

RAYONIER INC
Form 10-K
February 28, 2014
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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, 2013

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.
Incorporated in the State of North Carolina
I.R.S. Employer Identification No. 13-2607329
1301 RIVERPLACE BOULEVARD
JACKSONVILLE, FL 32207

(Principal Executive Office)
Telephone Number: (904) 357-9100
Securities registered pursuant to Section 12(b) of the Exchange Act,
all of which are registered on the New York Stock Exchange:

Common Shares
Securities registered pursuant to Section 12(g) of the Act: None
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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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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, 2013 was \$6,925,214,692 based on the closing sale price as reported on the New York Stock Exchange.

As of February 21, 2014, there were outstanding 126,435,173 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 2014 annual meeting of the shareholders of the registrant scheduled to be held May 15, 2014, are incorporated by reference in Part III hereof.

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

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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” 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 earnings guidance, if any, business and market conditions, outlook and other similar statements relating to Rayonier’s future events, developments, or financial or operational performance or results, are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as “may,” “will,” “should,” “expect,” “estimate,” “believe,” “intend,” “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, among others, could cause actual results or events to differ materially from the Company’s historical experience and those expressed in forward-looking statements made in this document.

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

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

Item 1. BUSINESS

General

We are a leading international forest products company primarily engaged in activities associated with timberland management, the sale and entitlement of real estate, and the production and sale of high value specialty cellulose fibers. We believe that Rayonier is the eighth largest private timberland owner in the U.S. We own or lease approximately 2.6 million acres of timberland and real estate located in the United States and New Zealand. Included in this property are approximately 200,000 acres of high value real estate located primarily along the coastal corridor from Savannah, Georgia to Daytona Beach, Florida. We own and operate two specialty cellulose mills in the United States. In addition, we engage in the trading of logs.

We originated as the Rainier Pulp & Paper Company founded in Shelton, Washington in 1926. In 1937, we became “Rayonier Incorporated,” a public company traded on the New York Stock Exchange (“NYSE”), until 1968 when we became a wholly-owned subsidiary of ITT Corporation (“ITT”). On February 28, 1994, Rayonier again became an independent public company after ITT distributed all of Rayonier’s Common Shares to ITT stockholders. Our shares are publicly traded on the NYSE under the symbol RYN. We are a North Carolina corporation with executive offices located at 1301 Riverplace Boulevard, Jacksonville, Florida 32207. Our telephone number is (904) 357-9100.

The Company is a real estate investment trust (“REIT”). Under this structure, we are generally not required to pay 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. The Company and its board of directors closely monitor compliance with these REIT tests. As of December 31, 2013 and as of the date of the filing of this Annual Report on Form 10-K, the Company is in compliance with all REIT tests.

Our U.S. and New Zealand timber operations are primarily conducted by our wholly-owned and majority-owned REIT subsidiaries, respectively. Our non-REIT qualifying operations, which are subject to corporate-level tax, are held by our wholly-owned taxable REIT subsidiary, Rayonier TRS Holdings Inc. (“TRS”). These operations include our Performance Fibers and trading businesses, as well as the sale and entitlement of development higher and better use (“HBU”) properties.

For information on sales, operating income and identifiable assets by reportable segment and geographic region, see Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 5 — Segment and Geographical Information.

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Our corporate strategy has been to:

Increase the size and quality of our timberland holdings through timberland acquisitions while selling timberlands that no longer meet our strategic or financial return requirements. In 2013, we purchased an additional 39 percent interest in Matariki Forestry Group, a joint venture (“New Zealand JV”) that owns or leases approximately 0.3 million acres of New Zealand timberlands. We also sold our New York timberland holdings (128,000 acres) in 2013 to further focus our portfolio on core regions.

Extract maximum value from our HBU properties. This includes monetizing entitled properties for residential and industrial development including mega-site certified industrial and commercial properties and maintaining our rural HBU sales program for conservation, residential, recreation and industrial uses.

Strengthen our cellulose specialties position through expanded growth and diversification. We differentiate ourselves through technically superior products and research and development. We are focused on achieving operational excellence measured by cost-effective, reliable operation of our mills while consistently producing the high-quality, high-value cellulose critical to our customers. The \$385 million cellulose specialties expansion (“CSE”) project was completed in June 2013 which added approximately 190,000 metric tons of cellulose specialties capacity at our Jesup, Georgia mill bringing total cellulose specialties capacity to approximately 675,000 metric tons.

In January 2014, we announced the planned separation of our Performance Fibers business from the Forest Resources and Real Estate businesses. The separation is subject to a number of conditions including final Board approval, receipt of a favorable private letter ruling from the Internal Revenue Service (“IRS”) and effectiveness of a registration statement on Form 10. The Performance Fibers business is expected to be an independently traded company listed on the New York Stock exchange in mid-2014.

Forest Resources

Our Forest Resources segment owns or leases approximately 2.5 million acres of timberlands, and sells standing timber (primarily at auction to third parties) and delivered logs. We also generate non-timber income from other land related activities. See chart in Item 2 — Properties for additional information.

In April 2013, Rayonier acquired an additional 39 percent interest in the New Zealand JV, bringing our total ownership to 65 percent. As a result, 100 percent of the New Zealand JV’s results of operations have been consolidated and included with the Forest Resources segment. The New Zealand JV owns or leases 0.3 million acres of New Zealand timberlands, primarily consisting of radiata pine. Approximately 45 percent of these acres are owned by the New Zealand JV, and the remaining timberlands are leased through long-term arrangements including Crown Forest Licenses. Rayonier’s wholly owned subsidiary, Rayonier New Zealand Limited (“RNZ”) continues to serve as the manager of the New Zealand JV forests. For additional information, see Note 4 — Joint Venture Investment.

In 2013, we acquired approximately 17,000 acres of U.S. timberlands located in the Atlantic and Gulf States regions. Additionally, we sold 128,000 acres of New York timberlands to focus our portfolio in core regions and completed the sale of 21,000 acres of non-strategic timberlands in the Southeast. See Note 8 — Timberland Acquisitions for additional information about our timberland acquisitions.

Our Atlantic U.S. timberland holdings consist of approximately 1.1 million acres. Approximately two-thirds of this land supports intensively managed plantations of predominantly slash pine and loblolly pine. The other third of this land is too wet to support pine plantations, but supports productive natural stands of slash pine, cypress, black gum, water oaks, red maple, sweetgum and other commercial hardwood species.

Our Gulf States U.S. timberland holdings consist of approximately 0.7 million acres. Approximately four-fifths of this land supports pine plantations of predominantly loblolly pine. The other one-fifth of this land is too wet or too steep to support pine plantations, but supports productive natural stands of loblolly pine, water oaks, black gum, sweetgum and other commercial hardwood species.

Our Northern U.S. timberland holdings are located in the state of Washington and consist of approximately 0.4 million acres. These timberlands consist primarily of second and third growth western-hemlock, Douglas-fir, Sitka

spruce, and western red cedar. Approximately 86 percent of the merchantable volume of the Washington timberlands is western-hemlock and Douglas-fir. A small percentage of the Washington timberlands consists of natural hardwood stands of predominantly red alder.

In the Atlantic and Gulf regions, rotation ages range from 21 to 28 years for pine plantations and from 35 to 60 years for natural hardwood stands. End use markets for these timberlands include pulp, paper, wood products and biomass facilities. In the Northern region, rotation ages range from 35 to 50 years, with the primary product being sawtimber. In New Zealand, rotation

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ages range from 26 to 32 years for radiata pine. The majority of the harvested logs supply pulp, panel and lumber mills located in New Zealand with the remainder exported as logs into Asian markets.

Merchantable timber inventory is an estimate of timber volume based on the earliest economically harvestable age. Estimates are based on an inventory system that involves periodic statistical sampling. Adjustments are made on the basis of growth estimates, harvest information and environmental restrictions. The merchantable age (age at which timber moves from pre-merchantable to merchantable) is 15 years for the Atlantic and Gulf regions excluding Oklahoma, 17 years for Oklahoma, 35 years for the Northern region and 20 years for radiata pine in New Zealand. Timber located in restricted or environmentally sensitive areas is not included in the merchantable inventory shown below.

The following table sets forth the estimated volumes of merchantable timber by location and type, as of December 31, 2013 (in thousands of short green tons):

Location	Softwood	Hardwood	Total	%
Atlantic	24,379	12,742	37,121	42
Gulf	20,103	8,431	28,534	32
Northern	8,489	608	9,097	10
New Zealand	13,251	541	13,792	16
			88,544	100

We manage our U.S. timberlands in accordance with the requirements of the Sustainable Forestry Initiative® (“SFI”) program, a comprehensive system of environmental principles, objectives and performance measures that combines 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 optimizes 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 timber and overall forest health. In addition, non-timber income opportunities associated with our timberlands such as recreational licenses and specialty forest products, as well as considerations for the future higher and better uses of the land, are integral parts of our site-specific management philosophy. All these activities are designed to maximize value while complying with SFI requirements.

Our New Zealand JV’s timberland holdings are certified under the Forest Stewardship Certification® (“FSC”) program. FSC provides an internationally recognized standard for responsible forest management.

Real Estate

Our Real Estate subsidiary owns approximately 0.1 million acres of land. We segregate our real estate holdings into three groups: development HBU, rural HBU (including conservation properties) and non-strategic timberlands. Development properties are predominantly located in the 11 coastal counties between Savannah, Georgia and Daytona Beach, Florida. Our strategy is to monetize selected development properties, to sell rural properties at a premium to timberland values and to divest non-strategic timberland holdings.

Performance Fibers

We are the leading global producer of high-value cellulose, a natural polymer, used as a raw material to manufacture a broad range of consumer-oriented products such as cigarette filters, liquid crystal displays, impact-resistant plastics, thickeners for food products, pharmaceuticals, cosmetics, high-tenacity rayon yarn for tires and industrial hoses, food casings, paints and lacquers. Purified cellulose is an organic material primarily derived from either wood or cotton and sold as cellulose specialties or commodity viscose, depending on its purity level. Cellulose specialties typically contain over 95 percent cellulose, while commodity viscose typically contains less than 95 percent cellulose. Cellulose specialties generally command a price premium, earn higher margins and benefit from greater demand stability through the economic cycle relative to commodity viscose.

Our cellulose specialties require high levels of purity and process knowledge, and are custom engineered and manufactured to customers’ exacting specifications. Our customers (primarily specialty chemical companies) place a high premium on products that have great impact in terms of form, function and composition as they modify our fibers through various chemical reactions, which require high purity and uniformity for efficient production. As a result,

cellulose specialties require a stringent qualification process as any inconsistencies in purity and/or uniformity can result in negative and costly consequences to our customers.

Our production facilities are located in Jesup, Georgia, and Fernandina Beach, Florida. The Jesup mill can produce approximately 520,000 metric tons of cellulose specialties annually, or approximately 77 percent of our total capacity. The Fernandina Beach mill can produce approximately 155,000 metric tons of cellulose specialties annually, or approximately 23

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percent of our total capacity. Combined, these facilities manufacture more than 25 different grades of purified cellulose. Production capacity represents the nameplate, or rated, capacities at each mill.

Historically, about one-third of our production was absorbent materials, a commodity product mainly used in disposable baby diapers, feminine hygiene products, incontinence pads, convalescent bed pads, industrial towels and wipes, and non-woven fabrics. In May 2011, our board of directors approved a capital project to convert our absorbent material production line located in the Jesup mill to cellulose specialties. The decision was based on increased demand from our customers for high-value cellulose specialties and our desire to exit commodity-like product lines.

Management believes this conversion positions us as the only fully dedicated supplier of cellulose specialties. The CSE project cost \$385 million and converted approximately 260,000 metric tons of absorbent materials capacity into approximately 190,000 metric tons of cellulose specialties capacity. The project was completed in June 2013, after significant modifications to the production line and increased capacity of ancillary systems.

In July 2013, we restarted the converted production line and began the qualification process for the line's production with our customers. One key customer has now approved commercial shipments and others are near completion. We expect all customers to complete the qualification process in the first half of 2014. Beginning in the third quarter of 2013, we began producing viscose and commodity grades. Commodity viscose is a dissolving wood pulp used primarily in the manufacture of textiles. As cellulose specialties demand grows over the next several years, we expect to increase our sales of cellulose specialties and complete the transition to a dedicated cellulose specialties supplier. Approximately 58 percent of Performance Fibers sales are exported, primarily to customers in Asia and Europe. We have long-term volume contracts with most of the world's cellulose specialties-based product manufacturers, representing a significant majority of our cellulose specialties production.

In January 2014, we announced the planned separation of our Performance Fibers business from the Forest Resources and Real Estate businesses. The separation will result in two independent, publicly-traded companies by means of a tax-free spin-off of the Performance Fibers business to Rayonier shareholders. The separation, which is subject to a number of conditions including final Board approval, receipt of a favorable private letter ruling from the IRS and effectiveness of a registration statement on Form 10, is expected to be completed in mid-2014.

Other

The primary business of our Other segment is trading logs.

Discontinued Operations and Dispositions

In March 2013, the Company sold its Wood Products business to International Forest Products Limited for \$80 million plus a working capital adjustment. The sale is consistent with our strategic plan to fully position our manufacturing operations in the specialty chemical sector. The results of operations of the Wood Products segment are shown as discontinued operations for all periods presented. See Note 3 — Sale of Wood Products Business for additional information.

Included in the Consolidated Balance Sheets are environmental liabilities relating to prior dispositions and discontinued operations, which include our Port Angeles, Washington Performance Fibers mill that was closed in 1997; our wholly-owned subsidiary, Southern Wood Piedmont Company ("SWP"), which ceased operations other than environmental investigation and remediation activities in 1989; and other miscellaneous assets held for disposition. SWP owns or has liability for nine inactive former wood treating sites that are subject to the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and/or other similar federal or state statutes relating to the investigation and remediation of environmentally-impacted sites. We classify environmental remediation activities related to SWP as discontinued operations in the Consolidated Statements of Income and Comprehensive Income. See Note 17 — Liabilities for Dispositions and Discontinued Operations for additional information.

Foreign Sales and Operations

Sales from non-U.S. operations comprised approximately 16 percent of consolidated 2013 sales. See Note 5 — Segment and Geographical Information for additional information.

Intellectual Property

We own numerous patents, trademarks and trade secrets, and have developed significant know-how, particularly relating to the production of purified cellulose in our Performance Fibers business. We intend to continue taking steps as necessary to protect our intellectual property, including, when appropriate, filing patent applications for inventions that are deemed important to our operations. Our U.S. patents generally have a duration of 20 years from the date of filing.

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Competition

Timber

Timber markets in our Atlantic, Gulf and Northern regions are relatively fragmented. In the Atlantic and Gulf regions, we compete with Plum Creek Timber Company, Weyerhaeuser and Timberland Investment Management Organizations such as Hancock Timber Resource Group, Resource Management Services, Forest Investment Associates and The Campbell Group, as well as numerous other large and small privately held timber companies. In the Northern region, Weyerhaeuser, Hancock Timber Resource Group, Green Diamond Resource Company, The Campbell Group, Port Blakely Tree Farms, Pope Resources, the State of Washington Department of Natural Resources and the Bureau of Indian Affairs are significant competitors. Other competition in the Northern region consists of log imports from Canada. In all markets, price is the principal method of competition.

In New Zealand there are four major private timberland owners, Hancock Natural Resources Group, Kaingaroa Timberlands, Matariki Forests (our New Zealand JV) and Ernslaw One. These owners account for approximately 37 percent of New Zealand planted forests. The New Zealand JV competes with these and other smaller New Zealand timber companies for supply into New Zealand domestic and export markets, predominantly China and Korea. Logs supplied into Asian markets compete with supply from both Russia and North American suppliers.

Performance Fibers

Potential entrants to the cellulose specialties business face considerable challenges. Significant intellectual property, technical expertise, research and development capabilities and experience are needed to design the customized fibers and then manufacture them to exacting customer specifications. Qualification time is often lengthy, extending six to nine months. Resulting customer relationships are typically long term, based on a deep understanding of customer production processes and the technical expertise to problem solve production issues and support new product development. A substantial investment is needed to establish a production line and to obtain required production technologies. Additionally, significant capital and maintenance expenditures are required annually to ensure the facilities operate reliably.

Cellulose Specialties

Product performance, technical service and price are principal methods of competition in cellulose specialties. Product performance is primarily determined by the purity and uniformity of the cellulose specialties. We are able to produce the greatest breadth of high-value, uniform cellulose specialties through our diverse manufacturing processes, sources of wood cellulose fibers and our proprietary processes.

We compete with both domestic and foreign producers in cellulose specialties. Principal competitors include Buckeye Technologies, Inc., Borregaard and Sateri Holdings Ltd. We also compete against Tembec, Inc., Neucel Specialty Cellulose Ltd, Sappi Ltd, Cosmo Specialty Fibers, Inc., and Aditya Birla Group in limited applications. Some competitors use both wood and to a small extent cotton linter fibers as a source for cellulose fibers. Although cotton linter fibers can be a higher purity source of cellulose, the variability of their fiber structure and limited availability negatively impact their ability to be a reliable substitute product.

Global production capacity for cellulose specialties has recently increased. In addition to our CSE project which added approximately 190,000 metric tons of cellulose specialties capacity, a few competitors have announced capacity expansions. Buckeye Technologies recently completed a project to increase its cellulose specialties capacity by approximately 40,000 metric tons at its Perry, Florida operation. Tembec, Inc. announced plans to increase capacity by 15,000 metric tons. These additional cellulose specialties capacities did not adversely affect our 2013 results.

Commodity Viscose

The principal method of competition in commodity viscose is price, as purity and uniformity are less critical differentiators. We compete with both domestic and foreign producers in commodity viscose. There are approximately 42 competitors that derive their commodity viscose from wood and 17 competitors that derive their commodity viscose from cotton linters. Although cellulose specialties can generally be sold to meet commodity viscose demand, the opposite is typically not true for commodity viscose.

Recently, there have been significant production capacity increases by commodity viscose producers. We believe global capacity totaled 5.7 million metric tons at the end of 2013, and an additional 1.0 million metric tons of capacity

has been announced and is expected to be completed in the next two years.

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Customers

In 2013, a group of customers under the common control of Eastman Chemical Company (and its affiliates) and Nantong Cellulose represented approximately 21 percent and 19 percent of our Performance Fibers segment's sales, respectively, and 13 percent and 11 percent of consolidated sales, respectively. The loss of either of these customers could have a material adverse effect on the Company and the Performance Fibers segment's results of operations.

Seasonality

Our Forest Resources, Real Estate and Performance Fibers segments' results are normally not impacted by seasonal changes.

Environmental Matters

See Item 1A — Risk Factors, Item 3 — Legal Proceedings, Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation, and Note 17 — Liabilities for Dispositions and Discontinued Operations.

Raw Materials and Energy

The Performance Fibers manufacturing processes require significant amounts of wood to produce purified cellulose. We purchase approximately 1.8 million short green tons of hardwood chips and 2.3 million short green tons of softwood chips per year. The cost of timber is directly affected by supply and demand fluctuations in the wood products and pulp and paper markets, and also by weather.

Our Performance Fibers manufacturing processes also require significant amounts of chemicals, including caustic soda (sodium hydroxide), sulfuric acid, sodium chlorate, and various deresinators. These chemicals are purchased under negotiated supply agreements with third parties.

The manufacturing processes also require a significant amount of energy. The great majority of our energy is produced through the burning of lignin and other residual biomass in recovery and power boilers located at our Performance Fibers mills. However, the mills still require fuel oil, natural gas and electricity to supplement their energy requirements.

Raw materials and energy are subject to significant changes in prices and availability. We continually pursue reductions in usage and costs of key raw materials, supplies and services and do not foresee any material constraints in the near term from pricing or availability.

Research and Development

The quality and consistency of our Performance Fibers segment's cellulose specialties and its premier research and development capabilities create a significant competitive advantage, resulting in a premium price for our products. The research and development efforts of our Performance Fibers business are primarily directed at further developing existing core products and technologies, improving the quality of cellulose fiber grades, improving manufacturing efficiency and environmental controls, and reducing fossil fuel consumption.

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.

Employee Relations

We currently employ approximately 1,600 people, of whom approximately 1,500 are in the United States. Approximately 900 of our hourly Performance Fibers employees are covered by collective bargaining agreements. The majority of our hourly employees are represented by one of several labor unions. We believe relations with our employees are satisfactory.

On June 30, 2012, collective bargaining agreements covering approximately 700 hourly employees at our Jesup mill expired. Negotiations were successfully concluded on March 28, 2013, and the unions ratified a new agreement on April 12, 2013 that will expire on June 30, 2017. Collective bargaining agreements at the Fernandina Beach, Florida mill expire April 30, 2014, and negotiations are expected to begin shortly.

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

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available to the public free of charge in the Investor Relations section of our website 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.

Item 1A. RISK FACTORS

Our operations are subject to a number of risks, including those listed below. When considering an investment in our securities, you should carefully read and consider these risks, together with all other information in this Report. 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.

Business and Operating Risks

There are risks associated with the spin-off of our Performance Fibers business.

The Company’s planned spin-off of its Performance Fibers business is subject to a number of risks, including the following:

Risk of Non-Consummation. The Company expects the distribution of the common shares of the new company that was formed to hold the Performance Fibers business to occur in mid-2014. However, the spin-off remains subject to a number of conditions, including: (i) final approval by the Company’s board of directors, (ii) receipt by the Company of a favorable private letter ruling from the IRS and (iii) the effectiveness of a registration statement on Form 10 relating to the securities of the new Performance Fibers company. There can be no assurance that any or all of these conditions will be met and that the spin-off will be completed in the manner and timeframe currently contemplated, or at all.

Risk Relating to Resources. The execution of the proposed spin-off transaction will require significant time and attention from management, which may distract management from the operation of our businesses and the execution of our other initiatives. Our employees may also be distracted due to uncertainty about their future roles with each of the separate companies pending the completion of the spin-off transaction.

Risks of Not Obtaining Benefits from the Spin-Off. The Company may not achieve some or all of the expected benefits of the spin-off, or may not achieve them in a timely fashion.

Risks Relating to Less Diversification. If the spin-off is completed, the Company’s operational and financial profile will change as a result of the separation of the Performance Fibers business from the Company’s other businesses. As a result, the Company’s diversification of revenue sources will diminish, and it is possible that the Company’s results of operations, cash flows, working capital and financing requirements may be subject to increased volatility.

The markets we operate in are subject to factors beyond our control.

The end markets for our Forest Resources, Real Estate and Performance Fibers businesses are influenced by a variety of factors beyond our control. For example, the demand for real estate can be affected by availability of capital, changes in interest rates, availability and terms of financing, local economic conditions, the employment rate, new housing starts, population growth and demographics. The demand for sawtimber is primarily affected by the level of new residential and commercial construction activity. Sawtimber pricing, while recently trending upward, continues to be below historic levels. The supply of timber and logs has historically increased during favorable pricing environments, which then causes downward pressure on prices. Both our Real Estate and Forest Resources businesses have been negatively impacted by the economic downturn, primarily due to the decline in housing starts, excess supply of existing housing inventory, above-normal unemployment and the tightening of credit availability for real estate and construction related projects.

The industries in which we operate are highly competitive.

Our Performance Fibers business faces competition from domestic and foreign producers of high purity cellulose specialties and producers of products that can substitute for them in certain applications, such as cotton linters.

Moreover, the entry of new competitors and the expansion of existing competitors could create excess capacity, which might cause us to lose sales or result in price reductions. For example, over the past 24 months some manufacturers of commodity viscose have publicly announced plans to convert facilities to manufacture, or claimed to have already commenced production of, high purity cellulose specialties that may compete with our products. In addition to our

recently completed cellulose specialties expansion project, which added approximately 190,000 metric tons of cellulose specialties capacity, a few competitors have announced expansions of their capacity.

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Buckeye Technologies recently completed a project to increase its cellulose specialties capacity by approximately 40,000 metric tons at its Perry, Florida operation. Tembec, Inc. announced plans to increase capacity by 15,000 metric tons. We also believe that Sateri Holdings Ltd. increased capacity 5,000 to 10,000 metric tons per year over the past three years. Although the Performance Fibers business plans to gradually increase production in line with demand, the additional capacity could adversely affect product pricing. Actions by our competitors and any excess production capacity could adversely affect our business, financial condition and results of operations.

In our Forest Resources business, competitive pressures 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 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.

We are dependent on a relatively few large customers for a majority of our Performance Fibers sales. The loss of all or a substantial portion of our sales to any of these large customers could have a material adverse effect on the Company.

We are subject to risks related to customer concentration because of the relative importance of our largest customers, many of whom have been doing business with Rayonier for decades, and the ability of those customers to influence pricing and other contract terms. We depend on major acetate tow manufacturers for a substantial portion of our sales.

Our five largest customers, which account for approximately 70 percent of sales from our Performance Fibers business, are all either well known global diversified specialty chemical companies or state owned enterprises.

Although we strive to broaden and diversify our customer base, a significant portion of our revenue is derived from a relatively small number of large-volume customers, and the loss of all or a substantial portion of sales to any of these customers, or significant unfavorable changes to pricing or terms contained in our contracts with them, could adversely affect our business, financial condition or results of operations. We are also subject to credit risk associated with this customer concentration. If one or more of our largest customers were to become bankrupt, insolvent or otherwise were unable to pay for its products, we may incur significant write-offs of accounts that may have a material adverse effect on our business, financial condition and results of operations.

Our Performance Fibers business is exposed to risks associated with the cyclicity of the business of certain of our customers, which may adversely affect our business and results of operations.

Some of the industries in which our end-use customers participate, such as the construction, automotive and textile industries, are cyclical in nature, thus posing a risk to us which is beyond our control. The industries in which these customers participate are highly competitive, to a large extent driven by end-use applications, and may experience overcapacity or reductions in demand, all of which may affect demand for and pricing of our products. The consequences of this could include the reduction, delay or cancellation of customer orders, and bankruptcy of customers, suppliers or other creditors. The occurrence of any of these events may adversely affect our business, financial condition and results of operation.

Changes in raw material and manufacturing input prices could affect our results of operations and financial condition.

Raw material costs and energy, such as wood, chemicals, oil and natural gas are a significant operating expense, particularly for the Performance Fibers business. The costs of raw materials and energy can be volatile and are susceptible to rapid and substantial increases due to factors beyond our control, such as changing economic conditions, political unrest, instability in energy-producing nations, and supply and demand considerations. For example, caustic soda, a key manufacturing input for Performance Fibers, has historically had significant price volatility. The price of oil has also substantially increased in recent years, and we have, at times, experienced limited availability of hardwood, primarily due to wet weather conditions which can limit harvesting, each of which could adversely affect our business, financial condition and results of operations. In addition, in our Forest Resources business, the rising cost of fuel, 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 trucking services, could have a material adverse effect on our business, financial condition and results of operations.

We depend on third parties for transportation services and increases in costs and the availability of transportation could adversely affect our business.

Our business depends on transportation services provided by third parties, both domestically and internationally. We rely on these providers for transportation of the products that we manufacture as well as delivery of our raw materials to our manufacturing facilities. A significant portion of the products we manufacture and raw materials we use are transported in the United States by railroad or trucks, and internationally by ship.

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If any of our transportation providers were to fail to deliver the goods that we manufacture in a timely manner, or damaged them during transport, we may be unable to sell those products at full value, or at all. Similarly, if any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to timely manufacture our products in response to customer demand.

Any significant failure of third-party transportation providers to deliver raw materials or finished products could harm our reputation, negatively affect our customer relationships and adversely affect our business. In addition, increases in transportation rates or fuel costs could adversely affect our financial condition and results of operations.

A material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales or adversely affect our business, financial condition and results of operation.

Any of our manufacturing facilities, or a part of any particular facility, could cease operations unexpectedly due to a number of events, including:

- unscheduled maintenance outages;
- prolonged power failures;
- equipment failure;
 - a chemical spill or release;
- explosion of a boiler or other pressure vessel;
- fires, floods, windstorms, earthquakes, hurricanes or other catastrophes;
- terrorism or threats of terrorism; and
- other operational problems.

Furthermore, depending on the nature, extent and length of any operational interruption due to any such event, the results could adversely affect our business, financial condition and results of operations.

Future tobacco legislation, campaigns to discourage smoking, increases in tobacco taxes, increased costs of tobacco products and increased use of non-filtered substitutes could adversely affect our business, financial condition and results of operations.

The majority of our Performance Fibers are used to manufacture acetate tow, the filter component of a cigarette. Our sales for this end-use have historically accounted for an important portion of our total sales revenue. Significant increases in cigarette costs and potential actions taken by the United States and other countries to discourage smoking, such as tax increases on tobacco products and, future legislation, may have a material adverse effect on the demand for tobacco products. Additionally, increased use of e-cigarettes or smokeless tobacco products may affect demand for cigarettes. Reduced sales of tobacco products that use acetate-based filters could adversely affect our business, financial condition and results of operations.

We are subject to risks associated with doing business outside of the United States.

Although the majority of our business is to customers in the United States, a significant portion of our sales, in particular in the Performance Fibers business, are to customer locations outside of the United States, including China, the European Union and other international markets. The export of our products into international markets results in risks that are inherent in conducting business under international laws, regulations and customs. Sales to customers outside of the United States made up approximately 58 percent of our revenue in fiscal year 2013. We expect that international sales will continue to contribute to future growth. The risks associated with our business outside the United States include:

- changes in and reinterpretations of the laws, regulations and enforcement priorities of the countries in which we sell our products;
- 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;
- 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;
political instability and actual or anticipated military or political conflicts;
economic instability, inflation, recessions and interest rate and exchange rate fluctuations;

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uncertainties regarding non-U.S. judicial systems, rules and procedures; and minimal or limited protection of intellectual property in some countries.

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

A Chinese anti-dumping investigation has resulted in preliminary duties on our lower purity commodity viscose products, which could affect sales of the products into China.

In February 2013, China's Ministry of Commerce ("MOFCOM") notified the Company and a number of other parties that it had commenced an anti-dumping investigation into imports of dissolving, cotton and bamboo pulp into China from the United States, Canada and Brazil during 2012. In November 2013, MOFCOM issued its preliminary determination in respect of its investigation. Pursuant to the preliminary determination, our lower purity commodity viscose, which is primarily utilized to produce viscose staple fiber for use in the manufacture of fabrics, was assessed an interim duty of 21.7 percent, effective November 7, 2013. The Company's high-value cellulose acetate products were specifically excluded from assessment of any dumping duty, and our other high-value cellulose products were, likewise, exempted from any dumping duty.

The Company has challenged the basis of MOFCOM's duty calculation for commodity viscose, and is evaluating other potential commercial and legal options. MOFCOM's final determination is expected in the second quarter of 2014 and would be expected to remain in place for five years. If the final determination retains the duty level for our Performance Fibers business set by the preliminary determination, the duty would have an adverse effect on the sales of commodity viscose into China by the Company.

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, operate our manufacturing facilities, 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, air emissions, wastewater discharges, receiving 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. Moreover, environmental policies of the current administration are in the aggregate more restrictive for industry and landowners than those of the previous administration. 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, especially in the area of air emissions and wastewater and stormwater control. In 2013, the EPA issued final regulations that significantly tighten emissions limits of certain air pollutants from industrial boilers, which will result in our expenditure of significant capital for compliance. In addition, as a result of certain recent judicial rulings and EPA initiatives, including some that would require timberland operators to obtain permits to carry out 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. In connection with a variety of operations on our properties, we are required to seek permission from government agencies in the states and countries in which we operate to perform certain activities. Any of these agencies could delay review of, or reject, any of our filings. In our Forest Resources business, 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 or appealed by other parties, including citizen groups. Appeals or actions of 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. In our Performance Fibers businesses, many modifications and capital projects at our manufacturing facilities require one or more environmental permits, or amendments to existing permits. Delays in obtaining these permits could have an adverse effect on our results of operations.

Our Performance Fibers mills are subject to stringent environmental laws, regulations and permits that may limit operations and production. Many of our operations are subject to stringent environmental laws, regulations and permits that contain conditions governing how we operate our facilities and, in many cases, how much product we can produce. These laws, regulations and permits, now and in the future, may restrict our current production and limit our ability to increase production, and impose significant

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costs on our operations with respect to environmental compliance. It is expected that, overall, costs will likely increase over time as environmental laws, regulations and permit conditions become more stringent, and as the expectations of the communities in which we operate become more demanding.

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, and operate mills. 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. Also, 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 lawsuit or even a threatened lawsuit could delay harvesting on our timberlands, affect how we operate or limit our ability to modify or invest in our mills. Among the remedies that could be enforced in a lawsuit is a judgment preventing or restricting harvesting on a portion of our timberlands, or adversely affecting the timing, projected operating benefits or cost of capital projects at our mills. The impact of existing regulatory restrictions on future harvesting activities may be significant. 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. The threatened and endangered species restrictions apply to activities that would adversely impact a protected species or significantly degrade its habitat. The size of the area subject to restriction will vary depending on the protected species at issue, the time of year and other factors, but can range from less than one to several thousand acres. A number of species that naturally live on or near our timberlands, including the northern spotted owl, marbled murrelet, bald eagle, several species of salmon and trout in the Northwest, and the red cockaded woodpecker, bald eagle, wood stork, Red Hills salamander and flatwoods salamander in the Southeast, are protected under the Federal Endangered Species Act or similar federal and state laws. Other species, such as the gopher tortoise are currently under review for possible protection. 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.

Our Performance Fibers mills are subject to stringent environmental laws and regulations concerning air emissions, wastewater discharge, water usage and waste handling and disposal. Many of our operations are subject to stringent environmental laws, regulations and permits which contain conditions that govern how we operate our facilities and, in many cases, how much product we can produce. These laws, regulations and permits, now and in the future, may restrict our current production and limit our ability to increase production, and impose significant costs on our operations with respect to environmental compliance. It is expected that, overall, costs will likely increase over time as environmental laws, regulations and permit conditions become more stringent, and as the expectations of the communities in which we operate become more demanding.

We currently own or may acquire properties that may require environmental remediation or otherwise be subject to environmental and other liabilities. We currently own, or formerly operated, manufacturing facilities and discontinued operations that it does not currently own, and may acquire timberlands and other properties in the future, which are subject to environmental liabilities, such as remediation of soil, sediment and groundwater contamination and other existing or potential liabilities. For more detail, see Note 17 — Liabilities for Dispositions and Discontinued Operations. The cost of investigation and remediation of contaminated properties could increase operating costs and adversely affect financial results. Although we believe we currently have adequate reserves for the investigation and remediation of our properties, legal requirements relating to assessment and remediation of these properties continue to become more stringent and there can be no assurance that actual expenditures will not exceed expectations, or that other

unknown liabilities will not be discovered in the future. We have incurred and expect to continue to incur significant capital, operating and other expenditures complying with applicable environmental laws and regulations and as a result of remedial obligations. 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. Entitlement and development of real estate entail a lengthy, uncertain and costly approval process.

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 federal, state and local governing and regulatory bodies. For example, in Florida, real estate projects must generally comply with the provisions of the Local Government Comprehensive Planning and Land Development Regulation Act (the "Growth Management Act") and local land use and

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development regulations. In addition, in Florida, development projects that exceed certain specified regulatory thresholds require approval of a comprehensive Development of Regional Impact (“DRI”) application. Compliance with the Growth Management Act, local land development regulations and the DRI process is usually lengthy and costly and significant conditions can be imposed on a developer with respect to a particular project. In addition, development of properties containing delineated wetlands may require one or more permits from the federal government. Any of these issues can materially affect the cost and timing 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 the necessary approvals and permits. A significant amount of our development property is located in counties 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 Growth Management Act and DRI process. 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-growth limitations on real estate development activities. We expect that this type of anti-growth activity may continue in the future.

Issues affecting real estate development also include the availability of potable water for new development projects. For example, in Georgia, the Legislature enacted the Comprehensive Statewide Watershed Management Planning Act, which, among other things, created a governmental entity called the Georgia Water Council which was charged with preparing a comprehensive water management plan for the state and presenting it to the Georgia Legislature. It is unclear at this time how the plan will affect the cost and timing of real estate development along the I-95 coastal corridor in southern Georgia, where the Company has significant real estate holdings. Concerns about the availability of potable water also exists in certain Florida counties, which could impact growth.

Changes in the interpretation or enforcement of these laws, the enactment of new laws 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 and delays and liabilities that could materially adversely affect our business, profitability or financial condition.

Changes in demand for our real estate and delays in the timing of real estate transactions may affect our revenues and operating results.

A number of factors, including changes in demographics, tightening of credit, high unemployment and a slowing of commercial or residential real estate development, particularly along the I-95 coastal corridor in Florida and Georgia, could reduce the demand for our properties and negatively affect our results of operations.

In addition, there are inherent uncertainties in the timing of real estate transactions that could adversely affect our operating results. Delays in the completion of transactions or the termination of potential transactions can be caused by factors beyond our control. These events have in the past and may in the future adversely affect our operating results.

The impacts of climate-related initiatives, at the international, federal and state levels, remain uncertain at this time. There continue to be numerous international, federal and state-level initiatives and proposals to address domestic and global climate issues. Within the United States, most of these proposals would regulate and/or tax, in one fashion or another, the production of carbon dioxide and other “greenhouse gases” to facilitate the reduction of carbon compound emissions to the atmosphere, and provide tax and other incentives to produce and use more “clean energy.”

In late 2009, the EPA issued an “endangerment finding” under the Clean Air Act with respect to certain greenhouse gases, and this finding could lead to the regulation of carbon dioxide as a criteria pollutant under the Clean Air Act and have significant ramifications for Rayonier and the industry in general. In this regard, the EPA has published various proposed regulations, which are currently subject to numerous legal challenges, affecting the operation of existing and new industrial facilities that emit carbon dioxide. In addition, as a result of the EPA’s decision to regulate greenhouse gases under the Clean Air Act, the 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, but it is unclear at this time whether such impact will be, in the aggregate, positive, negative, neutral or material. For example, while Rayonier's Performance Fibers mills produce greenhouse gases and utilize fossil fuels, they also generate a substantial amount of their energy from wood fiber (often referred to as "biomass"), which may be viewed more favorably than fossil fuels in future legislative and regulatory proposals, but that is uncertain at this time.

However, to date, many environmental groups have generally opposed the use of biomass for energy production due to their concerns about deforestation. We continue to monitor political and

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regulatory developments in this area, but their overall impact on Rayonier, from a cost, benefit and financial performance standpoint, remains uncertain at this time.

Investment returns on pension assets may be lower than expected or interest rates may decline, requiring us to make significant additional cash contributions to our benefit plans.

We sponsor several defined benefit pension plans, which cover many of our salaried and hourly employees. The Federal Pension Protection Act of 2006 requires that certain capitalization levels be maintained in each of these benefit plans. Because it is unknown what the investment return on pension assets will be in future years or what interest rates may be at any point in time, no assurances can be given that applicable law will not require us to make future material plan contributions. Any such contributions could adversely affect our financial condition

See Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Use of Estimates for additional information about these plans, including funding status.

Our joint venture partners may have interests that differ from ours and may take actions that adversely affect us.

We participate in a joint venture in New Zealand, and may enter into other joint venture projects; for example, as part of our real estate strategy. A joint venture involves potential risks such as:

- not having voting control over the joint venture;

- the venture partners at any time may have economic or business interests or goals that are inconsistent with ours;

- the venture partners may take actions contrary to our instructions or requests, or contrary to our policies or objectives with respect to the investment; and,

- the venture partners could experience financial difficulties.

Actions by our venture partners may subject property owned by the joint venture to liabilities greater than those contemplated by the joint venture agreement or to other adverse consequences.

Our Performance Fibers business exposes us to potential product liability claims, which could adversely affect our financial condition and performance.

The development, manufacture and sale of cellulose specialties by Rayonier, including products manufactured for use by the food, cigarette, automotive, and pharmaceutical industries, involves a risk of exposure to product liability claims, and related adverse publicity. A product liability claim or judgment against us could also result in substantial and unexpected expenditures, affect confidence in our products, and divert management’s attention from other responsibilities. Although we maintain product liability insurance, there can be no assurance that this type or the level of coverage is adequate or that we will be able to continue to maintain our existing insurance or obtain comparable insurance at a reasonable cost, if at all. A partially or completely uninsured judgment against us could have a material adverse effect on our results of operations or financial condition. Although we have standard contracting policies and controls, we may not always be able to contractually limit our exposure to third-party claims should our failure to perform result in downstream supply disruptions or product recalls.

The inability to make or effectively integrate future acquisitions may affect our results.

As part of our growth strategy, we may pursue additional acquisitions of complementary businesses and product lines and land, and invest in joint ventures. 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. If we fail to successfully integrate acquisitions into our existing business, our business, financial condition and results of operations could be adversely affected.

Our failure to maintain satisfactory labor relations could have a material adverse effect on our business.

As of December 31, 2013, approximately 55 percent of our work force is unionized. These workers are exclusively in our Performance Fibers business. As a result, we are required to negotiate the wages, benefits and other terms with these employees collectively. Our financial results could be adversely affected if labor negotiations were to restrict the efficiency of our operations. In addition, our inability to negotiate acceptable contracts with any of these unions as existing agreements expire could result in strikes or work stoppages by the affected workers. If our unionized employees were to engage in a strike or other work stoppage, we could experience a significant disruption of our operations, which could adversely affect our business, financial condition and results of operations. For example, collective bargaining agreements at our Fernandina Beach, Florida mill expire on April 30, 2014, and negotiations are

expected to begin shortly.

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Weather and other natural conditions may increase the prices of and reduce access to raw materials.

We use large quantities of wood as a raw material in our fiber manufacturing process. Weather conditions, timber growth cycles and restrictions on access to timberlands for harvesting (for example, due to prolonged wet conditions) may limit the availability and increase the price of wood, as may other factors, including damage by fire, insect infestation, disease, prolonged drought and natural disasters such as wind storms and hurricanes.

Raw materials are available from a number of suppliers and we have not historically experienced material supply interruptions or substantial sustained price increases; however, our requirements for certain raw materials, such as wood, may increase as a result of the recent Jesup mill expansion. As a result, we may not be able to purchase sufficient quantities of these raw materials to meet our production requirements at prices acceptable to us during times of tight supply caused by weather and other natural conditions. An insufficient supply of wood could materially adversely affect our business, financial condition, results of operations and cash flow.

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

Weather conditions, timber growth cycles and restrictions on access may limit harvesting of our timberlands, as may other factors, including damage by fire, insect infestation, disease, prolonged drought and natural disasters such as wind storms and hurricanes.

We do not insure against losses of timber from any causes, including fire.

The volume and value of timber that can be harvested from our timberlands may be reduced by fire, insect infestation, severe weather, disease, natural disasters and other causes beyond our control. A reduction in our timber inventory could adversely affect our financial results and cash flows. As is typical in the forestry industry, we do not maintain insurance for any loss to our timber, including losses due to these causes.

A significant portion of the timberland that we own, lease or manage is concentrated in limited geographic areas.

We own, lease or manage approximately 2.6 million acres of timberland and real estate located primarily in the United States and New Zealand. Approximately 79 percent of our U.S. timberlands are located in four states: Alabama, Florida, Georgia, and Washington. Accordingly, if the level of production from these forests substantially declines, or if the demand for timber in those regions declines, it could have a material adverse effect on our overall production levels and our revenues.

We are dependent upon attracting and retaining key personnel, the loss of whom could adversely affect our business.

We believe that our success depends, to a significant extent, upon our ability to attract and retain key senior management and operations management personnel. Our failure to recruit and retain these key personnel could adversely affect our business, financial condition or results of operations.

Failure to protect our intellectual property could negatively affect our future performance and growth.

We rely on process knowledge, confidentiality agreements and internal security measures to protect our trade secrets and other intellectual property, particularly in our Performance Fibers business. Failure to protect this intellectual property could negatively affect our future performance and growth.

Increases in market interest rates may adversely affect the price of our common shares.

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 will result in higher yields on other financial instruments, which could adversely affect the price of our common shares.

We have a significant amount of debt and the capacity to incur significant additional debt.

As of December 31, 2013, we had \$1.6 billion of debt outstanding. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Financial Obligations for the payment schedule of our long-term debt obligations. We expect that existing cash, cash equivalents, cash provided from operations and our bank credit facilities will be sufficient to meet ongoing cash requirements. Moreover, we have the borrowing capacity to incur significant additional debt and may do so if we enter into one or more strategic, merger, acquisition or other corporate or investment opportunities, or otherwise invest capital in one or more of our businesses. However, failure to generate sufficient cash as our debt becomes due, or to renew credit lines prior to their expiration, may adversely affect our business, financial condition, operating results and cash flow.

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REIT and Tax-Related Risks

If we fail to remain qualified as a REIT, we will have reduced funds available for distribution to our shareholders because our REIT income will be subject to taxation.

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 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 percent 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 and (2) no more than 25 percent of the market value of our total assets may consist of the securities of one or more “taxable REIT subsidiaries” or other assets that are not qualifying assets for purposes of the 75 percent test in clause (1) above. It should be noted, however, that under the applicable REIT requirements, mere fluctuation of the relative values of a REIT’s assets from one period to the next, without the occurrence of one or more specific events described in the Code and applicable REIT regulations, does not require a revaluation of those assets for purposes of the REIT asset tests.

If in any taxable year we fail to qualify as a REIT, we will not be allowed a deduction for dividends paid to shareholders in computing our taxable income and we will be subject to federal income tax on our taxable income. In addition, we will be disqualified from treatment 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.

As of December 31, 2013 and as of the date of filing of this Annual Report on Form 10-K, Rayonier is in compliance with the asset tests described above. A failure to comply with the asset tests ultimately could cause us to fail to qualify as a REIT and to lose the associated benefits of REIT status, which could have a material adverse effect on our financial condition.

If we fail to remain qualified as a REIT, we may need to borrow funds or liquidate some investments or assets to pay the additional tax liability. Accordingly, cash available for distribution to our shareholders would be reduced. The extent of our use of taxable REIT subsidiaries may affect the price of our common shares relative to the share price of other REITs.

We conduct a significant portion of our business activities through one or more taxable REIT subsidiaries. Our use of taxable REIT subsidiaries enables us to engage in non-REIT qualifying business activities such as the production and sale of cellulose specialty fibers, non-passive real estate activities including dealer sale of HBU property and other real estate, and the sale of logs. Taxable REIT subsidiaries are subject to corporate-level income tax. Therefore, we pay income taxes on the income generated by our taxable REIT subsidiaries. Our use of taxable REIT subsidiaries may cause the market to value our common shares differently than the shares of other REITs, which may not use taxable REIT subsidiaries as extensively as we use them.

Our status as a REIT may affect our ability to expand our taxable REIT subsidiaries’ operations.

Taxable REIT subsidiaries are limited in size based upon a REIT’s real estate assets. Under the Code, no more than 25 percent of the value of the gross assets of a REIT may be comprised of securities of one or more taxable REIT subsidiaries. This limitation may affect our ability to increase the size of our taxable REIT subsidiaries’ operations and, in particular, our Performance Fibers business.

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 percent 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 percent or more of the value of our outstanding shares, which could result in our disqualification as a REIT.

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We may be limited in our ability to fund shareholder distributions using cash generated from our taxable REIT subsidiaries' operations.

The ability of the REIT to receive dividends from our taxable REIT subsidiaries is limited by provisions of the Code. Specifically, at least 75 percent of a REIT's annual gross income must be derived from passive real estate rents, royalties and gains including sales of our standing timber and other types of qualifying real estate income and no more than 25 percent of our gross income may consist of dividends from our taxable REIT subsidiaries and other passive non-real estate income.

This limitation on our ability to receive dividends from our taxable REIT subsidiaries may impact our ability to fund cash distributions to our shareholders using cash flows from our taxable REIT subsidiaries. We can, however, under current law, issue stock dividends for up to 80 percent of our regular dividend distribution.

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

As a REIT, we will be subject to a 100 percent 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 cellulose specialty fibers which we produce and sales of logs constitute prohibited transactions. In addition, dealer sales of timberlands or other real estate constitute prohibited transactions.

We intend to avoid the 100 percent prohibited transactions tax by 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 or which subsequently become properties held for sale to customers in the ordinary course of business, we face the potential of being subject to the 100 percent prohibited transactions tax.

Our cash dividends are not guaranteed and may fluctuate.

Generally, REITs are required to distribute 90 percent 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 capital gains.

Our board of directors, in its sole discretion, determines the amount of quarterly dividends to be provided 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.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

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Item 2. PROPERTIES

The following table details the significant properties we own or lease by reportable segment (acres in millions) at December 31, 2013:

Segment/Operations	Location	Total Acres	Fee-Owned Acres	Long-Term Leased Acres
Forest Resources	Atlantic	1.1	0.8	0.3
	Gulf States	0.7	0.7	—
	Northern	0.4	0.4	—
	New Zealand (a)	0.3	0.1	0.2
Total Forest Resources Acres		2.5	2.0	0.5
Real Estate	U.S.	0.1	0.1	—
Total Forest Resources and Real Estate Acres		2.6	2.1	0.5
		Capacity/Function		Owned/Leased
Performance Fibers	Jesup, Georgia	520,000 metric tons of pulp		Owned
	Fernandina Beach, Florida	155,000 metric tons of pulp		Owned
	Jesup, Georgia	Research Facility		Owned
Wood Chipping Facilities	Offerman, Georgia	800,000 short green tons of wood chips		Owned
	Eastman, Georgia	350,000 short green tons of wood chips		Owned
	Barnesville, Georgia	350,000 short green tons of wood chips		Owned
	Quitman, Georgia	200,000 short green tons of wood chips		Owned
	Jarratt, Virginia	250,000 short green tons of wood chips		Owned
Corporate and Other	Jacksonville, Florida	Corporate Headquarters		Leased

(a) Represents acres owned by the New Zealand JV, in which Rayonier has a 65 percent interest.

Our manufacturing facilities are maintained through ongoing capital investments, regular maintenance and equipment upgrades. During 2013, our Performance Fibers manufacturing facilities produced at or near capacity levels for most of the year.

Item 3. LEGAL PROCEEDINGS

The Company has been named as a defendant in various lawsuits and claims arising in the normal course of business. While we have procured reasonable and customary insurance covering risks normally occurring in connection with our businesses, we have in certain cases retained some risk through the operation of self-insurance, primarily in the areas of workers' compensation, property insurance and general liability. In our opinion, these pending lawsuits and claims, both individually and in the aggregate, are not expected to have a material adverse effect on our financial position, results of operations, or cash flow.

Antidumping Investigation. In February 2013, China's Ministry of Commerce ("MOFCOM") initiated an anti-dumping investigation of imports of dissolving wood, cotton and bamboo pulp into China from the U.S., Canada and Brazil during 2012. In November 2013, MOFCOM issued a preliminary determination that Rayonier's lower purity product used in commodity viscose applications will be subject to a 21.7 percent interim duty effective November 7, 2013. However, our high-value cellulose acetate products, which constitute a large majority of our sales into China, were

specifically excluded from assessment of any dumping duty, and our other high-value cellulose products were, likewise, exempted from any dumping duty because their higher quality specifications do not meet the preliminary determination's specifications applicable to lower-purity products that are dutiable under the preliminary determination. Other U.S. producers were assessed duties ranging from 18.7 percent to 21.7 percent, while all but one Canadian producer were assessed a duty of 13 percent, and a Brazilian producer was assessed a duty of 6.8 percent. These determinations by MOFCOM are preliminary and subject to change upon the completion of its investigation and issuance of its final determination. The Company has challenged the basis of MOFCOM's duty calculation for commodity viscose, and is evaluating other potential commercial and legal options. MOFCOM's final determination is expected in the second quarter of 2014 and would be expected to remain in place for five years. If the final determination retains the duty level for our Performance Fibers business set by the preliminary determination, the duty could have an adverse effect on the sales of commodity viscose into

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China by the Company. We are evaluating all potential product and market segment options in the event that MOFCOM's preliminary duty is not materially reduced or eliminated, and do not expect that the preliminary duty will materially affect our overall business results.

Notice of Intent to Sue - Jesup Mill. In November of 2013, we received a "sixty day letter" from lawyers representing a non-profit environmental organization, the Altamaha Riverkeeper. In the letter, the Altamaha Riverkeeper threatened to file a citizen suit against Rayonier as permitted under the federal Clean Water Act and the Georgia Water Quality Control Act due to what the letter alleges to be ongoing violations of such laws, if we do not correct such violations within 60 days of the letter. The allegations relate to the color and odor of treated effluent discharged into the Altamaha River by Rayonier's Jesup, Georgia mill.

The mill's treated effluent is discharged pursuant to a permit issued by the Environmental Protection Division of the Georgia Department of Natural Resources ("EPD"), as well as the terms of a consent order entered into in 2008 (and later amended) by EPD and Rayonier. We disagree with the Altamaha Riverkeeper and believe that we are in compliance with applicable law relating to the Jesup mill's discharge, including compliance with the terms of its permit and consent order with EPD. Assuming that no resolution can be reached, it is possible that Altamaha Riverkeeper will file a lawsuit against Rayonier in respect of its claims.

For further information on environmental issues, see Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation, Note 17 — Liabilities for Dispositions and Discontinued Operations and Note 18 — Contingencies.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Market Prices of our Common Shares; Dividends

The table below reflects, for the quarters indicated, the dividends declared per share and the range of market prices of our common shares as reported in the consolidated transaction reporting system of the NYSE, the only exchange on which our shares are listed, under the trading symbol RYN.

	High	Low	Dividends
2013			
Fourth Quarter	\$58.84	\$39.49	\$0.49
Third Quarter	\$59.87	\$53.84	\$0.49
Second Quarter	\$60.62	\$51.04	\$0.44
First Quarter	\$59.72	\$52.17	\$0.44
2012			
Fourth Quarter	\$51.86	\$47.45	\$0.44
Third Quarter	\$51.87	\$44.82	\$0.44
Second Quarter	\$46.04	\$41.33	\$0.40
First Quarter	\$47.56	\$43.38	\$0.40

On February 28, 2014, the Company announced a first quarter dividend of 49 cents per share payable March 31, 2014, to shareholders of record on March 17, 2014. There were approximately 7,560 shareholders of record of our Common Shares on February 21, 2014.

Issuer Repurchases

In 1996, we began a Common Share repurchase program (the "anti-dilutive program") to minimize the dilutive effect of our employee incentive stock plans on earnings per share. This program limits the number of shares that may be purchased each year to the greater of 1.5 percent of outstanding shares at the beginning of the year or the number of incentive shares issued to employees during the year. In October 2000, July 2003 and October 2011, our board of directors authorized the purchase of additional shares totaling 2.1 million. These shares were authorized separately from the anti-dilutive program, and do not have expiration dates. In 2013, there were no shares repurchased under these plans. As of December 31, 2013, there were 3,785,046 shares available for repurchase.

The following table provides information regarding our purchases of Rayonier common stock during the quarter ended December 31, 2013:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 to October 31	411	\$57.11	—	3,785,046
November 1 to November 30	—	\$—	—	3,785,046
December 1 to December 31	—	\$—	—	3,785,046
Total	411		—	3,785,046

(1) Repurchased to satisfy the minimum tax withholding requirements related to the vesting of restricted shares under the Rayonier Incentive Stock Plan.

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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 Financial Times Stock Exchange ("FTSE") National Association of Real Estate Investment Trusts ("NAREIT") All Equity REITs Index and the S&P 1500 Paper and Forest Products Index).

The table and related information 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:

	2008	2009	2010	2011	2012	2013
Rayonier Inc.	\$100	\$142	\$185	\$245	\$295	\$249
S&P 500®	\$100	\$126	\$146	\$149	\$172	\$228
FTSE NAREIT All Equity REITs	\$100	\$198	\$214	\$234	\$307	\$394
S&P® 1500 Paper & Forest Products Index	\$100	\$128	\$164	\$177	\$212	\$218

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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,				
	2013	2012	2011	2010	2009
	(dollar amounts in millions, except per share data)				
Profitability:					
Sales (a)	\$1,708	\$1,483	\$1,421	\$1,247	\$1,118
Operating income (b)	423	401	357	279	419
Net income (c)	374	279	276	218	313
Diluted earnings per common share	2.86	2.17	2.20	1.79	2.60
Financial Condition:					
Total assets (d)	\$3,686	\$3,123	\$2,569	\$2,364	\$2,253
Total debt (e)	1,574	1,270	847	768	700
Shareholders' equity	1,755	1,438	1,323	1,252	1,146
Shareholders' equity — per share	13.90	11.66	10.84	10.34	9.61
Cash Flows:					
Cash provided by operating activities (f)	\$545	\$446	\$432	\$495	\$307
Cash used for investing activities					
Capital expenditures	\$159	\$158	\$145	\$138	\$92
Purchase of additional interest in New Zealand joint venture	140	—	—	—	—
Purchase of timberlands and other (g)	20	107	321	5	—
Jesup mill cellulose specialties expansion	141	201	43	—	—
Proceeds from disposition of Wood Products business	(63) —	—	—	—
Other	72	7	(20	) —	1
Total cash used for investing activities	\$469	\$473	\$489	\$143	\$93
Cash used for (provided by) financing activities	157	(229	) 215	78	202
Depreciation, depletion and amortization	191	146	133	139	153
Cash dividends paid	237	207	185	164	158
Dividends paid — per share	\$1.86	\$1.68	\$1.52	\$1.36	\$1.33
Non-GAAP Financial Measures:					
EBITDA (h)					
Forest Resources	\$180	\$121	\$110	\$92	\$77
Real Estate	73	40	59	75	80
Performance Fibers	386	420	354	272	242
Other Operations	2	—	1	1	(3
Corporate and other	37	(21	) (32	) (15	) 172
Total EBITDA (b)	\$678	\$560	\$492	\$425	\$568
Debt to EBITDA	2.3 to 1	2.3 to 1	1.7 to 1	1.8 to 1	1.2 to 1
Performance Ratios (%):					
Operating income to sales	25	27	25	22	37
Return on equity (i)	23	20	21	18	30
Return on capital (i)	12	11	13	11	18
Debt to capital	47	47	39	38	38
Other:					
Timberland and real estate acres — owned, leased, or managed, in millions of acres	2.6	2.7	2.7	2.4	2.5

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	For the Years Ended December 31,				
	2013	2012	2011	2010	2009
Selected Operating Data:					
Forest Resources					
Sales volume (thousands of short green tons)					
Atlantic	3,247	3,310	3,406	3,571	4,532
Gulf States	2,044	2,011	1,335	1,359	1,726
Northern	1,979	1,947	1,665	1,369	1,402
New Zealand Domestic	1,271	—	—	—	—
New Zealand Export	651	—	—	—	—
Total	9,192	7,268	6,406	6,299	7,660
Real Estate — acres sold					
Development					
Rural	326	261	606	472	789
Non-Strategic Timberlands (j)	16,983	16,237	14,821	15,868	15,628
Total Acres Sold	159,637	14,425	12,191	44,556	53,703
Performance Fibers					
Sales volume (thousands of metric tons)					
Cellulose specialties	486	503	504	480	464
Viscose / other (k)	51	—	—	—	—
Absorbent materials	106	214	227	238	270
Total	643	717	731	718	734

(a) 2013 included \$146 million in sales from the consolidation of the New Zealand JV.

The 2013 results included a \$16 million gain related to the consolidation of the New Zealand JV. The 2011 results included a \$7 million increase in a disposition reserve. The 2010 results included a gain of \$12 million from the sale of a portion of the Company's interest in its New Zealand JV. The 2009 results included income of \$205 million related to the Alternative Fuel Mixture Credit ("AFMC").

2013 included a \$42 million after-tax gain on the sale of the Wood Products business. The 2011 results included a benefit of \$16 million for the reversal of a reserve related to the taxability of the AFMC. The 2010 results included a tax benefit of \$24 million for the Cellulosic Biofuel Producer Credit ("CBPC") and a gain of \$12 million from the sale of a portion of the Company's interest in its New Zealand JV. The 2009 results included income of \$193 million related to the AFMC.

(d) 2013 included an increase in total assets of approximately \$577 million related to the consolidation of the New Zealand JV.

(e) The 2013 amount included an additional \$224 million of debt related to the consolidation of the New Zealand JV. 2011 included \$105 million of notes assumed in a timberland acquisition.

(f) The 2010 results included a cash refund from the IRS of \$189 million related to the AFMC.

(g) Total timberland acquisitions for 2011 of \$426 million included \$105 million of notes assumed.

EBITDA is defined as earnings before interest, taxes, depreciation, depletion and amortization. EBITDA is a non-GAAP valuation measure used by our Chief Operating Decision Maker, existing shareholders and potential shareholders to measure how the Company is performing relative to the assets under management. We reconcile EBITDA to Net Income for the Consolidated Company and Operating Income for the Segments, as those are the nearest GAAP measure for each. See the following page for a reconciliation of Operating Income to EBITDA in total and by segment. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations - Performance and Liquidity Indicators for a reconciliation of Net Income to EBITDA.

(i) Return on equity is calculated by dividing net income by the average of the opening (1/1/XX) and ending (12/31/XX) shareholders' equity for each period presented. Return on capital is calculated by dividing net income by

the sum of average shareholders' equity and average outstanding debt.

- (j) The 2013 results included a fourth quarter sale of approximately 128,000 acres of New York timberland holdings.
- (k) Beginning in the third quarter of 2013, viscose and commodity grades are being produced as the Company begins its multi-year transition to producing only cellulose specialties.

Table of ContentsIndex to Financial StatementsReconciliation of Operating Income (Loss) by Segment to EBITDA by Segment
(dollars in millions)

	Forest Resources	Real Estate	Performance Fibers	Other	Corporate and other	Total
2013						
Operating income (a)	\$81	\$56	\$311	\$2	\$(27)	) \$423
Add: Depreciation, depletion and amortization	99	17	75	—	—	191
Add: Income from discontinued operations	—	—	—	—	63	63
Add: Depreciation, depletion and amortization from discontinued operations	—	—	—	—	1	1
EBITDA	\$180	\$73	\$386	\$2	\$37	\$678
2012						
Operating income	\$46	\$32	\$359	\$—	\$(36)	) \$401
Add: Depreciation, depletion and amortization	75	8	61	—	2	146
Add: Income from discontinued operations	—	—	—	—	11	11
Add: Depreciation, depletion and amortization from discontinued operations	—	—	—	—	2	2
EBITDA	\$121	\$40	\$420	\$—	\$(21)	) \$560
2011						
Operating income (b)	\$47	\$47	\$298	\$1	\$(36)	) \$357
Add: Depreciation, depletion and amortization	63	12	56	—	2	133
Add: Loss from discontinued operations	—	—	—	—	(1)	) (1)
Add: Depreciation, depletion and amortization from discontinued operations	—	—	—	—	3	3
EBITDA	\$110	\$59	\$354	\$1	\$(32)	) \$492
2010						
Operating income (c)	\$33	\$53	\$214	\$1	\$(22)	) \$279
Add: Depreciation, depletion and amortization	59	22	58	—	—	139
Add: Income from discontinued operations	—	—	—	—	3	3
Add: Depreciation, depletion and amortization from discontinued operations	—	—	—	—	4	4
EBITDA	\$92	\$75	\$272	\$1	\$(15)	) \$425
2009						
Operating income (loss) (d)	\$7	\$56	\$184	\$(3)) \$175	\$419
Add: Depreciation, depletion and amortization	70	24	58	—	1	153

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Add: Loss from discontinued operations	—	—	—	—	(9)	(9)
Depreciation, depletion and								
Add: amortization from discontinued operations	—	—	—	—	5		5	
EBITDA	\$77	\$80	\$242	\$(3	)	\$172	\$568	

(a) Corporate and other included a \$16 million gain related to the consolidation of the New Zealand JV.

(b) Corporate and other included a \$7 million increase to a disposition reserve. See Note 17 — Liabilities for Dispositions and Discontinued Operations for additional information.

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(c) Corporate and other included a gain of \$12 million from the sale of a portion of the Company's interest in the New Zealand JV.

(d) Corporate and other included \$205 million related to the AFMC. See Note 10 — Income Taxes — Alternative Fuel Mixture Credit ("AFMC") and Cellulosic Biofuel Producer Credit ("CBPC") for additional information.

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

Executive Summary

Our revenues, operating income and cash flows are primarily derived from three core business segments: Forest Resources, Real Estate and Performance Fibers. We own or lease (under long-term agreements) approximately 2.3 million acres of timberland and real estate in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, Texas and Washington. We also have a 65 percent ownership interest in Matariki Forestry Group, a joint venture ("New Zealand JV"), that owns or leases approximately 0.3 million acres of New Zealand timberlands. We believe we are the eighth largest private landowner in the United States. Our Real Estate business seeks to maximize the value of our properties which are more valuable for development, recreational or conservation uses than for growing timber, and sell our non-strategic timberland. Our Performance Fibers business has been a supplier of premier cellulose specialties products for over eighty-five years.

We have consistently generated strong cash flows and operating results by focusing on the following critical financial measures: segment operating income and EBITDA, cash available for distribution in total and on a per-share basis, debt to EBITDA ratio, debt to capital ratio, return on equity, return on fair market value (Forest Resources and Real Estate) and return on capital employed (Performance Fibers). Key non-financial measures include safety and environmental performance, quality, production as a percent of capacity and various yield statistics.

Our focus is on cash generation, effective allocation of capital and maximizing shareholder returns. Our strategy consists of the following key elements:

- Increase the size and quality of our timberland holdings through timberland acquisitions while selling timberland that no longer meets our strategic or financial return requirements. This strategy, which requires a disciplined approach and rigorous adherence to strategic and financial metrics, can result in significant year-to-year variation in timberland acquisitions and divestitures. For example, we acquired 17,000 acres of timberland in 2013, 88,000 acres in 2012, 308,000 acres in 2011, 3,000 acres in 2010, and none in 2009. We sold approximately 160,000, 14,000 and 12,000 acres of non-strategic timberland in 2013, 2012 and 2011, respectively.

Extract maximum value from our HBU properties. In prior years our focus on development properties was to obtain entitlements. For the near term, our entitlement efforts are largely complete as we have approximately 39,000 acres entitled in Florida and Georgia. We will now continue to work on monetizing these properties. For our prime industrial and commercial properties, we have focused on site certification. In 2013, we achieved certification of 1,800 acres in Nassau County, Florida as development-ready for large industrial or commercial uses. We will continue our rural HBU program of sales for conservation, recreation and industrial uses. Our primary markets are in our southern U.S. holdings.

Strengthen our global leadership in high purity cellulose specialties by driving growth and diversification. We differentiate ourselves through technically superior products and research and development. We are focused on achieving operational excellence measured by cost-effective, reliable operation of our mills while consistently producing the high-quality, high-value cellulose critical to our customers. The \$385 million cellulose specialties expansion ("CSE") project was completed in June 2013. The project added approximately 190,000 metric tons of cellulose specialties capacity at our Jesup, Georgia mill bringing total cellulose specialties capacity to approximately 675,000 metric tons.

In 2013, we completed several strategic initiatives to position our core businesses for future growth. In the first quarter of 2013, we sold our Wood Products business as part of our strategy to exit commodity markets and focus on specialty products in our manufacturing operations. In the second quarter of 2013, we completed the CSE project at our Jesup,

Georgia mill. The approximately 190,000 metric tons of additional cellulose specialties production capacity positions us to grow sales volumes, margins and cash flows in our Performance Fibers business without significant new investment.

In our Forest Resources business, we have repositioned our timberland holdings to concentrate on core regions. In the second quarter of 2013, we purchased an additional 39 percent interest in the New Zealand JV, increasing our ownership percentage to 65 percent. The acquisition increases our leverage to strong Asian export markets. Additionally, in the fourth quarter of 2013, we sold our New York timberlands in order to tighten the focus of our timberland portfolio.

With the completion of these strategic initiatives, we announced a plan to separate our Performance Fibers business from our Forest Resources and Real Estate businesses by mid-2014. The separation will result in two independent, publicly traded companies. With an improving U.S. housing market, strong timber export markets and the expansion of our cellulose specialties capacity, we

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believe now is the optimal time to pursue the separation of these non-integrated businesses which have evolved into two distinct businesses.

Management and our board of directors have developed a long-range planning process for the growth of our three core businesses. Our long-range planning process incorporates strategic factors such as allocation of capital, market forces and risks, access to capital, the competitive landscape and continued compliance with REIT requirements. The decision to separate our Performance Fibers business from our Forest Resources and Real Estate businesses is a result of careful consideration made through this long-range planning process and is consistent with our commitment to allow unencumbered growth in each of our three core businesses. Any actions we may take in the future with respect to changing strategic factors will be focused on ensuring each of our businesses can take advantage of growth opportunities while maximizing value for our shareholders.

We continuously evaluate our capital structure. Our year-end debt-to-capital ratio was 47 percent and our debt-to-EBITDA ratio was 2.3 times, while our net debt-to-EBITDA ratio was 2 times. We believe that a debt-to-EBITDA ratio of up to three times is appropriate to keep our weighted-average cost of capital low while maintaining an investment grade debt rating as well as retaining the flexibility to actively pursue growth opportunities. We have historically maintained conservative leverage and believe in keeping ample liquidity and financial flexibility. Maintaining an investment grade debt rating has been a key element of this overall financial strategy as it historically allowed access to corporate debt markets even in difficult economic conditions. We had \$243 million of available borrowing capacity on our revolving credit facility as of December 31, 2013. See Note 13 — Debt for additional information.

In connection with the separation, we plan for the new Performance Fibers company to raise approximately \$1 billion in new debt consisting of both term loans and corporate bonds. The proceeds of the new debt will be distributed to Rayonier through a dividend. Rayonier will generally use those proceeds to pay down debt, including a \$112.5 million installment note maturing on December 31, 2014.

We maintain four qualified defined benefit plans and one unfunded plan to provide benefits in excess of amounts allowable in qualified plans under current tax law. At December 31, 2013, our qualified plans were underfunded \$37 million versus \$98 million at December 31, 2012 primarily due to an increase in the discount rate from 3.7 percent to 4.6 percent and a \$21 million increase in plan assets. Although we have no pension contribution requirements in 2014, we may make discretionary pension contributions.

We do not have any significant strategic capital spending budgeted for 2014. Capital spending is expected to be limited to routine, annual mill maintenance, additional recovery boiler maintenance at the Jesup Mill and seedling planting and fertilization.

In 2013, our annual dividend was \$1.86 per share, reflecting a third quarter increase in the quarterly dividend from \$0.44 per share to \$0.49 per share. We expect to maintain our quarterly dividend through the separation of the Performance Fibers business in mid-2014. Post separation, Rayonier will continue to pay a competitive dividend. The new Performance Fibers company is expected to generate strong cash flows supporting a dividend payment competitive with its peer group.

Overall, we believe we have adequate liquidity and sources of capital to run our businesses efficiently and effectively and to maximize the value of assets under management. We expect cash flow from operations, proceeds from new debt issued in connection with the separation and debt available under our term credit agreement to adequately cover planned expenditures, interest expense and dividends in 2014.

Operational Strategies

Timber is sold primarily through an auction process, although it is also marketed through log supply agreements (primarily in the northern region and in New Zealand). We operate Forest Resources as a stand-alone business, requiring our Performance Fibers mills to compete with third-party bidders for timber, primarily at auction. This promotes realizing market value and generating a true measure of fair value returns in Forest Resources while minimizing the possibility of our manufacturing facilities being subsidized with below-market cost wood. We focus on optimizing Forest Resources returns by continually improving productivity and yields beginning with genetically superior seedlings from our own nurseries and through advanced silvicultural practices which take into account soil,

climate and biological considerations. We also actively pursue other non-timber sources of income, primarily hunting, other recreational licenses and pipeline easements. Finally, we evaluate timberland acquisitions and pursue those that meet various financial and strategic criteria.

A significant portion of our acreage is more valuable for development, rural residential, recreational or conservation purposes than for growing timber. To maximize the value of our development properties, our strategy has been to engage in value-added entitlement activities versus selling real estate in bulk without entitlements. Our entitlement efforts are largely complete as we now have approximately 7,900 acres of entitled land in Georgia and 31,200 acres of entitled land in Florida. We completed site certification on an 1,800 acre industrial site in Nassau County, Florida and advanced entitlements on 4,200 acres of our East

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Nassau, Florida property. In December 2012, we achieved certification of our 1,400 acre Belfast Commerce Center in Bryan County, Georgia as development-ready for large industrial or commercial uses. Less than a year later, in November 2013, we closed our first Belfast sale for \$35 thousand per acre. We will continue to actively market our entitled properties. Additionally, in 2013 we continued our strategy of selling non-strategic timberland holdings, which enables us to redeploy capital to higher returning assets.

In Performance Fibers, we are focused on continuing to differentiate our business and improve our position as a premier supplier of cellulose specialties products. A key part of this strategy is to differentiate our products through technical superiority and research and development, including partnering with customers to develop new products and meet their evolving needs. The Performance Fibers business will strengthen its cellulose specialties leadership position by driving growth and achieving operational excellence. The reliability and cost-effectiveness of our mills are measured by our ability to consistently produce high-quality and high-value cellulose to our customers. In 2013, cellulose specialties accounted for 76 percent of our sales volume, with the remaining volume sold as commodity grades.

Industry and Market Conditions

In 2013, demand for pulpwood was strong in the Gulf States and Atlantic regions as pulp mills continued to operate at full capacity and demand for bioenergy remained firm. The market was impacted by a decreased supply of pulpwood due to poor logging conditions caused by wet weather. Domestic demand for sawtimber gained strength due to slight improvements in the housing market. Export sawtimber markets in the Pacific Northwest region and New Zealand continued to improve throughout the year as Chinese demand for logs increased. We anticipate Chinese demand for logs will continue to strengthen during 2014. Overall, we expect 2014 timber demand and pricing to exceed 2013 levels as general economic conditions improve in the U.S. and Chinese demand remains strong.

In Real Estate, we expect the demand for development property to slowly return with the modestly improving housing market and overall economic climate; however, there is stronger development interest in some local markets, particularly around our properties in St. Johns County, Florida. This improved interest has already resulted a contract with a national builder for a 600-acre section of property. Also, the recent sale at our Belfast Commerce Center outside Savannah, Georgia indicates interest in our industrial properties is improving as well. Finally, interest in rural HBU sales remain steady.

In Performance Fibers, sales are typically made under multi-year contracts, which establish annual target volumes. Price is then negotiated at the beginning of each year. We have long-term contracts with the world's largest manufacturers of acetate-based products and other key customers that extend through 2014 to 2017 and represent a significant majority of our high value cellulose specialties production. Our recognized technical and market leadership has allowed us to maintain strong pricing across our cellulose specialties product lines.

From 2008 through most of 2012, the cellulose specialties market was very tight, as demand steadily increased while very little new supply was added. This tightness was evident in 2010, prompting our customers to request we add capacity to support their growth plans.

However, in early 2013, certain end markets (particularly in Europe) such as tire cord and construction ethers weakened, and competitors began trying to place volumes into stronger end markets such as acetate tow. Additionally, commodity viscose prices remain low which provides incentive for swing producers to attempt to increase volumes into cellulose specialties. Finally, additional cellulose specialties capacity is impacting the market.

We just completed 2014 price negotiations with our customers. Because of the market conditions noted above, we expect 2014 cellulose specialties prices to decrease 7 percent to 8 percent. Specialties sales volumes, however, are expected to be 30,000 to 50,000 metric tons greater than 2013. The remainder of Performance Fibers 2014 production will be commodity grades. We have decided to move our planned, extended outage of the recovery boiler forward from 2015 to 2014. This decision will reduce 2014 production of commodity grades by 35,000 to 40,000 tons; however, it will allow us more flexibility in 2015 when we expect cellulose specialties markets to improve.

We are encouraged by trends in our key cellulose specialties markets. Acetate demand remains solid and weakness in the European construction and automotive markets appears to have bottomed. With the additional production capacity provided by the CSE, the Performance Fibers business is well positioned to grow sales volumes, margins and cash

flows, without further significant investment.

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Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and 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.

Merchantable inventory and depletion costs as determined by forestry timber harvest models

Significant assumptions and estimates are used in the recording of timberland inventory cost and depletion.

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.

An annual depletion rate is established for each particular region by dividing merchantable inventory book cost by standing merchantable inventory. Pre-merchantable records are maintained for each planted year age class, recording acres planted, stems per acre and costs of planting and tending. Changes in the assumptions and/or estimations used in these calculations may affect our 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 three percent company-wide change in estimated standing merchantable inventory would cause 2013 depletion expense to change by approximately \$2 million.

Acquisitions of timberland can also affect the depletion rate. Upon the acquisition of timberland, we make a determination on whether to combine the newly acquired merchantable timber with an existing depletion pool or to create a new separate pool. The determination is based on the geographic location of the new timber, the customers/markets that will be served and species mix. We do not expect our 2013 acquisitions to have a significant impact on depletion expense. In the fourth quarter of 2012, we acquired an additional 62,600 acres in the Gulf States region. Although 2012 depletion expense was not significantly impacted, the acquisition increased 2013 depletion expense by \$0.7 million.

Depreciation and impairment of long-lived assets

Depreciation expense is computed using the units-of-production method for the Performance Fibers plant and equipment and the straight-line method on all other property, plant and equipment over the useful economic lives of the assets involved. We believe these depreciation methods are the most appropriate under the circumstances as they most closely match revenues with expenses versus other generally accepted accounting methods. Long-lived assets are periodically reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. Cash flows used in such impairment analyses are based on long-range plan projections, which take into account recent sales and cost data as well as macroeconomic drivers such as customer demand and industry capacity. The physical life of equipment, however, may be shortened by economic obsolescence caused by environmental regulation, competition or other causes.

Environmental costs associated with dispositions and discontinued operations

At December 31, 2013, we had \$76 million of accrued liabilities for environmental costs relating to past dispositions and discontinued operations. Numerous cost assumptions are used in estimating these obligations. Factors affecting these estimates include changes in the nature or extent of contamination, changes in the content or volume of the material discharged or treated in connection with one or more impacted sites, requirements to perform additional or different assessment or remediation, changes in technology that may lead to additional or different environmental remediation strategies, approaches and workplans, discovery of additional or unanticipated contaminated soil, groundwater or sediment on or off-site, changes in remedy selection, changes in law or interpretation of existing law and the outcome of negotiations with governmental agencies or non-governmental parties. We periodically review our environmental liabilities and also engage third-party consultants to assess our ongoing remediation of contaminated sites. A significant change in any of the estimates could have a material effect on the results of our operations. Typically, these cost estimates do not vary significantly on a quarter to quarter basis, although there can be no

assurance that such a change will not occur in the future. In 2013 and 2012, we increased the liability by \$3 million and \$1 million, respectively. See Note 17 — Liabilities for Dispositions and Discontinued Operations for additional information.

Determining the adequacy of pension and other postretirement benefit assets and liabilities

We have four qualified benefit plans which cover most of our U.S. workforce and an unfunded plan to provide benefits in excess of amounts allowable under current tax law to certain participants in the qualified plans. All plans are currently closed to

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new participants. Pension expense for all plans was \$22 million in 2013, including approximately \$0.9 million in curtailment and settlement charges related to the sale of our Wood Products business. 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, salary increases, health care cost trends, mortality rates, longevity and service lives of employees. Although there is authoritative guidance on how to select most of these assumptions, some degree of judgment is exercised in selecting these assumptions based on input from our actuary. 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. In determining pension expense in 2013, a \$25 million return was assumed based on an expected long-term rate of return of 8.5 percent. The actual return for 2013 was a gain of \$42 million, or 13 percent. Our long-term return assumption was established based on historical long-term rates of return on broad equity and bond indices, discussions with our actuary and investment advisors and consideration of the actual annualized rate of return from 1994 (the date of our spin-off from ITT Corporation) through 2013. At the end of 2013, we reviewed this assumption for reasonableness and determined the 2013 long-term rate of return assumption should remain at 8.5 percent. At December 31, 2013, our asset mix consisted of 67 percent equities, 30 percent bonds and 3 percent real estate equity funds. We do not expect this mix to change materially in the near future.

In determining future pension obligations, we select a discount rate based on information supplied by our actuary. The actuarial rates are developed by models which incorporate high quality (AA rated), long-term corporate bond rates into their calculations. The discount rate increased from 3.70 percent at December 31, 2012 to 4.60 percent at December 31, 2013.

The Company's pension plans were underfunded by \$72 million at December 31, 2013, a \$62 million improvement in funding status from December 31, 2012 due primarily to the higher discount rate and a \$21 million increase in plan assets. We had no mandatory pension contributions and did not make discretionary contributions to our qualified pension plans in 2013 or 2012. Future requirements will vary depending on actual investment performance, changes in valuation assumptions, interest rates and requirements under the Pension Protection Act. See Note 22 — Employee Benefit Plans for additional information.

In 2014, we expect pension expense to be well below 2013 due to a decrease in the amortization of actuarial losses resulting from an increase in the discount rate. Future pension expense will be impacted by many factors including actual investment performance, changes in discount rates, timing of contributions and other employee related matters. The sensitivity of pension expense and projected benefit obligation to changes in economic assumptions is highlighted below:

Change in Assumption	Impact on:	
	Pension Expense	Projected Benefit Obligation
25 bp decrease in discount rate	+ 1.6 million	+ 13.0 million
25 bp increase in discount rate	- 1.6 million	- 12.4 million
25 bp decrease in long-term return on assets	+ 0.7 million	
25 bp increase in long-term return on assets	- 0.7 million	

Realizability of both recorded and unrecorded tax assets and tax liabilities

As a REIT, our Forest Resources operations are generally not subject to income taxation. As such, our income taxes can vary significantly based on the mix of income between our REIT and TRS businesses, thereby impacting our effective tax rate and the amount of taxes paid during fiscal periods. Therefore, our projection of estimated income tax for the year and our provision for quarterly income taxes, in accordance with generally accepted accounting principles, may have significant variability. Similarly, the assessment of the ability to realize certain deferred tax assets, or estimate deferred tax liabilities, may be subjective.

We have recorded certain deferred tax assets we believe will be realized in future periods. These assets are reviewed periodically in order to assess their realizability. This review requires us to make assumptions and estimates about future profitability affecting the realization of these tax benefits. If the review indicates the realizability may be less

than likely, a valuation allowance is recorded.

Our income tax returns are subject to examination by U.S. federal, state, and foreign taxing authorities. In evaluating the tax benefits associated with various tax filing positions, we record a tax benefit for an uncertain tax position if it is more-likely-than-not to be realized upon ultimate settlement of the issue. We record a liability for an uncertain tax position that does not meet this criterion. The liabilities for unrecognized tax benefits are adjusted 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 becomes available. See Note 10 — Income Taxes for additional information about our unrecognized tax benefits.

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

Financial Information (in millions)	2013	2012	2011
Sales			
Forest Resources			
Atlantic	\$70	\$64	\$71
Gulf States	54	45	31
Northern	110	110	102
New Zealand (a)	148	11	11
Total Forest Resources	382	230	215
Real Estate			
Development	4	2	4
Rural	37	39	33
Non-Strategic Timberlands (b)	108	16	34
Total Real Estate	149	57	71
Performance Fibers			
Cellulose specialties	930	935	824
Viscose/other (c)	39	—	—
Absorbent materials (c)	73	158	196
Total Performance Fibers	1,042	1,093	1,020
Other Operations	138	105	122
Intersegment Eliminations	(3)	(2)	(7)
Total Sales	\$1,708	\$1,483	\$1,421
Operating Income			
Forest Resources	\$81	\$46	\$47
Real Estate	56	32	47
Performance Fibers	311	359	298
Other Operations	2	—	1
Corporate and other (d)	(27)	(36)	(36)
Operating Income	423	401	357
Interest Expense	(44)	(45)	(50)
Interest/Other Income	3	—	1
Income Tax Expense (e)	(50)	(85)	(31)
Income from Continuing Operations	332	271	277
Discontinued Operations, Net (f)	42	8	(1)
Net Income	374	279	276
Less: Net Income Attributable to Noncontrolling Interest	2	—	—
Net Income Attributable to Rayonier Inc.	\$372	\$279	\$276

(a) 2013 included \$146 million in sales from the consolidation of the New Zealand JV.

(b) The 2013 results included a fourth quarter sale of approximately 128,000 acres of New York timberland holdings for \$57 million.

Beginning in the third quarter of 2013 and in conjunction with the completion of the CSE project, the Company's (c) Jesup mill reduced production of absorbent materials and began producing viscose and other commodity grades as the Company begins its multi-year transition to producing only cellulose specialties.

The 2013 results included a \$16 million gain related to the consolidation of the New Zealand JV. The 2011 results (d) included a \$7 million increase in a disposition reserve. See Note 17 — Liabilities for Dispositions and Discontinued Operations for additional information.

- (e) The 2011 results included a benefit of \$16 million from the reversal of a reserve related to the taxability of the AFMC.
- (f) The 2013 results included a \$42 million after-tax gain from the sale of the Wood Products business.

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Results of Operations, 2013 versus 2012

Forest Resources

Sales (in millions)	2012	Changes Attributable to:			2013
		Price	Volume/ Mix/Other		
Atlantic	\$64	\$7	\$(1)	)	\$70
Gulf States	45	3	6		54
Northern	110	12	(12)	)	110
New Zealand (a)	11	20	117		148
Total Sales	\$230	\$42	\$110		\$382

(a) 2013 included \$146 million of sales from the consolidation of the New Zealand JV.

Operating Income (in millions)	2012	Changes Attributable to:			2013
		Price	Volume/ Mix	Cost/Other	
Atlantic	\$17	\$7	\$—	\$(1)	) \$23
Gulf States	6	3	—	6	15
Northern	21	12	3	(3)	) 33
New Zealand/Other (a)	2	20	—	(12)	) 10
Total Operating Income	\$46	\$42	\$3	\$(10)	) \$81

(a) 2013 included \$8 million of operating income from the consolidation of the New Zealand JV.

The Atlantic region's sales and operating income increased over 2012 primarily due to stronger pulpwood and sawlog prices driven by increased demand in key markets from higher housing starts, supporting additional wood products capacity. Pricing in this region also benefited from limited supply due to wet weather.

The Gulf States region also benefited from improved pulpwood and sawlog prices as well as increased volumes from our December 2012 Texas acquisition, resulting in a 17 percent increase in 2013 sales over the prior year. Operating income improved from 2012, primarily due to higher non-timber income and the strong pricing.

In the Northern region, sales were consistent with the prior year as increased prices, driven by strong export and domestic demand, were offset by lower volumes of delivered wood. Operating income increased 57 percent due to higher prices, partially offset by higher logging costs.

In April 2013, we acquired an additional 39 percent ownership in our New Zealand JV for \$140 million. As a 65 percent owner, we began consolidating 100 percent of the New Zealand JV's results of operations in the second quarter of 2013. The 2013 higher sales and operating results for New Zealand reflect this increased ownership.

Real Estate

Our real estate holdings are primarily in the southeastern United States. We segregate these real estate holdings into three groups: development HBU, rural HBU and non-strategic timberlands. Our strategy is to extract maximum value from our HBU properties while selling non-strategic holdings to allow reinvestment in more strategic properties.

Sales (in millions)	2012	Changes Attributable to:			2013
		Price	Volume/ Mix		
Development	\$2	\$3	\$(1)	)	\$4
Rural	39	(4)) 2		37
Non-Strategic Timberlands	16	14	78		108
Total Sales	\$57	\$13	\$79		\$149

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Operating Income (in millions)	2012	Changes Attributable to:			2013
		Price	Volume/ Mix	Cost/Other	
Total Operating Income	\$32	\$13	\$17	\$(6)	\$56

In 2013, sales and operating income increased from prior year due to large sales of non-strategic timberland including approximately 21,000 acres in the southeast and 5,400 acres in Washington. Additionally, 2013 results include the sale of approximately 128,000 acres of New York timberland holdings.

Performance Fibers

Sales (in millions)	2012	Changes Attributable to:			2013
		Price	Volume / Mix		
Cellulose specialties	\$935	\$26	\$(31)		\$930
Viscose/other	—	—	39		39
Absorbent materials	158	(8)	(77)		73
Total Sales	\$1,093	\$18	\$(69)		\$1,042

Sales decreased five percent in 2013 as lower cellulose specialties volumes, due to the timing of customer orders, and the impact of the CSE project more than offset higher cellulose specialties prices. In 2013, absorbent materials prices declined 11 percent reflecting weakness in the market and volumes decreased 51 percent, reflecting reduced production of absorbent materials and production of viscose and other commodity grades as the Company begins its multi-year transition to producing only cellulose specialties.

Operating Income (in millions)	2012	Changes Attributable to:				2013
		Price	Volume	Cost/Mix	Other	
Total Operating Income	\$359	\$26	\$(12)	\$(16)	\$(46)	\$311

Operating income declined \$48 million in 2013 due to lower cellulose specialties volumes, the planned extended shutdown at the Jesup mill and higher wood and production costs. Our 2013 results also reflect a product mix shift away from absorbent materials to commodity viscose as a result of the CSE project transition.

The cellulose specialties expansion project cost \$385 million and converted approximately 260,000 metric tons of absorbent materials capacity into approximately 190,000 metric tons of cellulose specialties capacity. The project was completed in June 2013, after significant modifications to the production line and increased capacity of ancillary systems. In July 2013, we restarted the converted production line and began the qualification process for the line's cellulose specialties production with our customers.

We will produce cellulose specialties, commodity viscose and other commodity products, modulating volumes in each product group to meet demand. We expect the global demand for cellulose specialties to grow approximately 45,000 to 50,000 metric tons a year as customers' product needs continue to expand. As demand for cellulose specialties grows, we expect to increase our sales of cellulose specialties and complete the transition to become a dedicated cellulose specialties supplier by 2017/2018. As we increase our production of cellulose specialties, we anticipate increases in total sales and operating income, assuming 2013 price levels, as higher prices received on the additional cellulose specialties volume more than offset expected cost increases and the net reduction in overall production capacity. For the year ended December 31, 2013, our cellulose specialties average sales price of \$1,913 per metric ton was \$1,273 above our absorbent materials average sales price per metric ton.

In January 2014, we announced the planned separation of the Performance Fibers business from the Forest Resources and Real Estate businesses. The separation will result in two independent, publicly-traded companies by means of a tax-free spin-off of the Performance Fibers business to our shareholders. The separation, which is subject to a number of conditions including final Board approval, receipt of a favorable private letter ruling from the IRS and effectiveness of a registration statement on Form 10, is expected to be completed in mid-2014.

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Other Operations

Sales from our New Zealand log trading business increased \$33 million over the prior year due to increased Asian demand, resulting in a \$2 million increase in operating income.

Corporate and Other Expense/Eliminations

Expenses for 2013 decreased \$9 million from 2012, primarily due to the \$16 million gain related to the consolidation of the New Zealand JV. This gain included the recognition of a \$10 million deferred gain based on the original sale of our New Zealand operations to the New Zealand JV in 2005 and a \$6 million benefit due to the required fair market value remeasurement of our equity interest in the New Zealand JV held before the purchase of the additional interest. Excluding the gain related to the consolidation of the New Zealand JV, corporate and other expenses increased \$7 million due to higher business development and legal costs primarily related to the anticipated separation of our Performance Fibers business from our Forest Resources and Real Estate businesses.

Interest Expense and Interest/Other Income

The 2013 interest expense of \$44 million was comparable to the prior year. The 2013 results included a \$4 million charge on the early redemption by the noteholders of \$41.5 million of our \$172.5 million Senior Exchangeable Notes due in 2015. The charge represents the difference between the carrying value and the fair market value of the debt and the write off of certain debt costs due to the early redemption. Excluding this charge, interest expense was below 2012 primarily due to lower borrowing rates.

Income Tax Expense

The full year effective tax rate was 13.0 percent compared to 23.8 percent in 2012 primarily due to several non-routine tax items. Excluding these items, the 2013 effective tax rate was 23.5 percent compared to 26.3 percent in the prior year. The decline in the effective tax rate was primarily due to proportionately higher earnings from REIT operations and a benefit associated with the internal transfer of timberland properties. See Note 10 — Income Taxes for additional information regarding the provision for income taxes and the non-routine tax items.

Outlook for 2014

In 2014, we intend to separate the Performance Fibers business from the Forest Resources and Real Estate businesses. Over the past few years, we have completed a number of strategic steps to position these businesses to operate as two industry-leading public companies with significant growth opportunities. With an improving housing market and economy, and expanded capacity in Performance Fibers, we feel the timing is optimal for the separation of these two non-integrated businesses and will best position the company to drive value for shareholders. Through this separation, each business will gain the flexibility to pursue its own growth strategies and operating priorities, and develop a capital structure and allocation to generate long-term growth and value for shareholders.

We have achieved important milestones to transition Performance Fibers to a specialty chemical company with an excellent foundation for long-term growth and stability. We have recently unlocked significant growth potential with the completion of our cellulose specialties expansion project, which increased production capacity of high-value cellulose specialties at the Jesup mill by approximately 190,000 metric tons. Compared with 2013, Performance Fibers is expected to sell an additional 30,000 to 50,000 metric tons of cellulose specialties in 2014 as it commences the multi-year ramp-up to full cellulose specialties production.

In our Forest Resources business, we have repositioned our portfolio to focus on core regions, including the recent sale of the New York timberlands. In our Real Estate business we have obtained land use entitlements for higher-and-better-use properties to position the business for enhanced sales values.

Our 2014 outlook is subject to a number of variables and uncertainties, including those discussed at Item 1A — Risk Factors.

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Results of Operations, 2012 versus 2011

Forest Resources

Sales (in millions)	2011	Changes Attributable to:			2012
		Price	Volume/ Mix/Other		
Atlantic	\$71	\$4	\$(11)	)	\$64
Gulf States	31	—	14		45
Northern	102	(13)	) 21		110
New Zealand	11	—	—		11
Total Sales	\$215	\$(9)	) \$24		\$230

Operating Income (in millions)	2011	Changes Attributable to:			2012
		Price	Volume/ Mix	Cost/Other	
Atlantic	\$11	\$4	\$(1)	) \$3	\$17
Gulf States	2	—	3	1	6
Northern	29	(13)	) 8	(3)	21
New Zealand/Other	5	—	—	(3)	2
Total Operating Income	\$47	\$(9)	) \$10	\$(2)	\$46

The Atlantic region's sales decreased from the prior year, primarily due to lower volumes as 2011 results included fire salvage timber. The decline in volume was partially offset by a 12 percent increase in 2012 pine stumpage prices as 2011 prices were negatively impacted by the fire salvage timber. Operating income improved from 2011 due to higher sales prices and non-timber income. The 2011 results also included approximately \$2 million of write-downs from forest fires.

The Gulf States' sales and operating income increased from 2011 as volumes rose 51 percent, primarily due to the integration of the 2011 timberland acquisitions and higher non-timber income.

In the Northern region, sales increased from the prior year primarily due to higher volumes of delivered wood in the Northwest. However, operating income decreased primarily due to an eight percent decrease in price as a result of weaker Asian demand and higher logging and transportation costs.

The New Zealand sales represent timberland management fees for services provided to the New Zealand JV, Matariki Forestry Group ("Matariki"). The operating income primarily represents the New Zealand JV's equity earnings which decreased from 2011 mainly due to weaker Asian demand and lower carbon credit sales.

Real Estate

Our real estate holdings are primarily in the southeastern United States. We segregate these real estate holdings into three groups: development HBU, rural HBU and non-strategic timberlands. Our strategy is to extract maximum value from our HBU properties while selling non-strategic holdings to allow reinvestment in more strategic properties.

Sales (in millions)	2011	Changes Attributable to:			2012
		Price	Volume/ Mix		
Development	\$4	\$—	\$(2)	)	\$2
Rural	33	2	4		39
Non-Strategic Timberlands	34	(23)	) 5		16
Total Sales	\$71	\$(21)	) \$7		\$57

Operating Income (in millions)	2011	Changes Attributable to:			2012
		Price	Volume/ Mix	Cost/Other	
Total Operating Income	\$47	\$(21)) \$5	\$1	\$32

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As expected, 2012 sales and operating income decreased from prior year as 2011 results included a 6,300 acre non-strategic sale at \$3,995 per acre and a \$6 million property tax settlement covering several prior years. The lower 2012 results were partially offset by higher rural HBU volume and prices of ten percent and six percent, respectively. Performance Fibers

Sales (in millions)	2011	Changes Attributable to:			2012
		Price	Volume/ Mix		
Cellulose specialties	\$824	\$112	\$(1)		\$935
Absorbent materials	196	(26)	(12)		158
Total Sales	\$1,020	\$86	\$(13)		\$1,093

Cellulose specialties sales improved as prices increased 14 percent from the prior year due to continued strong demand. Absorbent materials prices declined 15 percent due to market weakness, while volumes were six percent lower due to a production shift to cellulose specialties.

Operating Income (in millions)	2011	Changes Attributable to:			2012
		Price	Volume/ Mix	Cost/Other	
Total Operating Income	\$298	\$86	\$(3)	\$(22)	\$359

In 2012, operating income improved from the prior year as higher cellulose specialties prices more than offset increased wood, chemical and labor costs. The 2011 results were also negatively impacted by a \$6 million write-off related to process equipment changes needed for the CSE project.

Other Operations

Sales declined from 2011 as weakened export demand resulted in lower log trading volumes and prices. The decrease in operating income was also due to unfavorable foreign exchange rates.

Corporate and Other Expense/Eliminations

The 2011 results include a \$7 million increase in a disposition reserve, discussed at Note 17 — Liabilities for Dispositions and Discontinued Operations. Excluding this special item, 2012 corporate and other expenses increased primarily due to higher benefit and business development costs.

Interest Expense and Interest/Other Income

Interest expense was \$6 million below the prior year due to higher capitalized interest on the CSE project and lower borrowing rates. Interest/other income was comparable to the prior year.

Income Tax Expense

The full year effective tax rate was 23.8 percent compared to 10.0 percent in 2011 primarily due to several non-routine tax items. Excluding these items, the 2012 effective tax rate was 26.3 percent, up from 23.4 percent in the prior year. The higher 2012 rate was due to proportionately higher earnings from the TRS. See Note 10 — Income Taxes for additional information regarding the provision for income taxes and the non-routine tax items.

Liquidity and Capital Resources

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

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

	As of December 31,		
	2013	2012	2011
Cash and cash equivalents	\$200	\$281	\$79
Total debt	1,574	1,270	847
Shareholders' equity	1,755	1,438	1,323
Total capitalization (total debt plus equity)	3,329	2,708	2,170
Debt to capital ratio	47%	47%	39%

Our 2013 total debt increased over 2012 due to \$73 million in net borrowings and \$224 million related to the consolidation of the New Zealand JV. Our debt-to-capital ratio was consistent with 2012, as a result of comparable increases in debt and equity principally related to the consolidation of the New Zealand JV and higher net income. See Note 13 — Debt for additional information.

Cash Flows

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

	2013	2012	2011
Total cash provided by (used for):			
Operating activities	\$545	\$446	\$432
Investing activities	(469)	(473)	(489)
Financing activities	(157)	229	(215)
Effect of exchange rate changes on cash	—	—	1
(Decrease) increase in cash and cash equivalents	\$(81)	\$202	\$(271)
Cash Provided by Operating Activities			

Cash provided by operating activities in 2013 increased from the prior year primarily due to favorable operating results in our Forest Resources and Real Estate segments, partially offset by higher cash taxes and interest payments in 2013 as compared to 2012.

Cash provided by operating activities in 2012 increased from the prior year primarily due to favorable operating results in our Performance Fibers segment partially offset by higher cash taxes as 2011 benefited from several non-routine tax items.

Cash Used for Investing Activities

Cash used for investing activities decreased slightly in 2013 as the current year included \$20 million in strategic timberland acquisitions compared to \$107 million in 2012. Spending on the CSE project also decreased \$60 million in 2013 as compared to 2012. These decreases were partially offset by \$140 million spent to acquire additional interest in the New Zealand JV and a \$58 million increase in restricted cash due to the timing of like-kind exchanges. The current year also included \$63 million of after tax proceeds from the sale of the Company's Wood Products business in the first quarter of 2013.

Cash used for investing activities decreased in 2012 as 2011 included \$321 million in strategic timberland acquisitions compared to \$107 million in 2012. This decrease was partially offset by a \$158 million increase in spending on the CSE project, an \$11 million increase in restricted cash due to the timing of like-kind exchanges and a \$13 million increase in non-strategic capital expenditures.

Cash (Used for) Provided by Financing Activities

Cash used for financing activities in 2013 increased from the prior year as dividends paid increased \$30 million due to an 11 percent increase in dividends per share during 2013. Additionally, 2013 net debt borrowings of \$73 million were significantly lower than 2012 net borrowings of \$416 million and proceeds from the issuance of common stock decreased \$15 million from 2012.

Cash provided by financing activities in 2012 increased from the prior year as 2012 included net borrowings of \$416 million, compared to net repayments of \$39 million in 2011. Additionally, proceeds on stock options exercised

increased \$12 million.

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These cash inflows were partially offset by a \$21 million increase in dividends paid as annual dividends per share rose 11 percent during 2012.

Expected 2014 Expenditures

For the first half of 2014, prior to the planned separation of the Performance Fibers business from the Forest Resources and Real Estate businesses, capital expenditures are forecasted to be between \$90 million and \$95 million, excluding strategic timberland acquisitions. This range includes annual shutdown costs at our two Performance Fibers mills and additional costs related to recovery boiler maintenance at the Jesup mill. Our dividend payments during the first half of 2014 are expected to be approximately \$125 million assuming no change in the quarterly dividend rate of \$0.49 per share.

By mid-2014, we expect to be operating as two separate publicly traded companies. During the second half of 2014, post-separation, we expect the Forest Resources and Real Estate businesses to spend approximately \$35 million to \$40 million on capital expenditures, excluding strategic timberland acquisitions. We expect capital spending for the Performance Fibers business to range between \$20 million and \$25 million. Income tax payments and environmental costs related to our dispositions and discontinued operations are expected to be approximately \$30 million and \$4 million, respectively. Dividend payments during the second half of 2014 are expected to be competitive with the peer groups of the respective companies.

We made no discretionary pension contributions in 2013 or 2012. We have no mandatory pension contributions in 2014 but may make discretionary contributions either during the first half of the year or after separation of the businesses. For information on full-year 2014 expected environmental expenditures related to our dispositions and discontinued operations, see Note 17 — Liabilities for Dispositions and Discontinued Operations.

Performance and Liquidity Indicators

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

Below is a reconciliation of Net Income to EBITDA and a table of EBITDA by segment for the five years ended December 31 (in millions of dollars):

	2013	2012	2011	2010	2009
Net Income to EBITDA Reconciliation					
Net Income	\$374	\$279	\$276	\$218	\$313
Interest, net	41	45	49	49	51
Income tax expense, continuing operations	50	85	31	14	49
Income tax expense, discontinued operations	21	3	—	1	(3)
Depreciation, depletion and amortization	191	146	133	139	153
Depreciation, depletion and amortization, from discontinued operations	1	2	3	4	5
EBITDA (a)	\$678	\$560	\$492	\$425	\$568

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	2013	2012	2011	2010	2009
EBITDA by Segment					
Forest Resources	\$180	\$121	\$110	\$92	\$77
Real Estate	73	40	59	75	80
Performance Fibers	386	420	354	272	242
Other Operations	2	—	1	1	(3)
Corporate and other (a)	37	(21)	(32)	(15)	172
EBITDA	\$678	\$560	\$492	\$425	\$568

The results for 2013 include a \$63 million gain on the sale of Wood Products and a \$16 million gain related to the consolidation of the New Zealand JV. The results for 2011 included a \$7 million increase in a disposition reserve. (a) The results for 2010 included a gain of \$12 million from the sale of a portion of the Company's interest in the New Zealand JV. The results for 2009 included \$205 million related to the AFMC.

Excluding special items noted in the footnote above, 2013 EBITDA was \$39 million above prior year primarily due to higher operating results in our Forest Resources and Real Estate segments. Excluding special items noted in the footnote above, 2012 EBITDA was \$61 million above prior year primarily due to higher operating results in our Performance Fibers segment. See Item 6 — Selected Financial Data for a reconciliation of EBITDA to Operating Income by segment.

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

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

	2013	2012	2011	2010	2009
Cash provided by operating activities	\$545	\$446	\$432	\$495	\$307
Capital expenditures (a)	(159)	(158)	(145)	(138)	(92)
Change in committed cash	(4)	6	(6)	12	17
Excess tax benefits on stock-based compensation	8	8	6	5	3
Basis of New York timberlands	(54)	—	—	—	—
Other	(2)	2	—	10	(2)
CAD	334	304	287	384	233
Mandatory debt repayments	(42)	(323)	(93)	(1)	(123)
Adjusted CAD	\$292	\$(19)	\$194	\$383	\$110
Cash used for investing activities	\$(469)	\$(473)	\$(489)	\$(143)	\$(93)
Cash (used for) provided by financing activities	\$(157)	\$229	\$(215)	\$(78)	\$(202)

Capital expenditures exclude strategic capital. For the year ended December 31, 2013, strategic capital totaled \$141 (a) million for the Jesup mill CSE and \$20 million for timberland acquisitions. For the year ended December 31, 2012, strategic capital totaled \$201 million for the Jesup mill CSE and \$107 million for timberland acquisitions.

Adjusted CAD increased in 2013 due to higher operating results and lower mandatory debt repayments partially offset by the change in committed cash. Adjusted CAD decreased in 2012 due to the refinancing of \$300 million of Senior Exchangeable Notes and \$23 million of solid waste bonds that matured, partially offset by higher operating results and

the change in committed cash. Adjusted CAD generated in any period is not necessarily indicative of the amounts that may be generated in future periods.

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Liquidity Facilities

In April 2011, the Company entered into a five-year \$300 million unsecured revolving credit facility, which was increased to \$450 million in August 2011. During October 2012, we amended this revolving credit facility to take advantage of better pricing, improve covenants and change the debt ceiling calculation to provide additional borrowing capacity. As a result of the amendment, the borrowing rate decreased from LIBOR plus 105 basis points to LIBOR plus 97.5 basis points. The facility fee decreased 5 points from 20 basis points to 15 basis points. The Company had \$243 million of available borrowing capacity under the revolving credit facility as of December 31, 2013.

In December 2012, the Company entered into a \$640 million senior unsecured term credit agreement with banks in the farm credit system, which is a network of cooperatives. The agreement matures in December 2019 and has a delayed draw feature that allows borrowings up to \$640 million through December 2017 using a maximum of five advances. The periodic interest rate on the term credit agreement is LIBOR plus 150 basis points with an unused commitment fee of 15 basis points. The Company receives annual patronage refunds, 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 expects the effective interest rate to approximate LIBOR plus 95 basis points after consideration of the patronage refunds. The Company had \$140 million of available borrowing capacity under this facility as of December 31, 2013. The 3.75% Senior Exchangeable Notes matured in October 2012 and the principal balance of \$300 million was paid in cash. The exchangeable note hedges also matured and the associated shares were used to pay the excess exchange value of 2,221,056 shares of Rayonier stock. As a result, there was no impact on the number of shares outstanding. The warrants sold in conjunction with the issuance of the 3.75% Senior Exchangeable Notes due 2012 began maturing on January 15, 2013 and continued to mature through March 27, 2013. In the first and second quarter of 2013, 8,313,511 of warrants were settled, resulting in the issuance of 2,135,221 Rayonier common shares. For information regarding the dilutive effect of the assumed conversion of the warrants, refer to Note 11 — Earnings per Common Share. The \$172.5 million of 4.50% Senior Exchangeable Notes due 2015 were exchangeable at the option of the holders for all four calendar quarters ending in 2013. Per the indenture, in order for the notes to become exchangeable, the Company's stock price must exceed 130 percent of the exchange price for 20 trading days in a period of 30 consecutive trading days as of the last day of the quarter. During the third quarter of 2013, three groups of note holders elected to exercise their right to redeem \$41.5 million of the notes. As of December 31, 2013, all three redemptions have settled and the Company recorded a \$4 million charge on the early redemption. The charge represents the difference between the carrying value and the fair market value of the debt and the write off of certain debt costs due to the early redemption. Based upon the average stock price for the 30 trading days ended December 31, 2013, these notes again became exchangeable at the option of the holder for the calendar quarter ending March 31, 2014. The remaining balance of the notes is classified as long-term debt at December 31, 2013 due to the ability and intent of the Company to refinance them on a long-term basis.

In connection with the separation, we plan for the new Performance Fibers company to raise approximately \$1 billion in new debt consisting of both term loans and corporate bonds. The proceeds of the new debt will be distributed to Rayonier through a dividend. Rayonier will generally use those proceeds to pay down existing debt.

See Note 13 — Debt for additional information on these agreements and other outstanding debt, as well as for information on covenants which must be met in connection with our installment note, mortgage notes, senior notes, term credit agreement and the revolving credit facility.

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. In February 2012, Moody's Investors Service raised our senior unsecured rating to "Baa1" from "Baa2" and revised our outlook to "Stable" from "Positive." In January 2014, Moody's further revised our outlook from "Stable" to "Under Review" in light of the announced separation of our Performance Fibers business. In February 2011, Standard & Poor's Ratings Services raised its ratings on Rayonier, including our corporate credit rating, to "BBB+" from "BBB." In January 2014, Standard & Poor's revised our outlook from "Stable" to "CreditWatch Negative" in light of the announced separation of our Performance Fibers business.

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 certain self-insurance programs that we maintain. 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 19 — Guarantees for further discussion.

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Contractual Financial Obligations

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

The following table aggregates our contractual financial obligations as of December 31, 2013 and anticipated cash spending by period:

Contractual Financial Obligations (in millions)	Total	Payments Due by Period			
		2014	2015-2016	2017-2018	Thereafter
Long-term debt (a)	\$1,463	\$—	\$529	\$63	\$871
Current maturities of long-term debt	113	113	—	—	—
Interest payments on long-term debt (b)	204	40	69	44	51
Operating leases — timberland	188	10	19	17	142
Environmental obligations (c)	2	2	—	—	—
Postretirement obligations (d)	34	3	6	7	18
Operating leases — PP&E, offices	10	3	4	2	1
Uncertain tax positions (e)	11	11	—	—	—
Purchase obligations — derivatives (f)	5	—	1	2	2
Purchase obligations — Jesup mill contract (g)	20	—	1	4	15
Purchase obligations — wood chips (h)	48	11	23	14	—
Purchase obligations — environmental service (i)	7	3	1	—	3
Purchase obligations — other	2	2	—	—	—
Total contractual cash obligations	\$2,107	\$198	\$653	\$153	\$1,103

(a) The book value of our long-term debt is currently recorded at \$1.462 billion on the Company's consolidated balance sheet, but upon maturity the liability will be \$1.463 billion.

(b) Projected interest payments for variable-rate debt were calculated based on outstanding principal amounts and interest rates as of December 31, 2013.

(c) These obligations relate to the Jesup mill 2008 consent order which was amended in 2011 for the CSE project.

These amounts represent an estimate of our projected payments related to our unfunded excess pension plan and

(d) our postretirement medical and life insurance plans for the next ten years. See Note 22 — Employee Benefit Plans for additional information.

(e) See Note 10 — Income Taxes for additional information on uncertain tax positions.

Purchase obligations represent payments expected to be made on derivative instruments held in New Zealand.

(f) See Note 6 — Derivative Financial Instruments and Hedging Activities.

(g) Purchase obligations represent payments expected to be made on the Jesup mill natural gas transportation contract.

(h) Pursuant to the Wood Products business purchase and sale agreement, Rayonier contracted with Interfor (buyer) to purchase wood chips produced at the lumber mills for use at Rayonier's Jesup mill.

(i) These obligations relate to various environmental monitoring and maintenance service agreements.

In February 2012, we filed a universal shelf registration giving us the ability to issue and sell an indeterminate amount of various types of debt and equity securities. In March 2012, we issued \$325 million of 3.75% Senior Notes due 2022 under the universal shelf registration statement. In May 2004, we completed a Form S-4 acquisition shelf registration to offer and issue 7.0 million common shares for the acquisition of other businesses, assets or properties. As of December 31, 2013, no common shares have been offered or issued under the Form S-4 shelf registration.

New Accounting Standards

See Note 2 — Summary of Significant Accounting Policies for a discussion of recently issued accounting pronouncements that may affect our financial results and disclosures in future periods.

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Environmental Regulation

Rayonier is subject to stringent environmental laws and regulations concerning air emissions, wastewater discharges, waste handling and disposal, and assessment and remediation of environmental contamination. Such environmental laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state laws and regulations. Management closely monitors its environmental responsibilities and believes we are in substantial compliance with current environmental requirements. In addition to ongoing compliance with laws and regulations, our facilities operate in accordance with various permits, which are issued by state and federal environmental agencies. Many of these permits impose operating conditions on the Company which require significant expenditures to ensure compliance. Upon renewal and renegotiation of these permits, the issuing agencies often seek to impose new or additional conditions in response to new environmental laws and regulations, or more stringent interpretations of existing laws and regulations. In addition, under many federal environmental laws, private citizens and organizations, such as environmental advocacy groups, have the right to legally challenge permitting and other decisions made by regulatory agencies.

During 2013, 2012 and 2011, we spent the following for capital projects related to environmental compliance for ongoing operations:

(in millions)	2013	2012	2011
Jesup mill consent order (a)	\$18	\$25	\$3
CSE project (b)	19	16	5
Other (c)	8	12	10
Total	\$45	\$53	\$18

Includes spending related to a 2008 Jesup mill consent order in which we agreed to implement certain capital (a) improvements relating to the mill's wastewater treatment. This consent order was amended in 2011 in connection with the CSE. Capital spending related to the consent order is expected to approximate \$2 million in 2014.

(b) Environmental compliance expenditures related to the CSE project, which was completed in June 2013.

Includes spending for improvements to our manufacturing process and pollution control systems that will comply with the requirements of new or renewed air emission and water discharge permits, and other required

(c) improvements for our Performance Fibers mills. Other capital spending related to environmental compliance is expected to approximate \$15 million in 2014, which includes \$14 million for industrial boiler air emissions compliance.

Our discontinued operations with historical environmental contamination are subject to a number of federal, state and local laws. For example, former operations at the SWP wood treating sites used preservative formulations consisting primarily of creosote, pentachlorophenol and chromated-copper arsenate. Investigations performed at the SWP sites over the years have identified releases to soils, groundwater and sediments containing free product and constituents or derivatives of these formulations including, but not limited to, all or some combination of petroleum products, metals (e.g., arsenic, chromium) and/or organics (e.g., volatile organic compounds, phenols, polycyclic aromatic hydrocarbons, dioxins and furans). As it has for many years, SWP continues to actively work with federal and state environmental agencies to undertake appropriate steps to investigate and remediate these sites in accordance with applicable laws. As these requirements change over time, they may mandate more stringent levels of soil and groundwater investigation, remediation and monitoring. While we believe that our current estimates are adequate, new information revealed by additional investigation and assessment, decisions of governmental agencies and future changes to these legal requirements, among other things, could adversely affect the cost and timing of our activities on these sites.

Many of our operations are subject to constantly changing environmental requirements which are often the result of legislation, regulation, litigation and negotiation. For additional information, see Item 1A — Risk Factors for a discussion of the potential impact of environmental laws and regulations, including climate-related initiatives, on our businesses.

It is the opinion of management that substantial expenditures will be required over the next ten years in the area of environmental compliance. In particular, we expect significant expenditures will be required as a result of an EPA regulation issued in 2012 which tightens emissions limits of certain air pollutants from industrial boilers. We estimate the cost of compliance may range from \$40 million to \$60 million. See Note 17 — Liabilities for Dispositions and Discontinued Operations, for additional information regarding the Company's environmental liabilities.

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Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market and Other Economic Risks

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

Cyclical pricing of commodity market paper pulp is one of the factors which influences Performance Fibers' prices in the commodity viscose product line. In our cellulose specialties product line, prices are based on market supply and demand and are not correlated to commodity paper pulp prices. In addition, a significant majority of our cellulose specialties are under long-term volume contracts that extend through 2014 to 2017.

As of December 31, 2013, we had \$720 million of U.S. long-term variable rate debt which is subject to interest rate risk. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in a corresponding increase/decrease of approximately \$7 million in interest payments and expense over a 12 month period. Our primary interest rate exposure on U.S. variable rate debt results from changes in LIBOR.

As of December 31, 2013, our New Zealand JV had \$193 million of long-term variable rate debt. This debt is subject to interest rate risk resulting from changes in the 90 day New Zealand Bank bill rate. However, the New Zealand JV uses interest rate swaps to manage its exposure to interest rate movements on its bank loan by swapping a portion of these borrowings from floating rates to fixed rates. The notional amounts of the outstanding interest rate swap contracts at December 31, 2013 were \$184 million, or 95 percent of the variable rate debt. The weighted average fixed interest rate resulting from the swaps was 4.9 percent. The interest rate swap contracts have maturities between one and seven years.

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk. However, we intend to hold most of our debt until maturity. The estimated fair value of our fixed-rate debt at December 31, 2013 was \$576 million compared to \$548 million in carrying value. 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, 2013 would result in a corresponding decrease/increase in the fair value of our fixed-rate debt of approximately \$20 million.

We periodically enter into commodity forward contracts to fix some of our fuel oil, diesel and natural gas costs. The forward contracts partially mitigate the risk of a change in Performance Fibers margins resulting from an increase or decrease in these energy costs. At December 31, 2013, the notional amount of our outstanding commodity contracts was de minimus.

The functional currency of the Company's New Zealand-based operations and New Zealand JV is the New Zealand dollar. Through these operations and our ownership in the New Zealand JV, we are exposed to foreign currency risk on cash held in foreign currencies and on foreign export sales and ocean freight payments that are predominantly denominated in U.S. dollars. To mitigate these risks, the New Zealand JV routinely enters into foreign currency exchange contracts and foreign currency option contracts to hedge a portion of the New Zealand JV's foreign exchange exposure. At December 31, 2013, the New Zealand JV had foreign currency exchange contracts with a notional amount of \$34 million and foreign currency option contracts with a notional amount of \$42 million outstanding which represents 43 percent of forecast U.S. dollars denominated sales proceeds over the next 18 months.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements on page ii.

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

As previously disclosed in the Company's Current Report on Form 8-K filed on May 23, 2012, our Audit Committee approved the engagement of Ernst & Young LLP as our independent registered public accounting firm effective May 22, 2012. There were no disagreements or reportable events related to the change in accountants requiring disclosure under Item 304(b) of Regulation S-K.

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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.

Rayonier acquired a controlling interest in the Matariki Forestry Group joint venture (“New Zealand JV”) in April 2013. As such, Rayonier management excluded the New Zealand JV’s internal controls over financial reporting from its assessment of the effectiveness of disclosure controls and procedures and other internal controls over financial reporting as of December 31, 2013. The New Zealand JV comprised 16 percent and 18 percent of total and net assets, respectively, and nine percent and one percent of sales and net income, respectively, as reported in the Company's consolidated financial statements as of and for the year ended December 31, 2013.

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, 2013.

Internal Control Over Financial Reporting

With regard to the Company’s internal control over financial reporting as defined in paragraph (f) of Rule 13a-15(f), see Management’s Report on Internal Control over Financial Reporting on page F-1, followed by the Report of Independent Registered Public Accounting Firm on pages F-2 through F-4, included in Item 8 — Financial Statements and Supplementary Data of this annual report on Form 10-K.

In the quarter ended December 31, 2013, 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.

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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 2014 Annual Meeting of Stockholders (the "Proxy Statement"). We will make the Proxy Statement available on our website at www.rayonier.com as soon as it is filed with the SEC.

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to directors, executive officers and corporate governance is incorporated by reference from the sections entitled "Election of Directors," "Corporate Governance," "Executive Officers" and "Report of the Audit Committee" in the Proxy Statement. The information required by this Item with respect to disclosure of any known late filing or failure by an insider to file a report required by Section 16 of the Exchange Act is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

Our Standard of Ethics and Code of Corporate Conduct, which is applicable to our principal executive officer and financial and accounting officer, is available on our website, 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," "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," "Corporate Governance — Compensation Committee Interlocks and Insider Participation; Processes and Procedures" and "Compensation Discussion and Analysis — 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 sections entitled "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 "Election of Directors," "Corporate Governance — Director Independence" and "Corporate Governance — 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 "Report of the Audit Committee — Information Regarding Independent Registered Public Accounting Firm" in the Proxy Statement.

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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 ii for a list of the financial statements filed as part of this report.

See Schedule II — Valuation and Qualifying Accounts. All other financial statement schedules have been omitted (2) 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.

See Exhibit Index for a list of the exhibits filed or incorporated herein as part of this report. Exhibits that are (3) 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.

(b) Exhibits:

See Item 15 (a)(3).

(c) Financial Statement Schedules:

See Item 15 (a)(2).

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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, 2013. 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. 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, 2013.

Rayonier acquired a controlling interest in the Matariki Forestry Group joint venture ("New Zealand JV") in April 2013. Management excluded the New Zealand JV from its assessment of the effectiveness of Rayonier Inc.'s internal control over financial reporting as of December 31, 2013. The New Zealand JV comprised 16 percent and 18 percent of total and net assets, respectively, and nine percent and one percent of sales and net income, respectively, as reported in the Company's consolidated financial statements as of and for the year ended December 31, 2013.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2013. The report on the Company's internal control over financial reporting as of December 31, 2013, is on page F-3.

RAYONIER INC.

By: /s/ PAUL G. BOYNTON

Paul G. Boynton

Chairman of the Board, President and Chief Executive
Officer

February 28, 2014

By: /s/ HANS E. VANDEN NOORT

Hans E. Vanden Noort

Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting
Officer)

February 28, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Rayonier Inc.

We have audited the accompanying consolidated balance sheets of Rayonier Inc. and subsidiaries (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, and cash flows for each of the two years then ended. Our audit also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audit 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein as of and for the years ended December 31, 2013 and 2012.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework), and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Certified Public Accountants

Jacksonville, Florida
February 28, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Rayonier Inc.

We have audited Rayonier Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission "(1992 framework)" (the COSO criteria). 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 conducted our audit 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 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.

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.

As indicated in the accompanying management's report on internal control over financial reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Matariki Forestry Group, which is included in the 2013 consolidated financial statements of Rayonier Inc. and subsidiaries and constituted: "16% and 18%" of total and net assets, respectively, as of December 31, 2013 and: "9% and 1%" of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Rayonier Inc. and subsidiaries also did not include an evaluation of the internal control over financial reporting of Matariki Forestry Group.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, and cash flows for the two years then ended of the Company and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Certified Public Accountants

Jacksonville, Florida
February 28, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Rayonier Inc.
Jacksonville, Florida

We have audited the accompanying consolidated statements of income and comprehensive income and cash flows of Rayonier Inc. and subsidiaries (the "Company") for the year ended December 31, 2011. Our audit also included the financial statement schedule listed in the Index at Item 15 for the year ended December 31, 2011. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audit.

We conducted our audit 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Rayonier Inc. and subsidiaries for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 3 to the consolidated financial statements, the accompanying 2011 statement of income and comprehensive income has been retrospectively adjusted for the operations discontinued in 2013.

/s/ Deloitte & Touche LLP
Certified Public Accountants

Jacksonville, FL
February 27, 2012 (February 28, 2014 as it relates to Notes 3, 5, 10, 11, 16 and 24)

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RAYONIER INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Years Ended December 31,

(Thousands of dollars, except per share data)

	2013	2012	2011
SALES	\$ 1,707,822	\$ 1,483,490	\$ 1,420,960
Costs and Expenses			
Cost of sales	1,246,312	1,030,692	1,006,297
Selling and general expenses	64,843	66,957	65,251
Other operating income, net (Note 16)	(9,487)	(14,169)	(3,794)
	1,301,668	1,083,480	1,067,754
Equity in income of New Zealand joint venture	562	550	4,088
OPERATING INCOME BEFORE GAIN RELATED TO CONSOLIDATION OF NEW ZEALAND JOINT VENTURE	406,716	400,560	357,294
Gain related to consolidation of New Zealand joint venture (Note 4)	16,098	—	—
OPERATING INCOME	422,814	400,560	357,294
Interest expense	(43,760)	(44,981)	(50,775)
Interest and miscellaneous income, net	2,372	606	843
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	381,426	356,185	307,362
Income tax expense	(49,661)	(84,743)	(30,688)
INCOME FROM CONTINUING OPERATIONS DISCONTINUED OPERATIONS, NET (Note 3)	331,765	271,442	276,674
Income (loss) from discontinued operations, net of income tax (expense) benefit of (\$21,050), (\$3,648) and \$331	42,033	7,243	(669)
NET INCOME	373,798	278,685	276,005
Less: Net income attributable to noncontrolling interest	1,902	—	—
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	371,896	278,685	276,005
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustment	(5,710)	4,352	3,546
New Zealand joint venture cash flow hedges, net of income tax (expense) benefit of (\$248), \$0 and \$0	3,629	213	(2,373)
Net gain (loss) from pension and postretirement plans, net of income tax (expense) benefit of (\$27,786), (\$339) and \$20,665	61,869	(496)	(46,263)
Total other comprehensive income (loss)	59,788	4,069	(45,090)