Loans	160,665
		\$8,495,763

(a) The loans bear fixed interest rates of 4.25 percent with maturities through April 21, 2026.

Note: Investments are participant directed, thus cost information is not required.

\* Denotes party-in-interest transaction.

See report of independent registered public accounting firm.

RAYONIER INC. – FERNANDINA MILL SAVINGS PLAN FOR HOURLY EMPLOYEES

SCHEDULE H, LINE 4j: SCHEDULE OF REPORTABLE TRANSACTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 PLAN NUMBER 034  
 EMPLOYER IDENTIFICATION NUMBER 13-2607329

Identity of party involved	Description of asset	Purchase price	Selling price	Lease rental	Expense incurred with transaction	Cost of asset	Current value of asset on transaction date	Net gain
Mass Mutual	American Growth America	\$1,460,469	\$—	\$—	\$—	\$—	\$—	\$—
Mass Mutual	American Century Equity Growth	—	1,460,469	—	—	1,327,737	1,460,469	132,732

See report of independent registered public accounting firm.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Pension and Savings Plan Committee for the Rayonier Inc. - Fernandina Mill Savings Plan for Hourly Employees has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Rayonier Inc. - Fernandina Mill Savings Plan for Hourly Employees  
(Name of Plan)

/s/ W. EDWIN FRAZIER, III

W. Edwin Frazier, III

Plan Administrator

June 28, 2011