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)

x 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

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

For the transition period from to

Commission File Number 1-6780
RAYONIER INC.
Incorporated in the State of North Carolina
I.R.S. Employer Identification No. 13-2607329
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 x NO o

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 o NO x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES x NO o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO o
Indicate by check mark 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. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

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.

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.

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 cyclicality 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 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 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 Clear 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 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.

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.

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	326	261	606	472	789
Rural	16,983	16,237	14,821	15,868	15,628
Non-Strategic Timberlands (j)	159,637	14,425	12,191	44,556	53,703
Total Acres Sold	176,946	30,923	27,618	60,896	70,120
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.

(b) 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”).

(c) 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.

(h) 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.

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Reconciliation 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)	