RAYONIER INC
Form 10-K
February 29, 2016
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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, 2015
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
225 WATER STREET, SUITE 1400
JACKSONVILLE, FL 32202
(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. x
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, 2015 was $3,223,470,219 based on the closing sale price as reported on the New York Stock Exchange.

As of February 19, 2016, there were outstanding 122,735,017 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 2016 annual meeting of the shareholders of the registrant scheduled to be held May 23, 2016, are incorporated by reference in Part III hereof.

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PART I

When we refer to "we," "us," "our," "the Company," or "Rayonier," we mean Rayonier Inc. and its consolidated subsidiaries. References herein to "Notes to Financial Statements" refer to the Notes to the Consolidated Financial Statements of Rayonier Inc. included in Item 8 of this Report.

Note About Forward-Looking Statements

Certain statements in this document regarding anticipated financial outcomes including Rayonier's earnings guidance, if any, business and market conditions, outlook, expected dividend rate, expected harvest schedules, timberland acquisitions, sales of non-strategic timberlands, the anticipated benefits of Rayonier's business strategy, capital allocation, expected availability and access to borrowings, 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," "project," "anticipate" and other similar language. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. While management believes that these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. The risk factors contained in Item 1A — Risk Factors in this Annual Report on Form 10-K and similar discussions included in other reports that we subsequently file with the SEC, among others, could cause actual results or events to differ materially from the Company's historical experience and those expressed in forward-looking statements made in this document. Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward- looking statements except as required by law. You are advised, however, to review any subsequent disclosures the Company makes on related subjects in its subsequent reports filed with the SEC.

Item 1. BUSINESS

General

We are a leading timberland real estate investment trust ("REIT") with assets located in some of the most productive softwood timber growing regions in the U.S. and New Zealand. The focus of our business is to invest in timberlands and to actively manage them to provide current income and attractive long-term returns to our shareholders. As of December 31, 2015, we owned, leased or managed approximately 2.7 million acres of timberlands located in the U.S. South (1.9 million acres), U.S. Pacific Northwest (373,000 acres) and New Zealand (439,000 gross acres, or 299,000 net plantable acres). In addition, we engage in the trading of logs from New Zealand and Australia to Pacific Rim markets, primarily to support our New Zealand export operations. We have an added focus to maximize the value of our land portfolio by pursuing higher and better use ("HBU") land sales opportunities.

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

Under our REIT structure, we are generally not required to pay U.S. federal income taxes on our earnings from timber harvest operations and other REIT-qualifying activities contingent upon meeting applicable distribution, income, asset, shareholder and other tests. As of December 31, 2015 and as of the date of the filing of this Annual Report on Form 10-K, we believe the Company is in compliance with all REIT tests.

Our U.S. timber operations are primarily conducted by our wholly-owned REIT subsidiaries. Our New Zealand timber operations are conducted by Matariki Forest Group, a majority-owned joint venture subsidiary ("New Zealand JV"). Our non-REIT qualifying operations, which are subject to corporate-level tax, are held by various taxable REIT subsidiaries. These operations include our log trading business and certain real estate activities, such as the sale and entitlement of development HBU properties.

Our shares are publicly traded on the NYSE under the symbol RYN. We are a North Carolina corporation with executive offices located at 225 Water Street, Jacksonville, Florida 32202. Our telephone number is (904) 357-9100.

For information on sales and operating income by reportable segment and geographic region, see Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 4 — Segment and Geographical Information.

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Our Competitive Strengths

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

- Leading Pure-Play Timberland REIT. We are differentiated from other publicly-traded timberland REITs in that we are invested exclusively in timberlands and real estate and do not own any pulp, paper or wood products manufacturing assets. We are the largest publicly-traded “pure-play” timberland REIT, which provides our investors with a focused, large-scale timberland investment alternative without taking on the risks inherent in direct ownership of forest products manufacturing assets.
- Located in Premier Softwood Growing Regions with Access to Strong Markets. Our geographically diverse timberland holdings are strategically located in core softwood producing regions, including the U.S. South, U.S. Pacific Northwest and New Zealand. Our most significant timberland holdings are strategically located in the U.S. South, in close proximity to a variety of established pulp, paper and wood products manufacturing facilities, which provide a steady source of competitive demand for both pulpwood and higher-value sawtimber products. Our Pacific Northwest and New Zealand timberlands benefit from strong domestic sawmilling markets and are strategically positioned near ports to capitalize on export markets serving the Pacific Rim.
- Sophisticated Log Marketing Capabilities Serving Various Pacific Rim Markets. We conduct a log trading operation based in New Zealand that serves timberland owners in New Zealand and Australia, providing access to key export markets in China, South Korea and India. This operation provides us with superior market intelligence and economies of scale, both of which add value to our New Zealand timber portfolio. It also provides additional market intelligence that helps our Pacific Northwest export log marketing and contributes to the Company’s earnings and cash flows, with minimal investment.
- Attractive Land Portfolio with Higher and Better Use Potential. We own approximately 200,000 acres of timberlands located in the vicinity of Interstate 95 primarily north of Daytona Beach, FL and south of Savannah, GA, some of which may have the potential to transition to higher and better uses over time as market conditions support increased demand. These properties provide us with select opportunities to add value to our portfolio through real estate development activities, which we believe will allow us to periodically sell parcels of such land at favorable valuations relative to timberland values through one of our taxable REIT subsidiaries.
- Dedicated HBU Platform with Established Track Record. We have a dedicated HBU platform led by an experienced team with an established track record of selling rural and development HBU properties across our U.S. South holdings at strong premiums to timberland values. We maintain a detailed land classification analysis of our portfolio, which allows us to identify the highest-value use of our lands and then capitalize on identified HBU opportunities through strategies uniquely tailored to maximize value, including selectively pursuing land-use entitlements and infrastructure improvements.
- Advantageous Structure and Capitalization. Under our REIT structure, we are generally not required to pay federal income taxes on our earnings from timber harvest operations and other REIT-qualifying activities, which allows us to optimize the value of our portfolio in a tax efficient manner. We also maintain a strong credit profile and have an investment grade debt rating. As of December 31, 2015, our net debt to enterprise value was 22%. We believe that our advantageous REIT structure and conservative capitalization provide us with a competitive cost of capital and significant financial flexibility to pursue growth initiatives relative to other owners, managers and buyers of timberlands.

Our Strategy

Our business strategy consists of the following key elements:

- Manage our Timberlands on a Sustainable Yield Basis for Long-term Results. We generate recurring income and cash flow from the harvest and sale of timber and intend to actively manage our timberlands to maximize net present value over the long term by achieving an optimal balance among biological timber growth, generation of cash flow from harvesting activities, and responsible environmental stewardship. Our harvesting strategy is designed to produce a long-term, sustainable yield, although we may adjust harvest levels periodically to capitalize on then-current economic conditions in our markets.

- Apply Advanced Silviculture to Increase the Productivity of our Timberlands. We use our forestry expertise and disciplined financial approach to determine the appropriate silviculture programs and investments to maximize returns. This includes re-planting a significant portion of our harvested acres with improved seedlings we have developed through decades of research and cultivation. Over time, we expect these improved seedlings will result in higher volumes per acre and a higher value product mix.

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- Increase the Size and Quality of our Timberland Holdings through Acquisitions. We intend to selectively pursue timberland acquisition opportunities that improve the average productivity of our timberland holdings and support cash flow generation from our annual harvesting activities. We expect there will be an ample supply of attractive timberlands available for sale as a result of anticipated sales from a number of Timberland Investment Management Organizations ("TIMOs"). This acquisition strategy requires a disciplined approach and rigorous adherence to strategic and financial metrics. Generally, we expect to focus our acquisition efforts on the most commercially desirable timber-producing regions of the U.S. South, the U.S. Pacific Northwest and New Zealand, particularly on timberlands with an age class profile that complements the age class profile of our existing timberland holdings. We acquired 37,000 acres of timberland in 2015, 62,000 acres in 2014, and 17,000 acres in 2013.
- Optimize our Portfolio Value. We continuously assess potential alternative uses of our timberlands, as some of our properties may become more valuable for development, residential, recreation or other purposes. We intend to capitalize on such higher-valued uses by opportunistically monetizing HBU properties in our portfolio. While the majority of our HBU sales involve rural and recreational land, we also selectively pursue various land-use entitlements on certain properties for residential, commercial and industrial development in order to fully realize the enhanced long-term value potential of such properties. For selected development properties, we also invest in infrastructure improvements, such as roadways and utilities, to accelerate the marketability and improve the value of such properties. We generally expect that sales of HBU property will comprise approximately 1% of our Southern timberland holdings on an annual basis.
- Focus on Timberland Operations to Support Cash Flow Generation. As described above, we rely primarily on annual harvesting activities and ongoing sales of HBU properties to generate cash flow from our timberland holdings. However, we also periodically generate income and cash flow from the sale of non-strategic and/or non-HBU timberlands in particular as we seek to optimize our portfolio by disposing of less desirable properties or to fund capital allocation priorities, including share repurchases, debt repayment or acquisitions. Our strategy is to limit reliance on planned sales of non-HBU timberlands to augment cash flow generation and instead rely primarily on supporting cash flow from the operation, rather than sale, of our timberlands. We believe this strategy will support the sustainability of our harvesting activities over the long term.
- Promote Best-in-Class Disclosure and Responsible Stewardship. We intend to be an industry leader in transparent disclosure, particularly relating to our timberland holdings, harvest schedules, inventory and age-class profiles. In addition, we are committed to responsible stewardship and environmentally and economically sustainable forestry. We believe our continued commitment to transparency and the stewardship of our assets and capital will allow us to maintain our timberlands' productivity, more effectively attract and deploy capital and enhance our reputation as a preferred timber supplier.

Segment Information

Rayonier operates in five reportable business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading. The Southern Timber, Pacific Northwest Timber and New Zealand Timber segments reflect all activities related to the harvesting of timber and other value-added activities, such as recreational leases, within each respective geography. The New Zealand Timber segment also reflects any land sales that occur within our New Zealand portfolio. Our Real Estate segment reflects all U.S. land sales, which are reported in five sales categories: Improved Development, Unimproved Development, Rural, Non-Strategic / Timberlands, and Large Dispositions. The Trading segment reflects the log trading activities that support our New Zealand operations.

Discussion of Timber Inventory and Sustainable Yield

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

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

Timber inventory is generally measured and expressed in short green tons (SGT) in our Southern Timberlands, in thousand board feet (MBF) or million board feet (MMBF) in our Pacific Northwest Timberlands, and in cubic meters (m^3) in our New Zealand Timberlands. For conversion purposes, one MBF and one m^3 is equal to approximately 8.0 and 1.13 short green tons, respectively. For comparison purposes, we provide inventory estimates for our Pacific Northwest and New Zealand timberlands in MBF and cubic meters, respectively, as well as in short green tons.

The following table sets forth the estimated volumes of merchantable timber inventory by location in short green tons as of September 30, 2015 for the South and Pacific Northwest and as of December 31, 2015 for New Zealand:

(volumes in thousands of SGT)

Location	Merchantable Inventory (a)	%
South	65,689	76
Pacific Northwest	5,321	6
New Zealand	15,674	18
	86,684	100

(a) For all regions, depletion rate calculations for the upcoming year are based on estimated volumes of merchantable inventory at December 31, 2015.

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

We manage our U.S. timberlands in accordance with the requirements of the Sustainable Forestry Initiative® ("SFI") program. The timberland holdings of the New Zealand JV are certified under the Forest Stewardship Certification® ("FSC") program. Both programs are 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 is designed to optimize site preparation, tree species selection, competition control, fertilization, timing of thinning and final harvest. We also have a genetic seedling improvement program to enhance the productivity and quality of our timberlands and overall forest health. In addition, non-timber income opportunities associated with our timberlands such as recreational leases, 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 and FSC requirements.

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Southern Timber

As of December 31, 2015, our Southern timberlands acreage consisted of approximately 1.9 million acres (including approximately 242,000 acres of leased lands) located in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, Tennessee and Texas. Approximately two-thirds of this land supports intensively managed plantations of predominantly loblolly and slash pine. The other one-third of this land is too wet to support pine plantations, but supports productive natural stands primarily consisting of natural pine and a variety of hardwood species. Rotation ages typically range from 21 to 28 years for pine plantations and from 35 to 60 years for natural stands. Key consumers of our timber include pulp, paper, wood products and biomass facilities.

We estimate that the gross timber inventory and merchantable timber inventory of our Southern timberlands was 84 million tons and 66 million tons, respectively, as of September 30, 2015. We estimate that the sustainable yield of our Southern timberlands, including both pine and hardwoods, is approximately 5.5 to 5.8 million tons annually. We expect that the average annual harvest volume of our Southern timberlands over the next five years (2016 to 2020) will be generally within this range. For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield.

In 2015, we acquired approximately 29,000 acres of timberlands in the Southern region. For additional information, see Note 3 — Timberland Acquisitions.

The following table provides a breakdown of our Southern timberlands acreage and timber inventory by product as of September 30, 2015 (inventory volumes are estimated at December 31 to calculate a depletion rate for the upcoming year):

(volumes in thousands of SGT)

Age Class	Acres (000's)	Pine Pulpwood	Pine Sawtimber	Hardwood Pulpwood	Hardwood Sawtimber	Total
Pine Plantation						
0 to 4 years (a)	218	—	—	—	—	—
5 to 9 years	243	—	—	—	—	—
10 to 14 years	249	10,282	750	51	1	11,084
15 to 19 years	261	13,499	4,283	101	4	17,887
20 to 24 years	144	6,642	5,518	98	4	12,262
25 to 29 years	67	2,443	3,872	87	4	6,406
30 + years	26	814	1,800	88	8	2,710
Total Pine Plantation	1,208	33,680	16,223	425	21	50,349
Natural Pine (Plantable) (b)	64	740	1,416	1,128	275	3,559
Natural Mixed Pine/Hardwood (c)	542	4,305	6,706	15,200	4,012	30,223
Forested Acres and Gross Inventory	1,814	38,725	24,345	16,753	4,308	84,131
Plus: Non-Forested Acres (d)	82					
Gross Acres	1,896					
Less: Pre-Merchantable Age Class Inventory (e)						(11,585)
Less: Volume in Environmentally Sensitive/Legally Restricted Areas						(6,857)
Merchantable Timber Inventory						65,689

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

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

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

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

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

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Pacific Northwest Timber

As of December 31, 2015, our Pacific Northwest timberlands consisted of approximately 373,000 acres located in Oregon and Washington, of which approximately 285,000 acres were designated as productive acres, meaning land that is capable of growing merchantable timber and where the harvesting of timber is not constrained by physical, environmental or regulatory restrictions. These timberlands primarily comprise second and third rotation western hemlock and Douglas-fir, as well as a small amount of other softwood species, such as western red cedar. A small percentage also consists of natural hardwood stands of predominantly red alder. In the Pacific Northwest, rotation ages typically range from 35 to 50 years. Our product mix in the Pacific Northwest is heavily weighted to sawtimber, which is sold to domestic wood products facilities as well as into export markets primarily serving Pacific Rim markets.

We estimate that the gross timber inventory and merchantable timber inventory of our Pacific Northwest timberlands was 2,164 MMBF and 666 MMBF, respectively, as of September 30, 2015. We estimate that the sustainable yield of our Pacific Northwest timberlands is approximately 165 MMBF (or 1.3 million tons) annually. However, due to historical harvesting in excess of our sustainable yield in this region, we anticipate reducing the harvest level in our Pacific Northwest timberlands to 125 MMBF (or 1.0 million tons) by 2017 and maintaining that level for approximately five years thereafter in order to allow for inventory replenishment and age class smoothing. We expect to gradually reach our long-term sustainable yield of 165 MMBF (or 1.3 million tons) during the course of the next full rotation cycle. We expect that the average annual harvest volume of our Pacific Northwest timberlands over the next five years (2016 to 2020) will be approximately 130 MMBF (or 1.0 million tons). For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield.

In 2015, we acquired approximately 6,000 acres of timberlands in the Pacific Northwest region. For additional information, see Note 3 — Timberland Acquisitions.

The following table provides a breakdown of our Pacific Northwest timberland acreage and timber inventory by product and age class as of September 30, 2015 (inventory volumes are estimated at December 31 to calculate a depletion rate for the upcoming year):

(volumes in MBF or SGT as noted)

Age Class	Acres (000's)	Softwood Pulpwood (b)	Softwood Sawtimber (a)	Total
Commercial Forest				
0 to 4 years (a)	38	—	—	—
5 to 9 years	51	—	—	—
10 to 14 years	39	—	—	—
15 to 19 years	20	—	—	—
20 to 24 years	23	33,201	81,716	114,917
25 to 29 years	43	77,944	352,564	430,508
30 to 34 years	34	79,726	465,208	544,934
35 to 39 years	16	39,045	245,635	284,680
40 to 44 years	7	19,512	137,611	157,123
45 to 49 years	2	6,830	47,170	54,000
50+ years	6	16,561	128,947	145,508
Total Commercial Forest	279	272,819	1,458,851	1,731,670
Non-Commercial Forest (c)	6	4,041	28,111	32,152
Productive Forested Acres	285			
Restricted Forest (d)	48	47,896	352,750	400,646
Total Forested Acres and Gross Inventory	333	324,756	1,839,712	2,164,468
Plus: Non-Forested Acres (e)	40			
Gross Acres	373			
Less: Pre-Merchantable Age Class Inventory (f)				(1,091,446)

Less: Volume in Environmentally Sensitive/Legally Restricted Areas	(407,023)
Merchantable Timber Inventory (MBF)	665,999
Conversion factor for MBF to SGT	7.99
Merchantable Timber Inventory (SGT)	5,321,332

(a) 0 to 4 years includes clearcut acres not yet replanted.
(b) Includes a negligible amount of red alder hardwood.
(c) Includes non-commercial forests with limited productivity.
(d) Includes significant portions of riparian management zones, legally restricted forests, and environmentally sensitive areas.
(e) Includes core riparian management zones, roads, rights of way, and all other non-forested areas.
(f) Includes commercial forest and non-commercial forest inventory that is less than 35 years old.

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New Zealand Timber

As of December 31, 2015, our New Zealand timberlands consisted of approximately 439,000 acres (including approximately 254,000 acres of leased lands), of which approximately 299,000 acres (including approximately 164,000 acres of leased lands) were designated as productive or plantation acres, meaning land that is capable of growing merchantable timber and where the harvesting of timber is not constrained by physical, environmental or regulatory restrictions. The leased acres are generally leased through long-term arrangements including Crown Forest Licenses (“CFLs”), forestry rights and other leases. Our New Zealand timberlands serve a domestic sawmilling market and also export logs to Pacific Rim markets.

Our New Zealand timber operations are conducted by Matariki Forestry Group, a joint venture with Phaunos Timber Fund Limited. In April 2013, we acquired an additional 39% interest in the New Zealand JV, bringing our total ownership to 65%. As a result, the New Zealand JV’s results of operations have been consolidated and comprise the New Zealand Timber segment. The minority owner’s interest in the New Zealand JV and its earnings are reported as noncontrolling interest in our financial statements. Rayonier’s wholly-owned subsidiary, Rayonier New Zealand Limited (“RNZ”), serves as the manager of the New Zealand JV. In August 2015, we announced a recapitalization of the New Zealand JV, which will result in our ownership increasing to approximately 77%. We expect this transaction to close in the first quarter of 2016. For additional information, see Note 7 — Joint Venture Investment.

We estimate that the gross timber inventory and merchantable timber inventory of our New Zealand timberlands were both 13.9 million cubic meters as of December 31, 2015. We estimate that the sustainable yield of our New Zealand timberlands is approximately 2 million cubic meters (or 2.3 million tons) annually. We expect that the average annual harvest volume of our New Zealand timberlands over the next five years (2016 to 2020) will be generally in line with our sustainable yield. For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield.

The following table provides a breakdown of our New Zealand timberland acreage and merchantable timber inventory by age class estimated as of December 31, 2015 (inventory volumes at December 31 are used to calculate a depletion rate for the upcoming year):

(volumes in M m^3)

Age Class	Acres (000’s)	Pulpwood	Sawtimber	Total
Radiata Pine				
0 to 4 years (a)	57	—	—	—
5 to 9 years	44	—	—	—
10 to 14 years	52	—	—	—
15 to 19 years	50	—	—	—
20 to 24 years	35	1,330	4,919	6,249
25 to 29 years	19	1,015	2,843	3,858
30 + years	6	373	828	1,201
Total Radiata Pine	263	2,718	8,590	11,308
Other (b)	36	1,350	1,213	2,563
Forested Acres and Merchantable Timber Inventory	299	4,068	9,803	13,871
Conversion factor for m^3 to SGT				1.13
Total Merchantable Timber (thousands of SGT)				15,674
Plus: Non-Productive Acres (c)	140			
Gross Acres	439			

(a) 0 to 4 years includes clearcut acres not yet replanted.
(b) Includes primarily Douglas-fir age 30 and over.
(c) Includes natural forest and other non-planted acres.

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Real Estate

All of our U.S. land sales, including HBU and non-HBU, are reported in our Real Estate segment. We report our Real Estate sales in five categories: Improved Development, Unimproved Development, Rural, Non-Strategic / Timberlands and Large Dispositions.

The Improved Development category comprises properties sold for development for which Rayonier, through a taxable REIT subsidiary, has invested in site improvements such as infrastructure, roadways, utilities, amenities and/or other improvements designed to enhance marketability and create parcels, pads and/or lots for sale. The Unimproved Development category comprises properties sold for development for which Rayonier has not invested in site improvements such as infrastructure.

The Rural category comprises properties sold in rural markets to buyers interested in the property for rural residential or recreational use.

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

In the fourth quarter of 2015, we added a fifth sales category entitled “Large Dispositions.” This category includes sales of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value. Previously, these sales were reported as Non-Strategic / Timberlands. All prior period amounts have been presented to reflect the revised sales categories. Proceeds from Large Dispositions will generally be used to fund capital allocation priorities, which could include share repurchases, debt repayment or acquisitions. Sales designated as Large Dispositions are excluded from our calculation of Adjusted EBITDA and CAD. See Item 7 —Performance and Liquidity Indicators for the definition of Adjusted EBITDA and CAD.

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

Trading

Our Trading segment reflects log trading activities in New Zealand and Australia conducted by our New Zealand JV. Our Trading segment complements the New Zealand Timber segment by providing added market intelligence, increasing the scale of export operations and achieving cost savings that directly benefit the New Zealand Timber segment.

Trading activities are broadly categorized as either managed export services or procured logs. For managed export services, the New Zealand JV does not take title to the log cargo but arranges sales, shipping and export documentation services for other forest owners for an agreed commission. For procured logs, the New Zealand JV buys logs directly from other forest owners at New Zealand ports and exports them in its own name. Income from this business is generated by achieving a sales margin over the purchase price of the procured logs. The Trading segment generally utilizes a managed export service arrangement for logs sourced from third parties outside of New Zealand, and generally utilizes a procured log arrangement for logs sourced from third parties within New Zealand. For managed export services, Trading segment revenues reflect only the commission earned on the sale. For procured logs sales, Trading segment revenues reflect the full sales price of the logs.

In 2015, Trading volume was approximately 1.3 million cubic meters of logs. Approximately 590,000 cubic meters of logs were sourced from outside New Zealand, primarily Australia, of which 90% were undertaken through managed export service arrangements. Approximately 730,000 cubic meters of logs were purchased directly from third parties in New Zealand through procured log arrangements, with 54% purchased from two key suppliers. Approximately 53% of third-party purchases in New Zealand were purchased at spot prices, with the New Zealand JV thereby assuming some price risk on subsequent resale. The remaining 47% were purchased on a fixed margin basis, with the New Zealand JV thereby earning a spread on the resale price irrespective of subsequent price fluctuations. The New Zealand JV generally seeks to mitigate its risk of loss on procured logs by securing export orders prior to or concurrent with its spot purchases of logs.

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Discontinued Operations and Dispositions

In June 2014, we completed the tax-free spin-off of our Performance Fibers business. The spin-off resulted in two independent, publicly-traded companies, with the Performance Fibers business being spun off to Rayonier shareholders as a newly formed public company named Rayonier Advanced Materials Inc. ("Rayonier Advanced Materials"). On June 27, 2014, the shareholders of record received one share of Rayonier Advanced Materials common stock for every three common shares of Rayonier held as of the close of business on the record date of June 18, 2014. In March 2013, the Company sold its Wood Products business to International Forest Products Limited for $80 million plus a working capital adjustment. Accordingly, the operating results of the Performance Fibers and Wood Products business segments are reported as discontinued operations in the Company’s Consolidated Statements of Income and Comprehensive Income for all periods presented. Certain administrative and general costs historically allocated to the businesses that remained with Rayonier are reported in continuing operations.

The December 31, 2014 Consolidated Balance Sheet reports only continuing operations and reflects the contribution of approximately $1.2 billion of assets and corresponding liabilities and equity to Rayonier Advanced Materials in connection with the spin-off of the Performance Fibers business.

The Consolidated Statements of Cash Flows for 2014 and 2013 have not been restated to exclude Performance Fibers and Wood Products cash flows. Cash flows for the year ended December 31, 2014 also reflect transactions related to the Performance Fibers spin-off, including borrowings to arrange the capital structure prior to the separation, proceeds received upon the spin-off and the use of proceeds to pay down debt and pay a special dividend.

See Note 21 — Discontinued Operations for additional information regarding the spin-off of the Performance Fibers business and sale of the Wood Products business.

Foreign Sales and Operations

Sales from non-U.S. operations originate from our New Zealand Timber and Trading segments and comprised approximately 45% of consolidated 2015 sales. See Note 4 — Segment and Geographical Information for additional information.

Competition

Timber

Timber markets in our Southern and Pacific Northwest regions are relatively fragmented. In the Southern region, we compete with Weyerhaeuser Company, CatchMark Timber Trust and TIMOs such as Hancock Timber Resource Group, Resource Management Service, Forest Investment Associates and Campbell Global, as well as numerous other large and small privately held timber companies. In the Pacific Northwest region, we compete with Weyerhaeuser Company, Hancock Timber Resource Group, Green Diamond Resource Company, Campbell Global, Port Blakely Tree Farms, Pope Resources, the State of Washington Department of Natural Resources and the Bureau of Indian Affairs. 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 36% 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, South Korea and India. Logs supplied into Asian markets compete with export supply from both Russia and North America.

Real Estate

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

Trading

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

Customers

In 2015, no individual customer (or group of customers under common control) represented 10% or more of 2015 consolidated sales. As such, there is not a risk that the loss of one customer would have a material adverse effect on our results of operations.

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Seasonality

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

Environmental Matters

See Item 1A — Risk Factors and Note 22 — Liabilities for Dispositions and Discontinued Operations.

Research and Development

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

Employee Relations

We currently employ approximately 325 people, of which approximately 240 are in the United States. We believe relations with our employees are satisfactory.

Availability of Reports and Other Information

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

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Item 1A. RISK FACTORS

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

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

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

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

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

These macroeconomic and cyclical factors impacting our operations are beyond our control and, if such conditions deteriorate or do not continue to improve, could have an adverse effect on our business.

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

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

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

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

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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. In the U.S., 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 Community Planning Act process standards. In addition, anti-development groups are active, especially in Florida, in filing litigation to oppose particular entitlement activities and development projects, and in seeking legislation and other anti-development limitations on real estate development activities. We expect this type of anti-development activity to continue in the future.

Issues affecting real estate development also include the availability of potable water for new development projects. For example, the Georgia 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 southern Georgia coast, where the Company has significant timberland holdings with downstream real estate development potential. Concerns about the availability of potable water also exist in certain Florida counties, which could impact future growth opportunities.

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

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

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

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

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

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

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

- changes in and reinterpretations of the laws, regulations and enforcement priorities of the countries in which our products are sold;
- responsibility to comply with anti-bribery laws such as the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions;
- trade protection laws, policies and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, imposition of new tariffs and duties and import and export licensing requirements;
- difficulty in establishing, staffing and managing non-U.S. operations;
- product damage or losses incurred during shipping;
- potentially negative consequences from changes in or interpretations of tax laws;
- economic or political instability, inflation, recessions and interest rate and exchange rate fluctuations; and
- uncertainties regarding non-U.S. judicial systems, rules and procedures.

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

We and certain of our current and former officers and directors have been named as parties to various lawsuits relating to matters arising out of our previously announced internal review and the restatement of our consolidated financial statements, and may be named in further litigation or become subject to regulatory proceedings or government enforcement actions.

The matters that led to our internal review and the restatement of our consolidated financial statements have exposed us to greater risks associated with litigation, regulatory proceedings and government enforcement actions. We and certain of our current and former officers and directors are the subjects of a number of purported class action lawsuits and demand letters. In addition, we are currently the subject of an ongoing private SEC inquiry. These actions arise from our announcement on November 10, 2014 regarding the results of our internal review and the restatement of our consolidated financial statements for the first and second quarters of 2014. We and our current and former officers and directors may, in the future, be subject to additional private and governmental actions relating to such matters. We cannot predict the duration, outcome or impact of these pending matters, but the lawsuits could result in judgments against us and officers and directors who are now or may become named as defendants. In addition, subject to certain limitations, we are obligated to indemnify and advance expenses for our current and former officers and directors in connection with such lawsuits and regulatory proceedings or government enforcement actions and any related litigation or settlements amounts.

Regardless of the outcome, these lawsuits, and any other litigation, regulatory proceedings, or government enforcement actions that may be brought against us or our current or former officers and directors, could be time-consuming, result in significant expense, and divert the attention and resources of our management and other key employees. Our legal expenses incurred in defending the lawsuits and responding to any government inquiries could be significant. In addition, an unfavorable outcome in any of these matters could exceed coverage provided under potentially applicable insurance policies, which is limited. Any such unfavorable outcomes could have a material adverse effect on our business, financial condition, results of operations and cash flows. Further, we could be required to pay damages or additional penalties, or have other remedies imposed against us, or our current or former directors or officers, which could harm our reputation, business, financial condition, results of operations or cash flows.

Our estimates of timber inventories and growth rates may be inaccurate, include risks inherent to such estimates and may impair our ability to realize expected revenues.

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

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

Environmental laws and regulations are constantly changing and are generally becoming more restrictive. Laws, regulations and related judicial decisions and administrative interpretations affecting our business are subject to change, and new laws and regulations are frequently enacted. These changes may adversely affect our ability to harvest and sell timber, remediate contaminated properties and/or entitle real estate. These laws and regulations may relate to, among other things, the protection of timberlands and endangered species, recreation and aesthetics, protection and restoration of natural resources, 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 U.S. administration are more restrictive in the aggregate 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's customers, especially in the area of air emissions and wastewater and stormwater control. In addition, as a result of certain judicial rulings and EPA initiatives, including some that would require timberland operators to obtain permits to conduct certain ordinary course forestry activities, silvicultural practices on our timberlands could be impacted in the future. Environmental laws and regulations will likely continue to become more restrictive and over time could adversely affect our business, financial condition and results of operations.

If regulatory and environmental permits are delayed, restricted or rejected, a variety of our operations could be adversely affected. We are required to seek permission from government agencies in the states and countries in which we operate to perform certain activities related to our properties. Any of these agencies could delay review of, or reject, any of our filings. In our Southern Timber, Pacific Northwest Timber and New Zealand Timber segments, any delay associated with a filing could result in a delay or restriction in replanting, thinning, insect control, fire control or harvesting, any of which could have an adverse effect on our operating results. For example, in Washington State, we are required to file a Forest Practice Application for each unit of timberland to be harvested. These applications may be denied, conditioned or restricted by the regulatory agency. Actions by the regulatory agencies could delay or restrict timber harvest activities pursuant to these permits. Delays or harvest restrictions on a significant number of applications could have an adverse effect on our operating results. Delays in obtaining these environmental permits could have an adverse effect on our results of operations.

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

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

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

The industries in which we operate are highly competitive.

The markets in which we operate are highly competitive, and we compete with companies that have substantially greater financial resources than we do in each of these businesses. The competitive pressures relating to our Timber segments are primarily driven by quantity of product supply and quality of the timber offered by competitors in the domestic and export markets, each of which may impact pricing. With respect to our Real Estate segment, we compete with other owners of entitled and unentitled properties. Each property has unique attributes, but overall quantity of supply and price for residential, commercial, industrial and rural properties in the geographic areas in which we operate are the most significant competitive drivers. The market in which our Trading segment operates remains very competitive with over 20 entities competing for export log supply at different ports across New Zealand.

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

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

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

Due to the REIT income distribution requirements, we rely significantly on external sources of capital to finance growth and acquisitions. Both our ability to obtain financing and the related costs of borrowing are affected by a number of factors, many of which are outside of our control, including a decline in general market conditions, decreased market liquidity, a downgrade to our public debt rating, increases in interest rates, an unfavorable market perception of our growth potential, a decrease in our current or estimated future earnings or a decrease in the market price of our common stock. If capital is not available when needed, or is available only on unfavorable terms relative to other timberland REITs or TIMOs, or not at all, we may be unable to complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures. As of December 31, 2015, our credit ratings from S&P and Moody's Investors Service (Moody's) were BBB- and Baa2, respectively. Any combination of the factors described above, including our failure to maintain our investment grade credit rating, could prevent us from obtaining the capital we require on terms that are acceptable to us, or at all, which could adversely affect our business, liquidity and competitive position.

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 relative attractiveness of an investment in the Company and, accordingly, the price of our common shares.

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

The Company faces a number of risks related to the spin-off of our Performance Fibers business on June 27, 2014, including the following:

- We may not achieve the expected benefits from the spin-off. After the spin-off, we believe that we will be able to, among other things, better focus our financial and operational resources, and design and implement corporate strategies and policies targeted toward our specific businesses' growth profile and strategic priorities, implement and maintain a capital structure designed to meet our specific needs and more effectively respond to industry dynamics. However, the Company may not achieve some or all of the expected benefits of the spin-off, and the spin-off could lead to disruption of our operations, loss of, or inability to recruit or retain, key personnel needed to operate and grow our business. If we fail to achieve some or all of the benefits that we expect to achieve as a standalone company, or do not achieve them in a timely or cost-effective manner, our business, financial condition and results of operations could be materially and adversely affected.
- Our business is less diversified. Our operational and financial profile has changed as a result of the spin-off of the Performance Fibers business. As a result, our diversification of revenue sources has diminished without the revenue previously generated by the Performance Fibers business, and it is possible that our results of operations, cash flows, working capital and financing requirements may be subject to increased volatility related to the timber business and the markets we serve. If we are unable to manage that volatility, our business, financial condition and results of operations could be materially and adversely affected.

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 defined benefit pension plans, which cover a portion 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. At December 31, 2015, our qualified plan was underfunded by $32 million, but we are not subject to any pension contribution requirements in 2016. 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, we cannot provide any assurance 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.

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

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

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

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

REIT and Tax-Related Risks

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 U.S. federal income tax consequences of such qualification.

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

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 U.S. federal income tax on our REIT taxable income. In addition, we will be disqualified from qualification as a REIT for the four taxable years following the year during which the qualification was lost, unless we are entitled to relief under certain provisions of the Code. As a result, our net income and the cash available for distribution to our shareholders could be reduced for up to five years or longer, which could have a material adverse effect on our financial condition.

As of December 31, 2015, Rayonier is in compliance with the asset tests described above.

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

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

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

We intend to avoid the 100% 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 may be subject to the 100% prohibited transactions tax.

Our cash dividends are not guaranteed and may fluctuate.

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

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

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

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

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Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The following table provides a breakdown of our timberland holdings as of September 30, 2015 and December 31, 2015:

(acres in 000s)	As of September 30, 2015			As of December 31, 2015		
	Owned	Leased	Total	Owned	Leased	Total
Southern						
Alabama	302	24	326	302	24	326
Arkansas	—	17	17	—	15	15
Florida	280	93	373	275	93	368
Georgia	573	120	693	571	109	680
Louisiana	148	1	149	149	1	150
Mississippi	91	—	91	91	—	91
Oklahoma	92	—	92	92	—	92
Tennessee	1	—	1	1	—	1
Texas	154	—	154	153	—	153
	1,641	255	1,896	1,634	242	1,876
Pacific Northwest						
Oregon	6	—	6	6	—	6
Washington	366	1	367	366	1	367
	372	1	373	372	1	373
New Zealand (a)	185	259	444	185	254	439
Total	2,198	515	2,713	2,191	497	2,688

(a) Represents legal acres owned and leased by the New Zealand JV, in which Rayonier owns a 65% interest. As of December 31, 2015, legal acres in New Zealand were comprised of 299,000 plantable acres and 140,000 non-productive acres.

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The following tables detail activity for owned and leased acres in our timberland holdings by state from December 31, 2014 to December 31, 2015:

(acres in 000s)	Acres Owned December 31, 2014	Acquisitions	Sales	Other (a)	December 31, 2015
Southern					
Alabama	309	—	(7)	—	302
Florida	281	3	(9)	—	275
Georgia	575	1	(5)	—	571
Louisiana	126	25	(2)	—	149
Mississippi	91	—	—	—	91
Oklahoma	92	—	—	—	92
Tennessee	1	—	—	—	1
Texas	158	—	(5)	—	153
	1,633	29	(28)	—	1,634
Pacific Northwest					
Oregon	—	6	—	—	6
Washington	371	—	(5)	—	366
	371	6	(5)	—	372
New Zealand (b)	185	—	—	—	185
Total	2,189	35	(33)	—	2,191

(a) Includes changes in classifications between acres owned and leased.
(b) Represents legal acres owned by the New Zealand JV, in which Rayonier has a 65% interest.

(acres in 000s)	Acres Leased December 31, 2014	New Leases	Expired Leases (a)	Other (b)	December 31, 2015
Southern					
Alabama	24	—	—	—	24
Arkansas	18	—	(3)	—	15
Florida	105	—	(12)	—	93
Georgia	125	—	(16)	—	109
Louisiana	1	—	—	—	1
	273	—	(31)	—	242
Pacific Northwest					
Washington	1	—	—	—	1
New Zealand (c)	266	2	(2)	(12)	254
Total	540	2	(33)	(12)	497

(a) Includes acres previously under lease that have been harvested.
(b) Includes activity for the sale / relinquishment of leased acres and adjustments for land mapping reviews.
(c) Represents legal acres leased by the New Zealand JV, in which Rayonier has a 65% interest.

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Timberland Leases

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

As of December 31, 2015, the New Zealand JV has four CFLs comprising 20,000 acres under termination notice, terminating in 2034, two in 2044 and 2049, and two fixed-term CFLs comprising 3,000 acres expiring in 2062. Additionally, the New Zealand JV has two forestry rights comprising 10,000 acres under termination notice, terminating in 2028 and 2031.

The following table details the Company’s acres under lease as of December 31, 2015 by type of lease and estimated lease expiration:

(acres in 000s)

Location	Type of Lease	Total	2016 - 2025	2026 - 2035	2036 - 2045	Thereafter
Southern U.S.	Fixed Term	217	158	13	40	6
	Fixed Term with Renewal Option	25	24	1	—	—
Pacific Northwest	Fixed Term	1	1	—	—	—
New Zealand	CFL - Perpetual (a) (b)	87	87	—	—	—
	CFL - Fixed Term (a)	3	—	—	—	3
	CFL - Terminating (a)	20	—	3	16	1
	Forestry Right (a)	128	28	29	2	69
	Fixed Term	16	—	—	1	15
Total Acres under Long-term Leases		497	298	46	59	94

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

(b) Perpetual CFLs are under automatic annual renewal pending Treaty of Waitangi settlement.

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

(acres and dollars in 000s, except per acre amounts)

Location		2016	2017	2018	2019	2020
Southern U.S.						
	Leased Acres Expiring	4	59	19	17	5
	Year-end Leased Acres	238	179	160	143	138
	Estimated Annual Lease Cost (a)	$6,871	$6,696	$5,205	$4,731	$4,298
	Average Lease Cost per Acre	$25.17	$26.37	$30.65	$30.57	$30.22
Pacific Northwest (b)						
	Leased Acres Expiring	—	1	—	—	—
	Year-End Leased Acres	1	—	—	—	—
New Zealand						

Leased Acres Expiring	1	17	1	1	—
Year-end Leased Acres	253	236	235	234	234
Estimated Annual Lease Cost (a)	$4,303	$4,177	$4,167	$4,143	$4,134
Average Lease Cost per Acre	$21.04	$20.82	$20.87	$20.73	$21.08

(a) Represents capitalized and expensed lease payments.
(b) The 659 acre lease in the Pacific Northwest expires in 2017 and does not require a lease payment.

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Other Non-Timberland Leases

In addition to our timberland holdings, we lease properties for our office locations. Our significant leased properties include our corporate headquarters in Jacksonville, Florida; our Southern Timber and Real Estate operations in Fernandina Beach, Florida and Lufkin, Texas; our Pacific Northwest Timber operations in Hoquiam, Washington and our New Zealand Timber and Trading headquarters in Auckland, New Zealand.

Item 3. LEGAL PROCEEDINGS

The information set forth under "Contingencies" in Note 10 in the notes to the consolidated financial statements under Item 8 of Part II of this report "Financial Statements and Supplementary Data," is incorporated herein by reference.

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 highest and lowest intraday sales 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, adjusted as described below.

On June 27, 2014, we spun off our Performance Fibers business to our shareholders as a newly formed publicly traded company named Rayonier Advanced Materials. On June 27, 2014, the shareholders of record received one share of Rayonier Advanced Materials common stock for every three common shares of Rayonier held as of the close of business on the record date of June 18, 2014. The high end of the second quarter 2014 range as well as the first quarter 2014 range in the following table reflects share prices adjusted for the spin-off. Dividends for the first and second quarter 2014 have also been adjusted for the spin-off.

	High	Low	Dividends	
2015				
Fourth Quarter	$24.83	$21.83	$0.25	
Third Quarter	$26.49	$21.84	$0.25	
Second Quarter	$27.03	$24.70	$0.25	
First Quarter	$29.88	$26.19	$0.25	
2014				
Fourth Quarter	$34.04	$25.87	$0.25	
Third Quarter	$35.79	$30.46	$0.80	(a)
Second Quarter	$36.44	$34.76	$0.37	
First Quarter	$35.29	$30.46	$0.37	

(a) Third quarter 2014 dividends included a $0.50 per share special dividend related to restricted cash proceeds received from Rayonier Advanced Materials in connection with the spin-off.

The table below summarizes the tax characteristics of the dividend paid to shareholders on a percentage basis for the three years ended December 31, 2015:

	2015		2014		2013	
Total cash dividend per common share	$1.00		$2.03		$1.86	
Tax characteristics:						
Capital gain	90.47	%	79.28	%	38.71	%
Qualified	—		—		61.29	%
Non-dividend distribution	9.53	%	20.72	%	—	

Holders

There were approximately 6,873 shareholders of record of our Common Shares on February 19, 2016.

Securities Authorized for Issuance Under Equity Compensation Plans

See Note 16 — Incentive Stock Plans for information on securities that are authorized for issuance under The Rayonier Incentive Stock Plan ("the Stock Plan").

Shelf Registrations

In May 2004, we completed a Form S-4 acquisition shelf registration to offer and issue 7.0 million common shares for the acquisition of other businesses, assets or properties. As of December 31, 2015, no common shares have been offered or issued under the Form S-4 shelf registration. In April 2015, we filed a universal shelf registration giving us the ability to issue and sell an indeterminate amount of various types of debt and equity securities. As of December 31, 2015, no securities have been offered or issued under the universal shelf registration.

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Issuer Repurchases

In June 2015, the Board of Directors approved the repurchase of up to $100 million of Rayonier's common shares (the "share repurchase program") to be made at management's discretion. A total of 1,034,713 shares were repurchased under this program in the fourth quarter of 2015. No remaining shares were available for repurchase under this program as of December 31, 2015.

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% 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 in the program totaling 2.1 million shares. The anti-dilutive program does not have an expiration date. There were no shares purchased under this program in the fourth quarter of 2015 and there were 3,836,655 shares available for purchase at December 31, 2015.

The following table provides information regarding our purchases of Rayonier common stock during the quarter ended December 31, 2015:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (c)
October 1 to October 31	17,000	22.00	17,000	4,906,605
November 1 to November 30	478,081	23.55	478,081	4,399,347
December 1 to December 31	540,580	23.15	539,632	3,836,655
Total	1,035,661		1,034,713	3,836,655

(a) Includes 948 shares of the Company's common stock purchased in December, respectively, from employees in non-open market transactions. The shares of stock were sold by current and former employees of the Company in exchange for cash that was used to pay withholding taxes associated with the vesting of restricted stock awards under the Company's stock incentive plan. The price per share surrendered is based on the closing price of the company's stock on the respective vesting dates of the awards.

(b) Purchases made in open-market transactions under the $100 million share repurchase program announced on June 16, 2015.

(c) Maximum number of shares authorized to be purchased as of December 31, 2015 include 3,836,655 under the 1996 anti-dilutive program.

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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). This graph has been adjusted to reflect the spin-off of the Performance Fibers business in 2014.

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:

	2010	2011	2012	2013	2014	2015
Rayonier Inc.	$100	$132	$159	$134	$126	$104
S&P 500®	100	102	118	157	178	181
FTSE NAREIT All Equity REITs	100	108	130	133	171	176
S&P© 1500 Paper & Forest Products Index	100	109	144	184	199	158

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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,				
	2015	2014	2013	2012	2011
	(dollar amounts in millions, except per share data)				
Profitability:					
Sales (a)	$544.9	$603.5	$659.7	$378.6	$391.3
Operating income (a)(b)	77.8	98.3	108.7	32.1	55.1
Income from continuing operations attributable to Rayonier Inc. (a)(b)	46.2	55.9	103.9	16.8	58.3
Diluted earnings per common share from continuing operations	0.37	0.43	0.80	0.13	0.47
Financial Condition:					
Total assets (a)	$2,319.3	$2,453.1	$3,685.5	$3,123.0	$2,569.3
Total debt (a)	833.9	751.6	1,574.2	1,270.1	847.3
Shareholders' equity	1,361.7	1,575.2	1,755.2	1,438.0	1,323.1
Shareholders' equity — per share	11.09	12.51	13.90	11.66	10.84
Cash Flows:					
Cash provided by operating activities	$177.2	$320.4	$546.8	$447.7	$433.7
Cash used for investing activities	166.3	196.7	470.5	474.7	490.1
Cash used for (provided by) financing activities	116.5	161.4	157.1	(229.0)	215.1
Depreciation, depletion and amortization	113.7	120.0	116.9	84.6	76.5
Cash dividends paid	124.9	257.5	237.0	206.6	185.3
Dividends paid — per share	$1.00	$2.03	$1.86	$1.68	$1.52
Non-GAAP Financial Measures:					
Adjusted EBITDA (c)					
Southern Timber	$101.0	$97.9	$87.2	$76.1	$56.7
Pacific Northwest Timber	21.7	50.8	54.1	42.8	49.0
New Zealand Timber	33.0	46.0	38.3	2.2	4.4
Real Estate (d)	70.8	48.4	57.8	44.8	39.2
Trading	1.2	1.7	1.8	(0.1)	1.5
Corporate and other	(19.7)	(31.3)	(45.3)	(44.4)	(39.5)
Total Adjusted EBITDA (c)(d)	$208.0	$213.5	$193.9	$121.4	$111.3
Other:					
Timberland and real estate acres — owned, leased, or managed, in millions of acres	2.7	2.7	2.7	2.7	2.7

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	For the Years Ended December 31,				
	2015	2014	2013	2012	2011
Selected Operating Data:					
Timber					
Sales volume (thousands of tons)					
Southern	5,492	5,296	5,292	5,322	4,741
Pacific Northwest (e)	1,243	1,664	1,979	1,947	1,665
New Zealand Domestic (f)	1,346	1,462	1,271	—	—
New Zealand Export (f)	1,065	898	651	—	—
Total Sales Volume	9,146	9,320	9,193	7,269	6,406
Real Estate — acres sold					
Development (Improved)	74	—	45	—	—
Development (Unimproved)	699	852	281	261	606
Rural	8,754	18,077	13,833	13,307	10,880
Non-Strategic / Timberlands	23,602	6,363	13,360	17,355	9,824
Large Dispositions (g)(h)	—	19,556	149,428	—	6,308
Total Acres Sold	33,129	44,848	176,947	30,923	27,618

(a) On April 4, 2013, the Company increased its interest in the New Zealand JV to 65% and began consolidating the New Zealand JV's results of operations and balance sheet.

(b) The 2013 results included a $16.2 million gain related to the consolidation of the New Zealand JV.

(c) Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and real estate sold, costs related to shareholder litigation, costs related to spin-off of the Performance Fibers business, internal review and restatement costs, large dispositions, discontinued operations, and the gain related to the consolidation of the New Zealand joint venture.

(d) Previously reported Adjusted EBITDA for 2014, 2013 and 2011 has been restated to exclude large dispositions.

(e) 2013 and prior results include sales volumes from New York timberlands.

(f) New Zealand sales volume for 2013 includes volumes sold subsequent to the April 2013 consolidation.

(g) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value. Sales designated as Large Dispositions are excluded from our calculation of Adjusted EBITDA and CAD.

(h) The 2013 results included a fourth quarter sale of approximately 128,000 acres of New York timberlands.

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

		Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and other	Total
2015								
Operating income (loss)		$46.7	$6.9	$2.8	$44.3	$1.2	($24.1)	$77.8
Less:	Non-operating expense	—	—	—	—	—	(0.1)	(0.1)
Add:	Depreciation, depletion and amortization	54.3	14.8	29.7	14.5	—	0.4	113.7
Add:	Non-cash cost of land and real estate sold	—	—	0.5	12.0	—	—	12.5
Add:	Costs related to shareholder litigation (a)	—	—	—	—	—	4.1	4.1
Adjusted EBITDA (b)		$101.0	$21.7	$33.0	$70.8	$1.2	($19.7)	$208.0
2014								
Operating income (loss)		$45.7	$29.5	$9.5	$47.5	$1.7	($35.6)	$98.3
Add:	Depreciation, depletion and amortization	52.2	21.3	32.2	13.4	—	0.9	120.0
Add:	Non-cash cost of land and real estate sold	—	—	4.3	8.9	—	—	13.2
Less:	Large dispositions (c)	—	—	—	(21.4)	—	—	(21.4)
Add:	Internal review and restatement costs	—	—	—	—	—	3.4	3.4
Adjusted EBITDA (b)		$97.9	$50.8	$46.0	$48.4	$1.7	($31.3)	$213.5
2013								
Operating income (loss)		$37.8	$32.7	$10.6	$55.9	$1.8	($30.1)	$108.7
Add:	Depreciation, depletion and amortization	49.4	21.4	27.7	17.4	—	1.0	116.9
Add:	Non-cash cost of land and real estate sold	—	—	—	10.2	—	—	10.2
Less:	Large dispositions (c)	—	—	—	(25.7)	—	—	(25.7)
Less:	Gain related to consolidation of New Zealand JV	—	—	—	—	—	(16.2)	(16.2)
Adjusted EBITDA (b)		$87.2	$54.1	$38.3	$57.8	$1.8	($45.3)	$193.9
2012								
Operating income (loss)		$23.4	$20.6	$2.0	$32.0	($0.1)	($45.8)	$32.1
Add:	Depreciation, depletion and amortization	52.7	22.2	0.2	8.1	—	1.4	84.6
Add:	Non-cash cost of land and real estate sold	—	—	—	4.7	—	—	4.7
Adjusted EBITDA (b)		$76.1	$42.8	$2.2	$44.8	($0.1)	($44.4)	$121.4
2011								
Operating income (loss)		$13.4	$29.5	$4.2	$47.3	$1.5	($40.8)	$55.1
Add:	Depreciation, depletion and amortization	43.3	19.5	0.2	12.2	—	1.3	76.5
Add:	Non-cash cost of land and real estate sold	—	—	—	4.3	—	—	4.3

Less: Large dispositions (c)	—	—	—	(24.6)	—	—	(24.6)
Adjusted EBITDA (b)	$56.7	$49.0	$4.4	$39.2	$1.5	($39.5)	$111.3

(a) Costs related to shareholder litigation include expenses incurred as a result of the securities litigation, the shareholder derivative demands and the Securities and Exchange Commission investigation. See Note 10 - Contingencies.

(b) Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and real estate sold, costs related to shareholder litigation, costs related to spin-off of the Performance Fibers business, internal review and restatement costs, large dispositions, discontinued operations, and the gain related to the consolidation of the New Zealand joint venture.

(c) Large Dispositions include sales of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value.

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

Executive Summary

Our Company

We are a leading timberland real estate investment trust ("REIT") with assets located in some of the most productive timber growing regions in the U.S. and New Zealand. Our revenues, operating income and cash flows are primarily derived from the following core business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading. We own or lease under long-term agreements approximately 2.3 million acres of timberland and real estate in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, Oregon, Tennessee, Texas and Washington. We also have a 65% ownership interest in Matariki Forestry Group, a joint venture ("New Zealand JV"), that owns or leases approximately 0.4 million gross acres (0.3 million net plantable acres) of New Zealand timberlands.

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

Current Year Developments

On June 16, 2015, we announced approval by our Board of Directors of a $100 million share repurchase program. Under this program, we repurchased approximately 4.2 million shares at an average price of $23.79 per share and completed the program in December 2015.

During 2015, we acquired approximately 35,000 acres of timberlands primarily in Florida, Georgia, Louisiana, Mississippi and Oregon for $88.5 million. We also acquired forestry rights covering approximately 1,800 acres of timberland with mature timber in New Zealand for $9.9 million. For additional information, see Note 3 — Timberland Acquisitions.

On August 5, 2015 we entered into a credit agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions and other commercial banks to provide $550 million of new credit facilities, including a five-year $200 million revolving credit facility and a nine-year $350 million term loan facility. These new credit facilities were used to refinance the company's existing revolving credit facility and senior exchangeable notes due in August 2015. We also intend to use the credit facilities to fund a capital infusion into the company's New Zealand JV for repayment of JV indebtedness. We expect this transaction to close in first quarter 2016. For additional information, see Note 5 — Debt.

Industry and Market Conditions

In 2015, pricing in the South was comparable to 2014 while pricing in the Pacific Northwest was negatively impacted by weaker demand from China and the shutdown of some local mills. We continue to believe that U.S. housing starts will improve gradually, but that in 2016 we will not reach conditions favorable to significantly improve sawlog pricing. In our New Zealand Timber segment, domestic pricing was generally comparable to 2014 while we experienced decreased export demand throughout most of the year with some recovery in the fourth quarter. We expect 2016 average prices in New Zealand to be broadly in line with 2015 average prices.

In Real Estate, we expect steady demand for rural properties and a strengthening interest in selected development properties, particularly as we begin to sell parcels within our East Nassau mixed-used development project.

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Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires us to establish accounting policies and make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities in our Annual Report on Form 10-K. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates.

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

Timber is stated at the lower of cost or market value. Costs related to acquiring, planting and growing timber including real estate taxes, lease rental payments, site preparation and direct support costs relating to facilities, vehicles and supplies are capitalized. Payroll and other employee benefit costs are capitalized only for time spent on these activities, while interest or any other intangible costs aside from those mentioned above are not capitalized.

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

Significant assumptions and estimates are used in the recording of timber inventory and depletion costs. Factors that can impact timber volume include weather changes, losses due to natural causes, differences in actual versus estimated growth rates and changes in the age when timber is considered merchantable. A 3% company-wide change in estimated standing merchantable inventory would cause an estimated change of approximately $2.4 million to 2016 depletion expense.

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

Acquisitions of timberland can also affect the depletion rate. Upon the acquisition of timberland, we make a determination whether to combine the newly acquired merchantable timber with an existing depletion pool or to create a new pool. The determination is based on the geographic location of the new timber, the customers/markets that will be served and species mix. During 2015, we acquired approximately 35,000 acres of timberlands primarily in Florida, Georgia, Louisiana, Mississippi and Oregon. We also acquired forestry rights covering approximately 1,800 acres of timberlands in New Zealand. These acquisitions increased 2015 depletion expense by $1.5 million and are expected to increase 2016 depletion expense by approximately $2.2 million.

Capitalized costs included in timber basis

Timber is stated at the lower of cost or market value. Costs relating to acquiring, planting and growing timber including real estate taxes, site preparation and direct support costs relating to facilities, vehicles and supplies are capitalized. Annual lease payments are also capitalized if the remaining lease term is greater than five years. Lease payments made within five years of expiration are expensed as incurred. Payroll costs are capitalized for time spent on timber growing activities, while interest or any other intangible costs are not capitalized.

Revenue recognition for timber sales

Revenue from the sale of timber is recognized when title passes to the buyer. We utilize two primary methods or sales channels for the sale of timber: a stumpage model and a delivered log model. The sales method the Company employs depends upon local market conditions and which method management believes will provide the best overall margins. Under the stumpage model, standing timber is sold generally under pay-as-cut contracts, with specified duration (typically one year or less) and fixed prices, whereby revenue is recognized as timber is severed and the sales volume is determined. We also sell stumpage under lump-sum contracts where the Company receives cash for the full agreed value of the timber prior to harvest and title and risk of loss pass to the buyer upon signing the contract. Any uncut timber remaining at the end of the contract period reverts to the Company. We recognize revenue for lump-sum timber sales when cash is received, the contract is signed and title and risk of loss pass to the buyer. A third type of stumpage sale is an agreed-volume sale whereby revenue is recognized as periodic physical observations are made of the

percentage of acreage harvested.
Under the delivered log model, the Company hires third-party loggers and haulers to harvest timber and deliver it to a buyer. Revenue is recognized when the logs are delivered and title and risk of loss transfer to the buyer. Sales of delivered logs generally do not require an initial payment and are made to third-party customers on open credit terms.

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In the Trading business, revenue on sales of logs is recognized when title and risk of loss passes to the buyer. For domestic log sales, title and risk are considered passed to the buyer as the logs are delivered to the customer. For export log sales, title and risk are considered passed to the buyer at the time the ship leaves the port.

Non-timber income included in “Other Operating Income, Net” is primarily hunting and recreational leases. Lease income is recognized ratably over the period of the lease.

Revenue recognition for real estate sales

The Company recognizes revenue on sales of real estate generally when cash has been received, the sale has closed, and title and risk of loss have passed to the buyer. Cost of sales associated with real estate sold comprises the cost of the land, the cost of any timber on the property that was conveyed to the buyer, and any closing costs including sales commissions that may be borne by the Company. Costs incurred to obtain land use entitlements or for infrastructure such as utilities, roads or other improvements are charged to cost of sales for a project as a percentage of revenue earned to total anticipated revenue and costs for each project. Sales of improved or entitled land have been limited, but the Company expects such sales to increase in future years.

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

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

In 2015, we recognized $4.6 million of pension and postretirement expense. Numerous estimates and assumptions are required to determine the proper amount of pension and postretirement liabilities and annual expense to record in our financial statements. The key assumptions include discount rate, return on assets, salary increases, health care cost trends, mortality rates, longevity and service lives of employees. Although there is authoritative guidance on how to select most of the assumptions, some degree of judgment is exercised in selecting these assumptions based on input from our actuary. Different assumptions, as well as actual versus expected results, would change the periodic benefit cost and funded status of the benefit plans recognized in the financial statements. See Note 15 — Employee Benefit Plans for additional information.

Realizability of both recorded and unrecorded tax assets and tax liabilities

The Timber and Real Estate operations conducted within our REIT are generally not subject to U.S. income taxation. Prior to the June 27, 2014 spin-off of Rayonier Advanced Materials, our taxable REIT subsidiary operations included the Performance Fibers business. As such, during 2014 and prior periods, our income taxes varied significantly. Therefore, our projection of estimated income tax for the year and our provision for quarterly income taxes, in accordance with generally accepted accounting principles, may have varied significantly. Post-spin, we do not expect significant variability in our effective tax rate and the amount of cash taxes to be paid as the majority of our business operations are conducted within our REIT. However, the assessment of the ability to realize certain deferred tax assets, or estimate deferred tax liabilities, remains subjective. See Note 9 — Income Taxes for additional information about our unrecognized tax benefits.

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

Financial Information (in millions)	2015	2014	2013
Sales			
Southern Timber	$139.1	$141.8	$123.8
Pacific Northwest Timber	76.5	102.2	110.5
New Zealand Timber (a)	161.6	182.4	147.7
Real Estate			
Development (Improved)	2.6	—	1.6
Development (Unimproved)	6.4	4.8	2.8
Rural	22.7	41.0	27.5
Non-Strategic / Timberlands	54.8	9.5	37.1
Large Dispositions (b)	—	22.0	80.0
Total Real Estate	86.5	77.3	149.0
Trading	81.2	103.7	131.7
Intersegment Eliminations	—	(3.9)	(3.0)
Total Sales	$544.9	$603.5	$659.7
Operating Income			
Southern Timber	$46.7	$45.7	$37.8
Pacific Northwest Timber	6.9	29.5	32.7
New Zealand Timber (a)	2.8	9.5	10.6
Real Estate (b)	44.3	47.5	55.9
Trading	1.2	1.7	1.8
Corporate and other (c)	(24.1)	(35.6)	(30.1)
Operating Income	77.8	98.3	108.7
Interest Expense	(31.7)	(44.2)	(40.9)
Interest/Other (Expense) Income	(3.0)	(9.3)	2.4
Income Tax Benefit	0.8	9.6	35.7
Income from Continuing Operations	43.9	54.4	105.8
Discontinued Operations, Net	—	43.4	268.0
Net Income	43.9	97.8	373.8
Less: Net (Loss) Income Attributable to Noncontrolling Interest	(2.3)	(1.5)	1.9
Net Income Attributable to Rayonier Inc.	$46.2	$99.3	$371.9
Adjusted EBITDA (d)			
Southern Timber	$101.0	$97.9	$87.2
Pacific Northwest Timber	21.7	50.8	54.1
New Zealand Timber (a)	33.0	46.0	38.3
Real Estate (e)	70.8	48.4	57.8
Trading	1.2	1.7	1.8
Corporate and other	(19.7)	(31.3)	(45.3)
Total Adjusted EBITDA (d)(e)	$208.0	$213.5	$193.9

(a) 2013 included $146.0 million in sales from the consolidation of the New Zealand JV.

(b) The 2013 results included a fourth quarter sale of approximately 128,000 acres of New York timberland holdings for $57.3 million.

(c) The 2013 results included a $16.2 million gain related to the consolidation of the New Zealand JV.

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

(e) Previously reported 2014 and 2013 Adjusted EBITDA have been restated to exclude large dispositions.

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Southern Timber Overview	2015	2014	2013
Sales Volume (in thousands of tons)			
Pine Pulpwood	3,614	3,284	3,181
Pine Sawtimber	1,581	1,701	1,676
Total Pine Volume	5,195	4,985	4,857
Hardwood	297	311	435
Total Volume	5,492	5,296	5,292
Percentage Delivered Sales	27 %	33 %	28 %
Percentage Stumpage Sales	73 %	67 %	72 %
Net Stumpage Prices (dollars per ton)			
Pine Pulpwood	$18.13	$18.48	$16.12
Pine Sawtimber	27.62	26.45	24.06
Weighted Average Pine	$21.01	$21.20	$18.86
Hardwood	14.65	13.01	12.89
Weighted Average Total	$20.66	$20.72	$18.37
Summary Financial Data (in millions of dollars)			
Sales	$139.1	$141.8	$123.8
Less: Cut and Haul	(25.7)	(32.1)	(26.0)
Net Stumpage Sales	$113.4	$109.7	$97.8
Operating Income	$46.7	$45.7	$37.8
Adjusted EBITDA (a)	$101.0	$97.9	$87.2
Other Data			
Non-Timber Income, net (in millions of dollars) (b)	$15.2	$13.2	$14.9
Year-End Acres (in thousands)	1,876	1,906	1,893

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at Item 6 — Selected Financial Data.
(b) Non-Timber Income is presented net of direct charges and allocated overhead.

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Pacific Northwest Timber Overview	2015	2014	2013
Sales Volume (in thousands of tons)			
Northwest Pulpwood	308	262	305
Northwest Sawtimber	935	1,402	1,538
Total Northwest Volume	1,243	1,664	1,843
Northeast - New York	—	—	136
Total Volume	1,243	1,664	1,979
Northwest Sales Volume (converted to MBF)			
Northwest Pulpwood	29,208	24,761	28,840
Northwest Sawtimber	120,932	178,898	197,431
Total Northwest Volume	150,140	203,659	226,271
Percentage Delivered Sales	88%	55%	56%
Percentage Stumpage Sales	12%	45%	44%
Delivered Log Prices (in dollars per ton)			
Northwest Pulpwood	$44.61	$39.20	$37.14
Northwest Sawtimber	72.13	82.05	78.06
Weighted Average Log Price	$64.83	$74.44	$71.08
Summary Financial Data (in millions of dollars)			
Sales	$76.5	$102.2	$110.5
Less: Cut and Haul	(35.4)	(30.1)	(35.0)
Net Stumpage Sales	$41.1	$72.1	$75.5
Operating Income	$6.9	$29.5	$32.7
Adjusted EBITDA (a)	$21.7	$50.8	$54.1
Other Data			
Non-Timber Income, net (in millions of dollars) (b)	$2.8	$1.7	$2.0
Year-End Acres (in thousands)	373	372	372
Northwest Sawtimber (in dollars per MBF)	$565	$632	$608
Estimated Percentage of Export Volume	22%	25%	26%

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at Item 6 — Selected Financial Data.
(b) Non-Timber Income is presented net of direct charges and allocated overhead.

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New Zealand Timber Overview (a)	2015	2014	2013
Sales Volume (in thousands of tons)			
Domestic Sawtimber (Delivered)	684	644	740
Domestic Pulpwood (Delivered)	434	352	360
Export Sawtimber (Delivered)	982	827	798
Export Pulpwood (Delivered)	83	71	43
Stumpage	228	466	464
Total Volume	2,412	2,360	2,405
Percentage Delivered Sales	91%	80%	81%
Percentage Stumpage Sales	9%	20%	19%
Delivered Log Prices (in dollars per ton)			
Domestic Sawtimber	$64.05	$78.15	$73.82
Domestic Pulpwood	$32.00	$37.84	$36.05
Export Sawtimber	$88.59	$111.75	$125.77
Summary Financial Data (in millions of dollars)			
Sales	$155.7	$177.3	$185.8
Less: Cut and Haul	(71.5)	(78.9)	(82.0)
Less: Port and Freight Costs	(32.0)	(35.8)	(35.0)
Net Stumpage Sales	$52.2	$62.6	$68.8
Land Sales / Other	$5.9	$5.1	$3.0
Total Sales	$161.6	$182.4	$188.8
Operating Income	$2.8	$9.5	$11.2
Adjusted EBITDA (b)	$33.0	$46.0	$45.9
Other Data			
New Zealand Dollar to U.S. Dollar Exchange Rate (c)	0.7031	0.8299	0.8156
Net Plantable Year-End Acres (in thousands)	299	309	314
Domestic Sawtimber (in $NZD per tonne)	$100.47	$103.59	$99.66
Export Sawtimber (in dollars per JAS m^3)	$103.49	$129.66	$145.92

(a) New Zealand Timber was consolidated on April 4, 2013 when we acquired a majority interest in the New Zealand JV. Prior to the acquisition date, we accounted for our 26% interest in the New Zealand JV as an equity method investment. The 2013 information shown above reflects results as if the New Zealand JV had been consolidated for the full year, though information presented elsewhere throughout this Annual Report on Form 10-K reflects results only to the extent they were included in our consolidated financial results.

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

(c) Represents the average of the month-end exchange rates for each year.

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Real Estate Overview	2015	2014	2013
Sales (in millions of dollars)			
Improved Development (a)	2.6	—	1.6
Unimproved Development	6.4	4.8	2.8
Rural	22.7	41.0	27.5
Non-Strategic / Timberlands	54.8	9.5	37.1
Large Dispositions (b)	—	22.0	80.0
Total Sales	$86.5	$77.3	$149.0
Sales (Development and Rural) (d)	$29.1	$45.8	$30.3
Acres Sold			
Improved Development (a)	74	—	45
Unimproved Development	699	852	281
Rural	8,754	18,077	13,833
Non-Strategic / Timberlands	23,602	6,363	13,360
Large Dispositions (b)	—	19,556	149,428
Total Acres Sold	33,129	44,848	176,947
Acre Sold (Development and Rural) (d)	9,454	18,929	14,114
Percentage of U.S. South acreage sold (c)	0.6 %	1.2 %	0.8 %
Price per Acre (dollars per acre)			
Improved Development (a)	$35,131	—	$34,680
Unimproved Development	9,148	5,623	10,116
Rural	2,588	2,265	1,986
Non-Strategic / Timberlands	2,324	1,498	2,773
Large Dispositions (b)	—	1,125	535
Weighted Average (Total excluding Large Dispositions)	$2,611	$2,186	$2,507
Weighted Average (Development and Rural) (d)	$3,073	$2,417	$2,148

(a) Reflects land with capital invested in infrastructure improvements.
(b) Includes 128,000 acres of timberlands in New York sold in the fourth quarter of 2013 for $57.3 million.
(c) Calculated as Southern development and rural acres sold over U.S. South acres owned.
(d) Excludes Improved Development.

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Capital Expenditures By Segment	2015	2014	2013
Timber Capital Expenditures (in millions of dollars)			
Southern Timber			
Reforestation, silvicultural and other capital expenditures	$17.7	$18.7	$20.6
Property taxes	5.9	6.5	6.8
Lease payments	5.7	6.1	6.2
Allocated overhead	3.9	4.7	4.5
Subtotal Southern Timber	$33.2	$36.0	$38.1
Pacific Northwest Timber			
Reforestation, silvicultural and other capital expenditures	6.2	7.5	5.5
Property taxes	0.5	0.5	1.2
Lease payments	—	—	—
Allocated overhead	1.8	1.8	1.7
Subtotal Pacific Northwest Timber	$8.5	$9.8	$8.4
New Zealand Timber (a)			
Reforestation, silvicultural and other capital expenditures	8.0	9.8	7.4
Property taxes	0.7	0.8	0.6
Lease payments	4.1	3.7	4.8
Allocated overhead	2.4	3.0	3.2
Subtotal New Zealand Timber	$15.2	$17.3	$16.0
Total Timber Segments Capital Expenditures	$56.9	$63.1	$62.5
Real Estate	0.3	0.2	0.4
Corporate	0.1	0.4	0.3
Total Capital Expenditures	$57.3	$63.7	$63.2
Timberland Acquisitions			
Southern Timber	$54.4	$125.7	$20.4
Pacific Northwest Timber	34.1	1.9	—
New Zealand Timber (b)	9.9	0.9	139.9
Real Estate	—	2.4	—
Subtotal Timberland Acquisitions	$98.4	$130.9	$160.3
Total Capital Expenditures (including Timberland Acquisitions)	$155.7	$194.6	$223.5
Real Estate Development Investments	$2.7	$3.7	$1.3

(a) 2013 includes full year results of New Zealand Timber, which was consolidated on April 4, 2013.
(b) 2013 includes $139.9 million for the acquisition of an additional interest in the New Zealand JV.

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Results of Operations, 2015 versus 2014
(millions of dollars)
The following tables summarize the sales, operating income and Adjusted EBITDA variances for 2015 versus 2014:

Sales	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Intersegment Eliminations	Total
2014	$141.8	$102.2	$182.4	$77.3	$103.7	($3.9)	$603.5
Volume/Mix	(1.6)	(14.0)	18.2	17.1	6.1	—	25.8
Price	(1.1)	(11.7)	(27.9)	14.1	(26.3)	—	(52.9)
Foreign exchange (a)	—	—	(12.7)	—	—	—	(12.7)
Other (b)	—	—	1.6	(22.0)	(2.3)	3.9	(18.8)
2015	$139.1	$76.5	$161.6	$86.5	$81.2	—	$544.9

Operating Income	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and Other	Total
2014	$45.7	$29.5	$9.5	$47.5	$1.7	($35.6)	$98.3
Volume/Mix	2.2	(12.6)	0.8	11.5	—	—	1.9
Price	(0.5)	(11.2)	(13.9)	14.1	—	—	(11.5)
Cost	(2.5)	(1.1)	0.2	(2.3)	0.6	10.9	5.8
Non-timber income	1.9	1.1	2.5	—	—	—	5.5
Foreign exchange (a)	—	—	2.3	—	(1.1)	—	1.2
Depreciation, depletion & amortization	(0.1)	1.2	2.4	(3.6)	—	0.6	0.5
Non-cash cost of land and real estate sold	—	—	(0.5)	(1.1)	—	—	(1.6)
Other (c)	—	—	(0.5)	(21.8)	—	—	(22.3)
2015	$46.7	$6.9	$2.8	$44.3	$1.2	($24.1)	$77.8

Adjusted EBITDA (d)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and Other	Total
2014	$97.9	$50.8	$46.0	$48.4	$1.7	($31.3)	$213.5
Volume/Mix	4.2	(17.9)	1.4	16.6	—	—	4.3
Price	(0.5)	(11.2)	(13.9)	14.1	—	—	(11.5)
Cost	(2.5)	(1.1)	0.2	(2.5)	0.6	11.6	6.3
Non-timber income	1.9	1.1	2.5	—	—	—	5.5
Foreign exchange (a)	—	—	(3.1)	—	(1.1)	—	(4.2)
Other	—	—	(0.1)	(5.8)	—	—	(5.9)
2015	$101.0	$21.7	$33.0	$70.8	$1.2	($19.7)	$208.0

(a) Net of currency hedging impact.
(b) 2014 Real Estate sales included $22.0 million in large dispositions.
(c) 2014 Real Estate operating income included $16.0 million in large dispositions and $5.8 million in proceeds from a bankruptcy settlement with respect to a former land sale customer.
(d) Adjusted EBITDA is a non-GAAP measure defined and reconciled at Item 6 — Selected Financial Data.

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Southern Timber

Full-year 2015 Southern Timber sales of $139.1 million decreased $2.7 million, or 2%, versus the prior year due to a higher mix of pulpwood (70% versus 66% in the prior year) and a lower proportion of delivered sales (27% versus 33% in the prior year), partially offset by higher harvest volumes and stronger sawlog pricing. Harvest volumes increased 4% to 5.49 million tons versus 5.30 million tons in the prior year. Average sawtimber stumpage prices increased 4% to $27.62 per ton versus $26.45 per ton in the prior year, while average pulpwood stumpage prices decreased 2% to $18.13 per ton versus $18.48 per ton in the prior year. The increase in average sawtimber prices was driven primarily by selling stumpage when demand was strongest, generating favorable prices throughout the year, partially offset by reduced harvest activity in higher-priced sawtimber regions. The decrease in average pulpwood prices was primarily attributable to geographic mix and to a price decline in the fourth quarter on the east coast due to a temporary mill shutdown. Overall, weighted average stumpage prices (including hardwood) were comparable to the prior year at $20.66 per ton.

Operating income of $46.7 million increased $1.0 million versus the prior year due to higher volumes ($2.2 million), higher non-timber income ($1.9 million) and lower depletion ($0.1 million), which were partially offset by higher costs ($2.5 million) and lower pulpwood prices ($0.5 million). Full year 2015 Adjusted EBITDA of $101.0 million increased $3.1 million above the prior year period.

Pacific Northwest Timber

Full-year 2015 Pacific Northwest Timber sales of $76.5 million decreased $25.7 million, or 25%, versus the prior year due to the planned reduction of harvest volumes and, to a lesser extent, lower sawtimber prices. Harvest volumes declined 25% to 1.24 million tons versus 1.66 million tons in the prior year. Average delivered sawtimber prices decreased 12% to $72.13 per ton versus $82.05 per ton in the prior year, while average delivered pulpwood prices increased 14% to $44.61 per ton versus $39.20 per ton in the prior year. The decrease in average sawtimber prices was driven by weaker demand from China and the shutdown of some local mills. The increase in average pulpwood prices was driven by strong local demand for pulpwood logs.

Operating income of $6.9 million decreased $22.6 million versus the prior year due to lower volumes ($12.6 million), lower prices ($11.2 million) and higher costs ($1.1 million), which were partially offset by higher non-timber income ($1.1 million) and lower depletion rates ($1.2 million). Full year Adjusted EBITDA of $21.7 million was $29.1 million below the prior year period.

New Zealand Timber

Full-year 2015 New Zealand Timber sales of $161.6 million decreased $20.8 million, or 11%, versus the prior year due to lower domestic and export product prices, which were partially offset by higher delivered volumes. Harvest volumes increased 2% to 2.41 million tons versus 2.36 million tons in the prior year. Average delivered prices for export sawtimber declined 21% to $88.59 per ton versus $111.75 per ton in the prior year, while average delivered prices for domestic sawtimber declined 18% to $64.05 per ton versus $78.15 per ton in the prior year. The decline in export sawtimber prices was primarily due to weaker demand from China, while the decline in domestic sawtimber prices (in U.S. dollar terms) was driven primarily by the fall in the NZ$/US$ exchange rate (US$0.70 per NZ$1.00 versus US$0.83 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices declined 3% versus the prior year.

Operating income of $2.8 million decreased $6.7 million versus the prior year due to the decrease in prices ($13.9 million) and higher non-cash costs of land sold and forestry right relinquishments ($1.0 million), which were partially offset by higher volume ($0.8 million), lower depletion rates ($2.4 million), higher non-timber income ($2.5 million), the impact of foreign exchange rate changes ($2.3 million) and lower costs ($0.2 million). Full-year Adjusted EBITDA of $33.0 million was $13.0 million below the prior year period.

Real Estate

Full-year 2015 sales of $86.5 million increased $9.2 million versus the prior year, while operating income of $44.3 million decreased $3.2 million versus the prior year period. Full-year 2015 operating income decreased as the prior year included $5.8 million in proceeds from a bankruptcy settlement with respect to a former land sale customer. Excluding the proceeds from the bankruptcy settlement and large dispositions, operating income increased $18.6

million due to higher weighted average prices ($2,611 per acre versus $2,186 per acre in the prior year), and higher volumes (33,129 acres sold versus 25,292 acres in the prior year).
Full-year 2015 Adjusted EBITDA of $70.8 million was $22.4 million above the prior year.

Trading
Full-year 2015 sales of $81.2 million decreased $22.5 million versus the prior year due to lower prices as a result of unfavorable China market conditions, partially offset by higher volumes. Sales volumes increased 6% to 926,000 tons versus 873,000 tons in the prior year. Average prices decreased 25% to $86.89 per ton versus $115.27 per ton in the prior year. Operating income decreased $0.5 million versus the prior year, primarily due to a NZ$/US$ exchange gain ($1.1 million) in the prior year, partially offset by lower sourcing and export costs ($0.6 million).

Corporate and Other Expense/Eliminations
Corporate and other expense was $24.1 million in 2015 versus $35.6 million in 2014. The 2015 results included $4.1 million of costs related to shareholder litigation, while 2014 included $3.4 million of internal review and restatement costs. Excluding these items, 2015 expense was favorable due to lower selling, general and administrative expenses as a result of the spin-off of the Performance Fibers business.

Interest Expense
Interest expense of $31.7 million in 2015 decreased $12.5 million from the prior year primarily due to lower outstanding debt. Interest expense in 2015 includes $0.4 million related to the write-off of capitalized financing costs, while 2014 includes $1.7 million related to the write-off of capitalized financing costs.

Interest and Miscellaneous (Expense) Income, Net
Other non-operating expense was $3.0 million in 2015 versus $9.2 million in 2014. The 2015 results were comprised of favorable mark-to-market adjustments on New Zealand joint venture interest rate swaps, while 2014 included $3.8 million of costs related to the spin-off of the Performance Fibers business.

Income Tax Benefit
The full-year 2015 tax benefit from continuing operations was $0.8 million versus $9.6 million in 2014. The current year income tax benefit is principally related to the New Zealand JV, while the prior year benefit related to the Performance Fibers business. See Note 9 — Income Taxes for additional information regarding the provision for income taxes.

Outlook for 2016
In 2016, we expect a modest increase in Southern harvest volume, reflecting recent acquisitions, at prices generally comparable to 2015. We continue to believe that U.S. housing starts will improve gradually, but that in 2016 we will not reach conditions favorable to significantly improve sawlog pricing. In the Pacific Northwest, we expect volumes comparable to 2015 and are cautiously optimistic that prices will improve from current levels, which will largely depend upon export market conditions. In our New Zealand joint venture, we anticipate a reduction in harvest volume of approximately 10% due to timber age-class variations, with average prices broadly in line with 2015. Also, we are on track with our previously announced plans to recapitalize our New Zealand joint venture and thereby reduce consolidated interest expense while increasing our ownership interest from 65% to an estimated 77%.

In our Real Estate segment, we expect continued steady demand for rural properties. We also anticipate strengthening interest in selected development properties, particularly as we begin to sell parcels within Wildlight, our East Nassau mixed use development project, which we anticipate in the second half of 2016. We are also planning on a higher level of investment in 2016 as we ramp up our development efforts on this project.

Our 2016 outlook is subject to a number of variables and uncertainties, including those discussed at Item 1A — Risk Factors.

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Results of Operations, 2014 versus 2013
(millions of dollars)
The following tables summarize the sales, operating income and Adjusted EBITDA variances for 2014 versus 2013:

Sales	Southern Timber	Pacific Northwest Timber	New Zealand Timber (a)	Real Estate	Trading	Other (b)	Total
2013	$123.8	$110.5	$188.8	$149.0	$131.7	($44.1)	$659.7
Volume/Mix	5.1	(11.3)	(2.2)	(5.6)	(12.4)	—	(79.7)
Price	12.9	5.4	(7.8)	(8.1)	(16.2)	—	(13.8)
Foreign exchange	—	—	0.5	—	—	—	0.5
Other (c)	—	(2.4)	3.1	(58.0)	0.6	40.2	(16.5)
2014	$141.8	$102.2	$182.4	$77.3	$103.7	($3.9)	$603.5

Operating Income	Southern Timber	Pacific Northwest Timber	New Zealand Timber (a)	Real Estate	Trading	Corporate and Other (b)	Total
2013	$37.8	$32.7	$11.2	$55.9	$1.8	($30.8)	$108.6
Volume/Mix	0.6	(5.1)	(0.8)	(3.9)	—	—	(9.2)
Price	12.9	5.4	(4.2)	(8.1)	—	—	6.0
Cost	(1.4)	(1.4)	2.7	9.7	0.8	—	10.4
Non-timber income	—	—	2.8	—	—	—	2.8
Foreign exchange	—	—	(0.4)	—	1.6	—	1.2
Depreciation, depletion & amortization	(2.2)	(3.0)	1.7	1.6	—	—	(1.9)
Non-cash cost of land and real estate sold	—	—	—	(1.8)	—	—	(1.8)
Other (d)	(2.0)	0.9	(3.5)	(5.9)	(2.5)	(4.8)	(17.8)
2014	$45.7	$29.5	$9.5	$47.5	$1.7	($35.6)	$98.3

Adjusted EBITDA (e)	Southern Timber	Pacific Northwest Timber	New Zealand Timber (a)	Real Estate (f)	Trading	Corporate and Other (b)	Total
2013	$87.2	$54.1	$45.9	$57.8	$1.8	($52.9)	$193.9
Volume/Mix	1.4	(7.0)	(1.5)	(5.4)	—	—	(12.5)
Price	12.9	5.4	(4.2)	(8.1)	—	—	6.0
Cost	(1.4)	(1.4)	2.7	(2.1)	0.8	—	(1.4)
Non-timber income	—	—	2.8	—	—	—	2.8
Foreign exchange	—	—	0.3	—	1.6	—	1.9
Other	(2.2)	(0.3)	—	6.2	(2.5)	21.6	22.8
2014	$97.9	$50.8	$46.0	$48.4	$1.7	($31.3)	$213.5

(a) New Zealand Timber was consolidated on April 4, 2013 when we acquired a majority interest in the New Zealand JV. Prior to the acquisition date, we accounted for our 26% interest in the New Zealand JV as an equity method investment. The 2013 to 2014 New Zealand Timber variances shown above reflect 2013 results as if the New Zealand JV was consolidated for the entire year, though information presented elsewhere throughout this Annual Report on Form 10-K reflects results only to the extent they were included in our consolidated financial results.

(b) Primarily includes adjustments for 2013 New Zealand Timber sales, operating income, and Adjusted EBITDA that occurred before the consolidation of our New Zealand JV and were not included in our consolidated financial results.

(c) The 2014 Real Estate sales included $22.0 million in large dispositions versus $80.0 million in 2013.

(d) The 2014 Real Estate operating income included $16.0 million from large dispositions and $5.8 million in proceeds from a bankruptcy settlement with respect to a former land sale customer versus $16.1 million from large dispositions in 2013.

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

(f) Previously reported 2014 and 2013 Adjusted EBITDA have been restated to exclude large dispositions.

Southern Timber

Full-year 2014 Southern Timber sales of $141.8 million increased $19 million from 2013 primarily due to higher pine pulpwood and sawtimber prices, driven by improved demand as the U.S. housing market and economy continued a slow recovery, as well as by wet weather conditions through much of the year. Weighted average stumpage prices increased 13% to $20.72 per ton in 2014 versus $18.37 per ton in 2013. Additionally, while total harvest volumes were flat at 5.3 million tons in 2014 and 2013, a greater mix of delivered sales versus stumpage sales in 2014 versus 2013 led to increased sales during the period.

The increase in sales was partially offset in operating income by higher cut and haul costs, higher depletion expense and lower non-timber income resulting from a change in income recognition for hunting leases. Full year 2014 Adjusted EBITDA of $97.9 million increased $10.7 million above the prior year period.

Pacific Northwest Timber

Full-year 2014 Pacific Northwest Timber sales of $102.0 million were $7.5 million below 2013, which included $3 million of sales from the formerly-owned New York timberlands. Sales declined in 2014 primarily due to lower harvest volumes, partially offset by improved sawtimber and pulpwood pricing. Harvest volumes declined 16% to 1.7 million tons from 2.0 million tons in 2013. The decline in harvest volumes was driven by the sale of the Company’s New York timberlands in fourth quarter 2013 as well as the reduction of harvest volumes pursuant to the Company’s revised operating strategy. See Item 1 — Business — Our Strategy for additional information. Average delivered sawtimber prices in the Pacific Northwest increased 5% to $82.05 per ton versus $78.06 per ton in 2013 and delivered pulpwood prices increased 6% to 39.20 per ton versus $37.14 per ton in 2013. These increases in average prices reflected strong prices earlier in the year, which weakened in the second half of 2014 primarily due to lower export demand as log inventory levels rose in China.

Operating income declined $3.2 million due to the lower volumes and a $1.9 million cumulative out-of-period adjustment for depletion expense, which were partially offset by higher prices. Full year Adjusted EBITDA of $50.8 million was $3.3 million below the prior year period.

New Zealand Timber

Full-year 2014 New Zealand Timber sales of $182.4 million decreased $6.4 million from 2013, reflecting results as if the New Zealand JV had been consolidated for the full year 2013. Total harvest volumes in 2014 of 2.4 million tons were comparable to 2013. Average delivered prices for domestic sawlogs increased 6% to $78.15 per ton versus $73.82 per ton in 2013, while average delivered prices for export sawlogs declined 11% to $111.75 per ton versus $125.77 per ton in 2013. The increase in domestic sawlog prices was primarily driven by stronger demand in the first half of the year, while the decline in export sawlog prices was primarily driven by weaker demand from China. Operating income declined due to weaker overall pricing and lower volumes, mostly offset by lower depletion and lower overall logging costs. Full year Adjusted EBITDA of $46.0 million was $0.1 million above the prior year period.

Real Estate

Full-year 2014 sales of $77.3 million decreased $71.7 million versus 2013 primarily due to a $57.3 million sale of New York timberlands in 2013. Excluding large dispositions, operating income of $47.5 million was $8.3 million below the prior year due to lower weighted average prices ($2,186 per acre versus $2,505 per acre in the prior year) and lower volumes (25,293 acres sold versus 27,519 acres in the prior year). Full year Adjusted EBITDA of $48.4 million decreased $9.4 million. Previously reported 2014 and 2013 Adjusted EBITDA have been restated to exclude large dispositions.

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Trading

Full year sales of $103.7 million were $28.0 million below 2013, while operating income and Adjusted EBITDA of $1.7 million were comparable to the prior year.

Corporate and Other Expense/Eliminations

Corporate and other expense was $35.6 million in 2014 versus $30.1 million in 2013. The 2013 results included a $16.2 million gain from the consolidation of the New Zealand JV while 2014 included $3.4 million of internal review and restatement costs. Excluding these items, 2014 expense was favorable due to lower selling, general and administrative expenses as a result of the spin-off of the Performance Fibers business.

Interest and Miscellaneous (Expense) Income, Net

Interest expense of $44.2 million in 2014 increased $3.3 million from the prior year as the benefit of lower debt balances was more than offset by additional interest resulting from the consolidation of the New Zealand JV for the full year and a lower allocation of interest expense to discontinued operations. Interest/other expense increased $11.7 million over 2013 primarily due to unfavorable mark-to-market adjustments on New Zealand interest rate swaps.

Income Tax Expense

The full-year 2014 tax benefit from continuing operations including discrete items was $9.6 million versus $35.7 million in 2013. The 2014 income tax benefit reflects a $13.6 million valuation allowance related to the cellulosic biofuel producer credit (“CBPC”), which was recorded in connection with the spin-off due to Rayonier’s limited potential use of the CBPC prior to its expiration on December 31, 2017. Income tax expense from discontinued operations was $20.6 million in 2014 versus $106.4 million in 2013. The decline was primarily due to the inclusion of a full year of income from the Performance Fibers business in 2013 discontinued operations versus a half year in 2014. See Note 9 — Income Taxes for additional information regarding the provision for income taxes and the discrete tax items.

Liquidity and Capital Resources

Our principal source of cash is cash flow from operations, primarily the harvesting of timber and sales of real estate. As a REIT, our main use of cash is dividends. We also use cash to maintain the productivity of our timberlands through replanting and silviculture. Our operations have generally produced consistent cash flow and required limited capital resources. Short-term borrowings have helped fund working capital needs while acquisitions of timberlands generally require funding from external sources.

Summary of Liquidity and Financing Commitments

	As of December 31,		
(in millions of dollars)	2015	2014	2013
Cash and cash equivalents	$51.8	$161.6	$199.6
Total debt	833.9	751.6	1,574.2
Shareholders’ equity	1,361.7	1,575.2	1,755.2
Adjusted EBITDA (a)	208.0	213.5	193.9
Total capitalization (total debt plus equity)	2,195.6	2,326.8	3,329.4
Debt to capital ratio	38 %	32 %	N/M
Debt to Adjusted EBITDA (a)	4.0	3.5	N/M
Net debt to Adjusted EBITDA (a)	3.8	2.8	N/M
Net debt to enterprise value (b)	22 %	14 %	N/M

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

(b) Enterprise value is calculated as the number of shares outstanding multiplied by the Company’s share price, plus net debt, at December 31, 2015.

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Liquidity Facilities

Term Credit Agreement

On August 5, 2015, the Company entered into a credit agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions and other commercial banks to provide $550 million of new credit facilities, including a nine-year $350 million term loan facility. The periodic interest rate on the term loan facility is subject to a pricing grid based on the Company's leverage ratio, as defined in the credit agreement. As of December 31, 2015, the periodic interest rate on the term loan facility was LIBOR plus 1.625%. Concurrent with the closing of the facilities, the Company entered into an interest rate swap transaction to fix the cost of the term loan facility over its nine-year term. The Company also expects to receive annual patronage refunds, which are profit distributions made by a cooperative to its member-users based on the quantity or value of business done with the member-user. The Company estimates the effective interest rate on the term loan facility to be approximately 3.3% after consideration of the interest rate swap and estimated patronage refunds. As of December 31, 2015, the Company had additional draws available of $180 million under the term loan facility.

Revolving Credit Facility

In August 2015, the Company entered into a five-year $200 million unsecured revolving credit facility, replacing the previous $200 million revolving credit facility and $100 million farm credit facility which were scheduled to expire in April 2016 and December 2019, respectively. The periodic interest rate on the revolving credit facility is subject to a pricing grid based on the Company's leverage ratio, as defined in the credit agreement. As of December 31, 2015, the periodic interest rate on the revolving credit facility is LIBOR plus 1.250%, with an unused commitment fee of 0.175%.

Net draws of $97.0 million were made on the revolving credit facility to repay the previous facility and for general corporate purposes. As of December 31, 2015, the Company had available borrowings of $101.2 million under the revolving credit facility, net of $1.8 million to secure its outstanding letters of credit.

4.50% Senior Exchangeable Notes issued August 2009

The Company paid $131 million of its 4.50% Senior Exchangeable Notes upon maturity in August 2015.

Joint Venture Debt

As of December 31, 2015, the New Zealand JV had $161 million of long-term variable rate debt maturing in September 2016. The Company will use proceeds from the term loan facility to fund a capital infusion into the New Zealand JV, which the New Zealand JV will in turn use for repayment of all outstanding amounts under its existing credit facility. The entire balance of the New Zealand JV Revolving Credit Facility remained classified as long-term at December 31, 2015 due to the ability and intent of the Company to refinance it on a long-term basis. This debt is subject to interest rate risk resulting from changes in the 90-day New Zealand Bank bill rate ("BKBM"). However, the New Zealand JV uses interest rate swaps to manage its exposure to interest rate movements on its bank loan by swapping a portion of these borrowings from floating rates to fixed rates. The notional amount of the outstanding interest rate swap contracts at December 31, 2015 was $130 million, or 81% of the variable rate debt. The interest rate swap contracts have maturities extending through January 2020. The periodic interest rate on New Zealand JV debt is BKBM plus 0.80% with an additional 0.80% credit line fee. The Company estimates the periodic interest rate on the New Zealand JV debt for the fourth quarter was approximately 6.3% after consideration of interest rate swaps.

During the year ended December 31, 2015, the New Zealand JV made additional borrowings and repayments of $58.6 million on its working capital facility. Additional draws totaling $27.4 million remain available on the working capital facility. In addition, the New Zealand JV paid $1.4 million of its shareholder loan held with the non-controlling interest party. Favorable changes in exchange rates through December 31, 2015 decreased debt on a U.S. dollar basis for the revolving facility and shareholder loan by $23.1 million and $3.3 million, respectively.

See Note 5 — Debt for additional information on these agreements and other outstanding debt, as well as for information on covenants that must be met in connection with our mortgage notes, term credit agreement and the revolving credit facility.

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Cash Flows

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

	2015	2014	2013
Total cash provided by (used for):			
Operating activities	$177.2	$320.4	$546.8
Investing activities	(166.3)	(196.7)	(470.5)
Financing activities	(116.5)	(161.4)	(157.1)
Effect of exchange rate changes on cash	(4.2)	(0.4)	(0.2)
(Decrease) increase in cash and cash equivalents	($109.8)	($38.1)	($81.0)

Cash Provided by Operating Activities

The decline in cash provided by operating activities in 2015 was primarily attributable to the inclusion of the results of the Performance Fibers business in the prior year period before the June 27, 2014 spin-off and higher working capital requirements.

Cash Used for Investing Activities

Cash used for investing activities in 2015 decreased $30.4 million compared to 2014 primarily due to a $6.4 million and $61.0 million decrease in capital expenditures from continuing and discontinued operations, respectively, a $1.0 million decrease in real estate development investments and lower timberland acquisitions of $32.5 million and an increase of $2.8 million in proceeds from the settlement of the net investment hedge. These benefits were partially offset by the change in restricted cash of $79.1 million.

Cash Used for Financing Activities

Cash used for financing activities in 2015 declined $44.9 million from the prior year. Of the decrease, $31.4 million was due to the net cash disbursed upon spin-off of the Performance Fibers business. Additionally, dividend payments decreased $132.6 million compared to prior year due to the change in the dividend rate from $0.49 per share to $0.25 per share on a post-spin basis and to the third quarter 2014 special dividend payment of $0.50 per common share. These decreases were partially offset by lower net debt issuances of $18.0 million and repurchases of common stock of $100.0 million in 2015.

Restricted Cash

At December 31, 2015, the Company had $23.5 million of proceeds from real estate sales classified as restricted cash in “Other Assets,” which were deposited with a like-kind exchange (“LKE”) intermediary. These funds can be used for acquiring suitable timberland replacement property, or if the LKE purchases are not completed, returned to the Company after 180 days and reclassified as available cash.

Credit Ratings

Both our ability to obtain financing and the related costs of borrowing are affected by our credit ratings, which are periodically reviewed by the rating agencies. As of December 31, 2015, our credit ratings from S&P and Moody’s were “BBB-” and “Baa2,” respectively, with both services listing our outlook as “Stable.”

Strategy

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

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Expected 2016 Expenditures

Capital expenditures in 2016 are forecasted to be between $60 million and $65 million, excluding any strategic timberland acquisitions we may make. Capital expenditures are expected to be primarily comprised of seedling planting, fertilization and other silvicultural activities, property taxes, lease payments, allocated overhead and other capitalized costs. Aside from capital expenditures, we may also acquire timberland as we actively evaluate acquisition opportunities. Real estate development investments are expected to be between $10 million and $15 million.

Our 2016 dividend payments are expected to be approximately $123 million assuming no change in the quarterly dividend rate of $0.25 per share or material changes in the number of shares outstanding.

We made no discretionary pension contributions in 2015 or 2014. We have no mandatory pension contributions in 2016 but may make discretionary contributions in the future. On an ongoing basis, cash income tax payments are expected to be minimal. During 2016, we may repatriate approximately $23 million of proceeds received from the sale of our forestry assets to the New Zealand JV when it was formed in 2005. If this occurs, we anticipate that cash payments for income taxes in 2016 will be approximately $1.7 million.

Performance and Liquidity Indicators

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

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and real estate sold, costs related to shareholder litigation, costs related to the spin-off of the Performance Fibers business, discontinued operations, large dispositions, internal review and restatement costs and the gain related to consolidation of the New Zealand joint venture. Below is a reconciliation of Net Income to Adjusted EBITDA for the five years ended December 31 (in millions of dollars):

	2015	2014	2013	2012	2011
Net Income to Adjusted EBITDA Reconciliation					
Net Income	$43.9	$97.8	$373.8	$278.7	$276.0
Interest, net, continuing operations	34.7	49.7	38.5	42.3	45.1
Income tax benefit, continuing operations	(0.9)	(9.6)	(35.7)	(27.1)	(48.3)
Depreciation, depletion and amortization	113.7	120.0	116.9	84.6	76.5
Non-cash cost of land and real estate sold	12.5	13.2	10.2	4.7	4.3
Large dispositions (a)	—	(21.4)	(25.7)	—	(24.6)
Costs related to shareholder litigation (b)	4.1	—	—	—	—
Cost related to spin-off of Performance Fibers	—	3.8	—	—	—
Internal review and restatement costs	—	3.4	—	—	—
Gain related to consolidation of New Zealand JV	—	—	(16.2)	—	—
Net income from discontinued operations	—	(43.4)	(267.9)	(261.8)	(217.7)
Adjusted EBITDA	$208.0	$213.5	$193.9	$121.4	$111.3

(a) Previously reported Adjusted EBITDA for 2014, 2013 and 2011 has been restated to exclude large dispositions. Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value.

(b) Costs related to shareholder litigation include expenses incurred as a result of the securities litigation, the shareholder derivative demands and the Securities and Exchange Commission investigation. See Note 10 —Contingencies.

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

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CAD is a non-GAAP measure of cash generated during a period which is available for dividend distribution, repurchase of the Company's common shares, debt reduction and strategic acquisitions. We define CAD as Cash Provided by Operating Activities adjusted for capital spending (excluding timberland acquisitions), large dispositions, cash provided by discontinued operations and working capital and other balance sheet changes. In compliance with SEC requirements for non-GAAP measures, we reduce CAD by mandatory debt repayments which results in the measure entitled "Adjusted CAD." Adjusted CAD generated in any period is not necessarily indicative of the amounts that may be generated in future periods.

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

	2015	2014	2013	2012	2011
Cash provided by operating activities	$177.2	$320.4	$546.8	$447.7	$433.7
Capital expenditures from continuing operations (a)	(57.3)	(63.7)	(63.2)	(50.5)	(44.4)
Large dispositions (b)	—	(21.4)	(79.7)	—	(24.6)
Cash flow from discontinued operations	—	(102.4)	(276.3)	(314.1)	(270.9)
Working capital and other balance sheet changes	(2.5)	(39.5)	(70.0)	(71.1)	(82.7)
CAD	$117.4	$93.4	$57.6	$12.0	$11.1
Mandatory debt repayments	(131.0)	—	(42.0)	(323.0)	(93.0)
Adjusted CAD	($13.6)	$93.4	$15.6	($311.0)	($81.9)
Cash used for investing activities	($166.3)	($196.7)	($470.5)	($474.7)	($490.1)
Cash (used for) provided by financing activities	($116.5)	($161.4)	($157.1)	$229.0	($215.1)

(a) Capital expenditures exclude timberland acquisitions of $98.4 million and $130.9 million during the years ended December 31, 2015 and December 31, 2014, respectively. Capital expenditures also exclude $139.9 million for the purchase of an additional interest in the New Zealand JV and $20.4 million for timberland acquisitions for the year ended December 31, 2013. In 2012, timberland acquisitions totaled $106.5 million.

(b) Previously reported CAD for 2014, 2013 and 2011 has been restated to exclude large dispositions. Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have any identified HBU premium relative to timberland value

Off-Balance Sheet Arrangements

We utilize off-balance sheet arrangements to provide credit support for certain suppliers and vendors in case of their default on critical obligations, and collateral for certain self-insurance programs that we maintain. These arrangements consist of standby letters of credit and surety bonds. As part of our ongoing operations, we also periodically issue guarantees to third parties. Off-balance sheet arrangements are not considered a source of liquidity or capital resources and do not expose us to material risks or material unfavorable financial impacts. See Note 11 — Guarantees for further discussion.

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Contractual Financial Obligations

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

The following table aggregates our contractual financial obligations as of December 31, 2015 and anticipated cash spending by period:

Contractual Financial Obligations (in millions)	Total	Payments Due by Period			
		2016	2017-2018	2019-2020	Thereafter
Long-term debt (a)	$833.2	$161.0	$42.0	$112.0	$518.2
Interest payments on long-term debt (b)	135.6	23.6	35.4	33.5	43.1
Operating leases — timberland	156.2	9.2	16.2	13.2	117.6
Operating leases — PP&E, offices	6.8	1.9	2.2	1.1	1.6
Purchase obligations — derivatives (c)	40.7	7.1	11.3	7.2	15.1
Purchase obligations — other	0.8	—	0.3	0.5	—
Total contractual cash obligations	$1,173.3				