HALEY TIMOTHY M
Form 4
September 05, 2017

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
HALEY TIMOTHY M

(Last) (First) (Middle)

100 WINCHESTER CIRCLE

(Street)

LOS GATOS, CA 95032

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NETFLIX INC [NFLX]

3. Date of Earliest Transaction (Month/Day/Year)
09/01/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

	Derivative Security					Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)						
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amoun or Numbe of Shares
Non-Qualified Stock Option (right to buy)	$ 174.74	09/01/2017		A		358		09/01/2017	09/01/2027	Common Stock	358

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HALEY TIMOTHY M 100 WINCHESTER CIRCLE LOS GATOS, CA 95032	X			

Signatures

By: Carole Payne, Authorized Signatory For: Timothy M. Haley	09/05/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ottom" ALIGN="right">(116) (5,954) (4,995) 8 (11,057)

Interest, dividends and miscellaneous income, net

252 1,678 1,171 (8) 3,093

Equity in income from subsidiaries

52,637 28,187 (80,824)

INCOME BEFORE INCOME TAXES

49,922 28,187 42,104 13,459 (75,886) 57,786

Income tax benefit (provision)	5,115	(13,917)	6,053	(2,749)		
NET INCOME	$55,037	$28,187	$28,187	$13,459	$(69,833)	$55,037

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RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands unless otherwise stated)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

	Nine Months Ended September 30, 2007					
	Rayonier Inc. (Parent Guarantor)	Rayonier TRS Holdings Inc. (Issuer)	Subsidiaries of Rayonier TRS Holdings Inc. (Non-guarantors)	All Other Subsidiaries (Non-guarantors)	Consolidating Adjustments	Total Consolidated
SALES	$	$	$ 733,255	$ 228,642	$ (27,601)	$ 934,296
Costs and Expenses						
Cost of sales (includes $10.1 million fire loss charge)	268		616,337	101,668	(28,049)	690,224
Selling and general expenses	10,750		35,642	2,533		48,925
Other operating income, net	(159)		(563)	(6,402)		(7,124)
	10,859		651,416	97,799	(28,049)	732,025
Equity in income of New Zealand joint venture	277		969			1,246
OPERATING (LOSS) INCOME	(10,582)		82,808	130,843	448	203,517
Interest expense	(2,318)		(25,184)	(14,744)	34	(42,212)
Interest, dividends and miscellaneous income (expense), net	1,135		(2,823)	5,335	(34)	3,613
Equity in income from subsidiaries	161,551	42,262			(203,813)	
INCOME BEFORE INCOME TAXES	149,786	42,262	54,801	121,434	(203,365)	164,918
Income tax provision	(9,938)		(12,539)		(2,593)	(25,070)
NET INCOME	$ 139,848	$ 42,262	$ 42,262	$ 121,434	$ (205,958)	$ 139,848

	Nine Months Ended September 30, 2006					
	Rayonier Inc. (Parent Guarantor)	Rayonier TRS Holdings Inc. (Issuer)	Subsidiaries of Rayonier TRS Holdings Inc. (Non-guarantors)	All Other Subsidiaries (Non-guarantors)	Consolidating Adjustments	Total Consolidated
SALES	$ 1,841	$	$ 776,045	$ 146,235	$ (22,818)	$ 901,303
Costs and Expenses						
Cost of sales	176		668,841	65,354	(31,478)	702,893

Selling and general expenses	9,488		33,292	2,327		45,107
Other operating (income) expense, net	(97)		1,906	(3,657)		(1,848)
	9,567		704,039	64,024	(31,478)	746,152
Equity in (loss) income of New Zealand joint venture	(1,882)		897			(985)
OPERATING (LOSS) INCOME BEFORE GAIN ON SALE OF NEW ZEALAND TIMBER ASSETS	(9,608)		72,903	82,211	8,660	154,166
Gain on sale of New Zealand timber assets			7,769			7,769
OPERATING (LOSS) INCOME	(9,608)		80,672	82,211	8,660	161,935
Interest expense	(560)		(20,077)	(14,759)	276	(35,120)
Interest, dividends and miscellaneous income, net	774		4,848	1,727	(276)	7,073
Equity in income from subsidiaries	128,362	46,750			(175,112)	
INCOME BEFORE INCOME TAXES	118,968	46,750	65,443	69,179	(166,452)	133,888
Income tax benefit (provision)	2,239		(18,693)		3,773	(12,681)
NET INCOME	$ 121,207	$ 46,750	$ 46,750	$ 69,179	$ (162,679)	$ 121,207

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RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands unless otherwise stated)

CONDENSED CONSOLIDATING BALANCE SHEETS

	As of September 30, 2007					
	Rayonier Inc. (Parent Guarantor)	Rayonier TRS Holdings, Inc. (Issuer)	Subsidiaries of Rayonier TRS Holdings Inc. (Non-guarantors)	All Other Subsidiaries (Non-guarantors)	Consolidating Adjustments	Total Consolidated
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 7,964	$	$ 19,250	$ 64,931	$	$ 92,145
Accounts receivable, less allowance for doubtful accounts	1,140		101,436	3,089		105,665
Inventory			71,607	24	(1,911)	69,720
Other current assets	3,882		25,382	2,271		31,535
Intercompany interest receivable				1,024	(1,024)	
Total current assets	12,986		217,675	71,339	(2,935)	299,065
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION	1,815		37,338	1,076,284		1,115,437
PROPERTY, PLANT AND EQUIPMENT, NET	2,321		345,063	1,306		348,690
INVESTMENT IN JOINT VENTURE	88,837		(26,202)			62,635
INVESTMENT IN SUBSIDIARIES	951,636	261,860			(1,213,496)	
INTERCOMPANY/NOTES RECEIVABLE	30,726		14,170	16,417	(61,313)	
OTHER ASSETS	36,575		395,670	6,348	(296,568)	142,025
TOTAL ASSETS	$ 1,124,896	$ 261,860	$ 983,714	$ 1,171,694	$ (1,574,312)	$ 1,967,852
LIABILITIES AND SHAREHOLDERS EQUITY						
CURRENT LIABILITIES						
Accounts payable	$ 3,698	$	$ 49,220	$ 2,169	$	$ 55,087
Bank loans and current maturities			585			585
Accrued taxes	1,054		5,243	6,670	2,593	15,560
Accrued payroll and benefits	15,071		11,672			26,743
Accrued interest	2,107		7,858	4,906		14,871
Accrued customer incentives			10,004			10,004
Liability for uncertain tax positions	12,021					12,021
Other current liabilities	3,538		11,255	18,832		33,625
Current liabilities for dispositions and discontinued operations			8,930			8,930
Total current liabilities	37,489		104,767	32,577	2,593	177,426

LONG-TERM DEBT			411,635	209,341		620,976
NON-CURRENT LIABILITIES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS			106,888			106,888
PENSION AND OTHER POSTRETIREMENT BENEFITS	65,116		(373)			64,743
OTHER NON-CURRENT LIABILITIES	11,749		1,724	16,973	(16,402)	14,044
INTERCOMPANY PAYABLES	26,767		97,213	5,174	(129,154)	
TOTAL LIABILITIES	141,121		721,854	264,065	(142,963)	984,077
TOTAL SHAREHOLDERS EQUITY	983,775	261,860	261,860	907,629	(1,431,349)	983,775
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,124,896	$ 261,860	$ 983,714	$ 1,171,694	$ (1,574,312)	$ 1,967,852

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RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands unless otherwise stated)

CONDENSED CONSOLIDATING BALANCE SHEETS

	As of December 31, 2006					
	Rayonier Inc. (Parent Guarantor)	Rayonier TRS Holdings Inc. (Issuer)	Subsidiaries of Rayonier TRS Holdings Inc. (Non-guarantors)	All Other Subsidiaries (Non-guarantors)	Consolidating Adjustments	Total Consolidated
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 28,551	$	$ 13,867	$	$ (2,247)	$ 40,171
Accounts receivable, less allowance for doubtful accounts	591		95,319	4,399		100,309
Inventory			81,220	24	(5,651)	75,593
Other current assets	14,415		24,479	4,348		43,242
Intercompany interest receivable				1,095	(1,095)	
Timber assets held for sale			40,955			40,955
Total current assets	43,557		255,840	9,866	(8,993)	300,270
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION	1,814		42,039	1,083,660		1,127,513
PROPERTY, PLANT AND EQUIPMENT, NET	2,470		349,957	1,353		353,780
INVESTMENT IN JOINT VENTURE	87,445		(26,212)			61,233
INVESTMENT IN SUBSIDIARIES	876,639	219,594			(1,096,233)	
INTERCOMPANY/NOTES RECEIVABLE	10,849			7,352	(18,201)	
OTHER ASSETS	18,663		371,592	4,381	(272,834)	121,802
TOTAL ASSETS	$ 1,041,437	$ 219,594	$ 993,216	$ 1,106,612	$ (1,396,261)	$ 1,964,598
LIABILITIES AND SHAREHOLDERS EQUITY						
CURRENT LIABILITIES						
Accounts payable	$ 10,860	$	$ 60,738	$ 4,407	$ (2,247)	$ 73,758
Bank loans and current maturities			3,550			3,550
Accrued taxes	1,651		10,148	2,566	1,931	16,296
Accrued payroll and benefits	12,404		12,394	81		24,879
Accrued interest	8,505		11,046			19,551
Accrued customer incentives			9,494			9,494
Other current liabilities	4,963		14,162	15,985		35,110
Payable to Parent				2,013	(2,013)	
Current liabilities for dispositions and discontinued operations			10,699			10,699

Total current liabilities	38,383		132,231	25,052	(2,329)	193,337
DEFERRED INCOME TAXES	1,055		5,253		(6,308)	
LONG-TERM DEBT			447,220	208,227		655,447
NON-CURRENT LIABILITIES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS			111,817			111,817
PENSION AND OTHER POSTRETIREMENT BENEFITS	73,511		(208)			73,303
OTHER NON-CURRENT LIABILITIES	10,510		1,624	582		12,716
INTERCOMPANY PAYABLE			75,685		(75,685)	
TOTAL LIABILITIES	123,459		773,622	233,861	(84,322)	1,046,620
TOTAL SHAREHOLDERS EQUITY	917,978	219,594	219,594	872,751	(1,311,939)	917,978
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 1,041,437	$ 219,594	$ 993,216	$ 1,106,612	$ (1,396,261)	$ 1,964,598

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RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands unless otherwise stated)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2007					
	Rayonier Inc. (Parent Guarantor)	Rayonier TRS Holdings Inc. (Issuer)	Subsidiaries of Rayonier TRS Holdings Inc. (Non-guarantors)	All Other Subsidiaries (Non-guarantors)	Consolidating Adjustments	Total Consolidated
OPERATING ACTIVITIES						
Net income	$ 139,848	$ 42,262	$ 42,262	$ 121,434	$ (205,958)	$ 139,848
Non-cash items included in net income:						
Equity in income from investments in subsidiaries	(161,551)	(42,262)			203,813	
Depreciation, depletion and amortization			57,301	57,643		114,944
Non-cash cost of forest fire losses				9,601		9,601
Non-cash cost of real estate sold			5,167	3,008	(448)	7,727
Non-cash stock-based incentive compensation expense	4,143		5,963			10,106
Deferred income tax (expense) benefit	(15,285)		10,342			(4,943)
Other	(277)		5,391			5,114
Dividends from investments in subsidiaries	86,500				(86,500)	
(Increase) decrease in accounts receivable	(549)		(6,119)	1,310		(5,358)
Decrease in inventory			3,922			3,922
Decrease in accounts payable	(7,162)		(8,956)	(2,260)	4,840	(13,538)
Decrease in other current assets	10,533		497	2,078		13,108
Increase (decrease) in accrued liabilities	9,998		(16,984)	12,890		5,904
(Decrease) increase in other non-current liabilities	(7,156)		120	16,391	(16,402)	(7,047)
Increase in other non-current assets	(9,261)		(12,438)	(3,343)	16,402	(8,640)
Change in intercompany accounts	26,796		(20,907)	(5,889)		
Expenditures for dispositions and discontinued operations			(7,017)			(7,017)
CASH PROVIDED BY OPERATING ACTIVITIES	76,577		58,544	212,863	(84,253)	263,731
INVESTING ACTIVITIES						
Capital expenditures			(43,126)	(24,272)		(67,398)
Purchase of timberlands and wood chipping facilities			(8,970)	(36,764)	33,300	(12,434)
Purchase of real estate			(4,350)			(4,350)
Proceeds from sale of timberlands			33,300		(33,300)	
Increase in restricted cash				(396)		(396)
Other			1,032			1,032
CASH USED FOR INVESTING ACTIVITIES			(22,114)	(61,432)		(83,546)

FINANCING ACTIVITIES						
Issuance of debt			62,000	60,000		122,000
Repayment of debt			(100,550)	(60,000)		(160,550)
Dividends paid	(111,628)					(111,628)
Issuance of common shares	15,014					15,014
Distributions to parent				(86,500)	86,500	
Tax benefits on stock based compensation			6,284			6,284
CASH USED FOR FINANCING ACTIVITIES	(96,614)		(32,266)	(86,500)	86,500	(128,880)
EFFECT OF EXCHANGE RATE CHANGES ON CASH			669			669
CASH AND CASH EQUIVALENTS						
Increase in cash and cash equivalents	(20,037)		4,833	64,931	2,247	51,974
Balance, beginning of year	28,551		13,867		(2,247)	40,171
Balance, end of period	$ 8,514	$	$ 18,700	$ 64,931	$	$ 92,145

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RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands unless otherwise stated)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2006					
	Rayonier Inc. (Parent Guarantor)	Rayonier TRS Holdings Inc. (Issuer)	Subsidiaries of Rayonier TRS Holdings Inc. (Non-guarantors)	All Other Subsidiaries (Non-guarantors)	Consolidating Adjustments	Total Consolidated
OPERATING ACTIVITIES						
Net income	$ 121,207	$ 46,750	$ 46,750	$ 69,179	$ (162,679)	$ 121,207
Non-cash items included in net income:						
Equity in income from investments in subsidiaries	(128,362)	(46,750)			175,112	
Depreciation, depletion and amortization			59,347	39,451		98,798
Non-cash cost of real estate sold			18,963	328	(8,473)	10,818
Non-cash stock-based incentive compensation expense	3,240		4,859			8,099
Gain on sale of New Zealand timber assets			(7,769)			(7,769)
Deferred income tax benefit	97		(9,414)			(9,317)
Other	1,882		(371)			1,511
Dividends from investments in subsidiaries	100,000				(100,000)	
Decrease (increase) in accounts receivable	181		(1,274)	2,598		1,505
Decrease in inventory			21	5		26
Increase (decrease) in accounts payable	2,683		(2,853)	397		227
Increase in other current assets	(18,220)		(1,147)	(116)	(187)	(19,670)
Increase in accrued liabilities	6,538		5,958	13,289	(3,773)	22,012
Increase (decrease) in other non-current liabilities	1,006		1,783	(38)		2,751
Decrease (increase) in other non-current assets	1,219		(2,214)	555		(440)
Change in intercompany accounts	(18,991)		17,098	1,893		
Expenditures for dispositions and discontinued operations			(7,409)			(7,409)
CASH PROVIDED BY OPERATING ACTIVITIES	72,480		122,328	127,541	(100,000)	222,349
INVESTING ACTIVITIES						
Capital expenditures			(64,891)	(23,101)		(87,992)
Purchase of timberlands and wood chipping facilities			(5,064)	(4,323)		(9,387)
Purchase of real estate			(21,101)			(21,101)
Proceeds from sale of New Zealand timber assets			21,770			21,770
Increase in restricted cash				(3,599)		(3,599)
Other			920			920
CASH USED FOR INVESTING ACTIVITIES			(68,366)	(31,023)		(99,389)

FINANCING ACTIVITIES						
Issuance of debt				93,000		93,000
Repayment of debt			(2,685)	(93,000)		(95,685)
Dividends paid	(107,820)					(107,820)
Issuance of common shares	7,013					7,013
Repurchase of common shares	(526)					(526)
Distributions to parent				(100,000)	100,000	
Tax benefits on stock based compensation			2,505			2,505
CASH USED FOR FINANCING ACTIVITIES	(101,333)		(180)	(100,000)	100,000	(101,513)
EFFECT OF EXCHANGE RATE CHANGES ON CASH			1,211			1,211
CASH AND CASH EQUIVALENTS						
Increase in cash and cash equivalents	(28,853)		54,993	(3,482)		22,658
Balance, beginning of year	37,220		104,701	4,306		146,227
Balance, end of period	$ 8,367	$	$ 159,694	$ 824	$	$ 168,885

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Safe Harbor

Except for historical information, the statements made in this Quarterly Report 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, which include statements regarding anticipated earnings, revenues, volumes, pricing, costs and other statements relating to Rayonier s financial and operational performance, in some cases are identified by the use of words such as may, will, should, expect, estimate, believe, a and other similar language. The following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements contained in this release: the cyclical and competitive nature of the forest products and real estate industries; fluctuations in demand for, or supply of, our performance fibers products, timber, wood products or real estate and entry of new competitors into these markets; changes in energy and raw material prices, particularly for our performance fibers and wood products businesses; changes in global market trends and world events, including those that could impact customer demand; changes in environmental laws and regulations, including laws regarding air emissions and water discharges, remediation of contaminated sites, delineation of wetlands, timber harvesting, and endangered species, that may restrict or adversely impact our ability to conduct our business; the lengthy, uncertain and costly process associated with the ownership or development of real estate, especially in Florida, which also may be affected by changes in law, policy and other political factors beyond our control; changes unexpected delays in the entry into or closing of real estate transactions; adverse weather conditions, including natural disasters, affecting our timberland and the production, distribution and availability of raw materials such as wood, energy and chemicals; our ability to identify and complete timberland and higher value real estate acquisitions; the geographic concentration of a significant portion of our timberlands; changes in key management and personnel; interest rate and currency movements; our capacity to incur additional debt; changes in import and export controls or taxes; our ability to continue to qualify as a REIT and to fund distributions using cash generated through our taxable REIT subsidiaries; the ability to complete like-kind-exchanges of timberlands and real estate; changes in tax laws that could reduce the benefits associated with REIT status; and additional factors described in the company s most recent Form 10-K on file with the Securities and Exchange Commission. Rayonier assumes no obligation to update these statements except as may be required by law.

Critical Accounting Policies and Use of Estimates

The preparation of our consolidated financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. 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 under different conditions. For a full description of our critical accounting policies, see Item 7 *Management s Discussion and Analysis of Financial Condition and Results of Operations* in the 2006 Annual Report on Form 10-K.

Segment Information

We operate in four reportable business segments as defined by SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* (SFAS 131): Timber, Real Estate, Performance Fibers, and Wood Products. Timber sales include all activities that relate to the harvesting of timber. Real Estate sales include the sale of all properties, including timberlands and those designated for higher and better use (HBU). In 2006, the Real Estate segment entered into two participation agreements with two developers as part of our strategy to move up the real estate value chain and, in the future, the Real Estate segment may also include revenue generated from properties with entitlements and infrastructure improvements. The assets of the Real Estate segment include HBU property held by TerraPointe LLC (TerraPointe), the Company s wholly-owned real estate development subsidiary, and timberlands under contract to be sold, as previously reported in the Timber segment. Allocations of depletion expense and non-cash costs of land sold are recorded when the Real Estate segment sells an asset from the Timber segment. The Performance Fibers segment includes two major product lines, Cellulose Specialties and Absorbent Materials. The Wood Products segment is comprised of lumber operations. Our remaining operations include purchasing, harvesting and selling timber acquired from third parties (log trading) and trading wood products. As permitted by SFAS 131, these operations are combined and reported in an Other category. Sales between operating segments are made based on fair market value and intercompany profit or loss is eliminated in consolidation. We evaluate financial performance based on the operating income of the segments.

Due to the Company s 2006 timberland acquisitions in five new states (Oklahoma, Arkansas, Texas, Louisiana, and New York), the Company has renamed its Timber segment regions from Southern and Northwestern to Eastern and Western, respectively. The Eastern region represents the Company s operations in Florida, Georgia, Alabama, Oklahoma, Arkansas, Texas, Louisiana, and New York, while the Western region represents the Company's operations in Washington.

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Operating income (loss), as stated in the following table and as presented in the Consolidated Statements of Income and Comprehensive Income, is equal to segment income (loss). The income (loss) items below Operating income in the Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include interest, miscellaneous income (expense) and income tax (expense) benefit, are not considered by management to be part of segment operations.

Results of Operations, Three and Nine Months Ended September 30, 2007 Compared to Three and Nine Months Ended September 30, 2006.

Financial Information (in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Sales				
Timber	$ 50.3	$ 44.3	$ 172.0	$ 159.8
Real Estate				
Development		43.4	31.5	49.9
Rural	54.0	2.4	71.3	26.8
Other	1.9	0.5	3.3	0.5
Total Real Estate	55.9	46.3	106.1	77.2
Performance Fibers				
Cellulose Specialties	137.6	120.3	396.1	353.4
Absorbent Materials	51.2	43.2	126.9	121.9
Total Performance Fibers	188.8	163.5	523.0	475.3
Wood Products	24.3	26.3	67.8	90.1
Other operations	14.9	31.8	65.4	99.1
Intersegment Eliminations		(0.2)		(0.2)
Total Sales	$ 334.2	$ 312.0	$ 934.3	$ 901.3
Operating Income (Loss)				
Timber (a)	$ 12.0	$ 17.1	$ 49.3	$ 78.5
Real Estate	47.7	37.6	86.8	58.7
Performance Fibers	43.1	21.1	101.2	47.3
Wood Products	(1.5)	(3.2)	(5.5)	1.3
Other operations	0.3	0.1	(1.9)	0.1
Corporate and other expenses / eliminations	(9.0)	(7.0)	(26.4)	(24.0)
Total Operating Income	92.6	65.7	203.5	161.9
Interest Expense	(15.0)	(11.1)	(42.2)	(35.1)
Interest / Other income	1.5	3.1	3.6	7.1
Income tax provision	(7.6)	(2.7)	(25.1)	(12.7)
Net Income	$ 71.5	$ 55.0	$ 139.8	$ 121.2
Diluted Earnings Per Share	$ 0.90	$ 0.70	$ 1.77	$ 1.55

(a) For the nine months ended September 30, 2007, Timber segment operating income includes the $10.1 million fire loss charge. For the nine months ended September 30, 2006, Timber segment operating income reflects the $7.8 million gain on sale of New Zealand timber assets.

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Timber

Overall Timber sales for the three and nine months ended September 30, 2007 increased from the prior year periods due to higher pulpwood and salvage timber volumes in the Eastern region partly offset by reduced sawlog volumes in the Western region and lower Eastern region pine prices.

The Eastern region s volumes increased 62 percent and 30 percent, respectively, for the three and nine months ended September 30, 2007 primarily due to our 2006 timberland acquisitions, sales of salvage timber from the second quarter forest fires and strong market demand for pulpwood. Average pine prices declined for the three and nine months by 28 percent and 16 percent, respectively, due to the sales of salvage timber and the downturn in the housing market.

The Western region s volumes decreased slightly for the three and nine months ended September 30, 2007, respectively, as a result of the slowdown in the housing market.

Sales (in millions)		**Changes Attributable to:**			
	2006	**Price**	**Volume**	**Mix/Other**	**2007**
Three months ended September 30,					
Total Sales	$ 44.3	$ (8.3)	$ 13.8	$ 0.5	$ 50.3
Nine months ended September 30,					
Total Sales	$ 159.8	$ (12.8)	$ 22.1	$ 2.9	$ 172.0

Operating income for the Timber segment was below prior year periods primarily due to lower average prices and reduced margins due to sales mix in the Eastern region.

Operating Income (in millions)		**Changes Attributable to:**			
	2006	**Price**	**Volume**	**Mix/Cost***	**2007**
Three months ended September 30,					
Total Operating Income	$ 17.1	$ (8.3)	$ 6.0	$ (2.8)	$ 12.0
Nine months ended September 30,					
Total Operating Income	$ 78.5	$ (12.8)	$ 17.7	$ (34.1)	$ 49.3

* For the nine months ended September 30, 2007, operating income includes the $10.1 million fire loss. In addition, 2006 operating income included the $7.8 million gain on sale of New Zealand timber assets.

Real Estate

Our real estate holdings in the Southeast have been segregated into two groups: development properties and rural properties. Development properties are predominantly located in the eleven coastal counties between Savannah, GA and Daytona Beach, FL, while the rural properties essentially include the balance of our ownership in the Southeast. Our Northwest U.S. real estate sales comprise the Other category.

During the three month periods ended September 30, sales and operating income increased primarily as a result of 3,100 acres of rural property sold in west central Florida for $46.6 million. For the nine month periods, sales and operating income improved primarily due to increased rural prices in 2007, while development prices and volumes declined. In 2007, we shifted our focus from sales of development lands to entitling activities.

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Sales (in millions)	2006	Changes Attributable to: Price	Volume	2007
Three months ended September 30,				
Development	$ 43.4	$	$ (43.4)	$
Rural	2.4	45.3	6.3	54.0
Other	0.5	(1.1)	2.5	1.9
Total Sales	$ 46.3	$ 44.2	$ (34.6)	$ 55.9
Nine months ended September 30,				
Development	$ 49.9	$ (5.8)	$ (12.6)	$ 31.5
Rural	26.8	49.4	(4.9)	71.3
Other	0.5	(2.4)	5.2	3.3
Total Sales	$ 77.2	$ 41.2	$ (12.3)	$ 106.1

Operating Income (in millions)	2006	Changes Attributable to: Price	Volume	2007
Three months ended September 30,				
Total Operating Income	$ 37.6	$ 44.2	$ (34.1)	$ 47.7
Nine months ended September 30,				
Total Operating Income	$ 58.7	$ 41.2	$ (13.1)	$ 86.8

Performance Fibers

For the three and nine months ended September 30, 2007, cellulose specialty sales improved by approximately $17 million and $43 million, respectively. Market demand for cellulose specialties resulted in average price increases of 7 percent and 10 percent, for the three and nine month periods, respectively. Volumes improved due to the timing of customer orders and fewer scheduled maintenance days.

Due to heavy demand in the fluff pulp market, sales prices for absorbent materials increased 12 percent and 11 percent, for the three and nine month periods ended September 30, 2007, respectively. Volume increased in the three month period primarily due to the timing of customer orders. For the nine month period, volume declined as a result of increased scheduled maintenance days. The result of these changes is an overall increase in absorbent material sales of $8 million and $5 million for the three and nine month periods, respectively.

Sales (in millions)	2006	Changes Attributable to: Price	Volume	2007
Three months ended September 30,				
Cellulose Specialties	$ 120.3	$ 9.2	$ 8.1	$ 137.6
Absorbent Materials	43.2	5.4	2.6	51.2
Total Sales	$ 163.5	$ 14.6	$ 10.7	$ 188.8
Nine months ended September 30,				
Cellulose Specialties	$ 353.4	$ 35.1	$ 7.6	$ 396.1
Absorbent Materials	121.9	12.2	(7.2)	126.9
Total Sales	$ 475.3	$ 47.3	$ 0.4	$ 523.0

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Operating income in 2007 improved by $22 million and $54 million for the three and nine month periods ending September 30, 2007, respectively, primarily due to price increases and lower costs.

Operating Income (in millions)	2006	Changes Attributable to: Price	Volume	Mix/Cost	2007
Three months ended September 30,					
Total Operating Income	$ 21.1	$ 14.6	$ 1.9	$ 5.5	$ 43.1
Nine months ended September 30,					
Total Operating Income	$ 47.3	$ 47.3	$ 1.5	$ 5.1	$ 101.2

Wood Products

Sales decreased compared to the prior year periods due to lower prices and volume. The 4 and 19 percent decline in lumber prices for the three and nine months ended September 30, 2007 resulted primarily from reduced demand in the housing market.

Sales (in millions)	2006	Changes Attributable to: Price	Volume	2007
Three months ended September 30,				
Total Sales	$ 26.3	$ (1.1)	$ (0.9)	$ 24.3
Nine months ended September 30,				
Total Sales	$ 90.1	$ (15.8)	$ (6.5)	$ 67.8

For the nine months ended September 30, 2007, operating income decreased compared to the prior year period due to lower prices and volume partially offset by lower wood costs. For the quarter, operating results improved primarily due to lower wood costs.

Operating Income/Loss (in millions)	2006	Changes Attributable to: Price	Volume	Mix/Cost	2007
Three months ended September 30,					
Total Operating (Loss)/Income	$ (3.2)	$ (1.1)	$ 0.1	$ 2.7	$ (1.5)
Nine months ended September 30,					
Total Operating Income/(Loss)	$ 1.3	$ (15.8)	$ (0.3)	$ 9.3	$ (5.5)

Other Operations

Sales of $15 million and $65 million for the third quarter and year-to-date periods, respectively, were $17 million and $34 million below the prior year periods reflecting the impact of the closure of our International Wood Products trading business in February 2007. Operating income was essentially the same comparing the three month periods, but lower comparing the nine month periods, primarily due to the absence of coal royalties.

Corporate and Other Expenses / Eliminations

Corporate and Other Expenses of $9 million and $26 million for the three and nine months ended September 30, 2007, respectively, were $2 million higher than the prior year periods due to higher stock-based and other incentive compensation.

Other Income / Expense

Interest expense increased for the three and nine months ended September 30, 2007 compared to the prior year periods due to higher average debt levels and $2.3 million of interest accrued related to uncertain tax positions.

Interest/Other income declined by $2 million and $3 million for the three and nine month periods in 2007, primarily due to lower average cash balances.

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Provision for Income Taxes

The Company's effective tax rate before discrete items was 9.7 percent and 14.5 percent, and 14.2 percent and 14.6 percent in the three and nine months ended September 30, 2007 and 2006, respectively. The rates decreased principally due to higher REIT income in 2007. Including discrete items, the effective tax rate was 9.6 percent and 15.2 percent, and 4.8 percent and 9.4 percent for the three and nine months ended months ended September 30, 2007 and 2006, respectively. The 2007 discrete items included a net $5.5 million charge relating to the 2003 and 2004 IRS audits, a $3.6 million benefit from reducing a valuation allowance relating to Georgia income tax credits and a favorable $2.0 million return to accrual adjustment. The 2006 discrete items included a favorable adjustment for prior year IRS audit settlements. See Note 4 - *Income Taxes* for additional information regarding the provision for income taxes.

Outlook

We expect 2007 earnings to be between $2.25 and $2.32 per share, excluding special items.

Liquidity and Capital Resources

Cash Flows

Operating Activities

Operating cash flows increased $41 million to $264 million during the nine months ended September 30, 2007. The increase was as a result of higher net income adjusted for non-cash items (primarily depreciation, depletion and amortization, the non-cash costs of real estate sold and stock-based incentive compensation expense).

Investing Activities

Investing cash outflows were $16 million below prior year as a result of lower capital expenditures and purchases of real estate partially offset by the absence of proceeds from the sale of a portion of our New Zealand joint venture. Strategic acquisitions in 2007 included the purchase of wood chipping facilities and timberlands ($12 million), while the prior year consisted of timberland purchases ($9 million).

Financing Activities

Financing cash flows of $129 million were $27 million above prior year. Discretionary debt repayments of $39 million were made in the current year compared to $2 million of required repayments in 2006. Dividend payments were up $4 million primarily as a result of a 6.4 percent increase in the third quarter 2007 dividend to $0.50 per common share up from $0.47 per common share. The debt repayments and increase in dividends more than offset the increase in proceeds from issuing common shares and excess tax benefits from stock-based compensation.

Cash and cash equivalents totaled $92 million and $40 million as of September 30, 2007 and December 31, 2006, respectively, and consisted primarily of marketable securities with maturities at date of acquisition of 90 days or less. At September 30, 2007, debt was $622 million, $37 million below the December 31, 2006 balance of $659 million. Our debt-to-capital ratio at September 30, 2007 was 38.7 percent, a favorable decrease from the December 31, 2006 ratio of 41.7 percent. We have $113 million of installment notes that mature on December 31, 2007, which we intend to refinance with proceeds from the $300 million Senior Exchangeable Notes offering issued by Rayonier TRS Holdings Inc. in October. See *Liquidity Facilities* for additional information regarding the debt offering.

We made a $20 million discretionary pension contribution during the first nine months of 2007 compared to $12 million during the comparable 2006 period. No additional contributions are expected during the fourth quarter of 2007. Income tax payments totaled $10 million during the nine months ended September 30, 2007 compared to $23 million in 2006. Full year 2007 income tax payments, net of refunds, of $28 million are expected, approximately $11 million below 2006 primarily due to refunds received in the third quarter related to prior year tax audit settlements. Capital expenditures are expected to range from $92 to $95 million in 2007. Pre-tax spending for environmental costs related to dispositions and discontinued operations was $7 million for the nine months ended September 30, 2007; full year expenditures of $10 million are anticipated.

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Liquidity Performance Indicators

The discussion below is presented to enhance the reader s understanding of our ability to generate cash, our liquidity and ability to satisfy rating agency and creditor requirements. This information includes two measures of financial results: Earnings before Interest, Taxes, Depreciation, Depletion and Amortization (EBITDA), and Adjusted Cash Available for Distribution (Adjusted CAD). These measures are not defined by Generally Accepted Accounting Principles (GAAP) and the discussion of EBITDA and Adjusted CAD is not intended to conflict with or change any of the GAAP disclosures. We consider these measures to be important to estimate the enterprise and shareholder values of Rayonier 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 financial condition and cash generating ability. EBITDA is defined by the Securities and Exchange Commission (SEC); however, Adjusted CAD as defined may not be comparable to similarly titled measures reported by other companies.

EBITDA is a non-GAAP measure of our operating cash generating capacity. For the nine months ended September 30, 2007, EBITDA was $328 million, $67 million above the prior year period reflecting higher operating income generated from both the Performance Fibers and Real Estate segments. Below is a reconciliation of Cash Provided by Operating Activities to EBITDA for the respective periods (in millions of dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Cash Provided by Operating Activities	$ 132.2	$ 89.2	$ 263.7	$ 222.3
Gain on sale of New Zealand timber assets				7.8
Non-cash cost basis of real estate sold	(4.1)	(6.3)	(7.7)	(10.8)
Income tax expense	7.6	2.8	25.1	12.7
Interest expense, net	13.4	8.1	38.4	28.0
Working capital decreases	(40.4)	(12.9)	(2.3)	(3.9)
Other balance sheet changes	20.9	17.3	10.7	4.6
EBITDA	$ 129.6	$ 98.2	$ 327.9	$ 260.7

A non-cash expense impacting the economics of our Real Estate business is the non-cash cost basis of real estate sold. EBITDA plus the non-cash cost basis of real estate sold for the three and nine months ended September 30, 2007 and 2006 totaled $133.7 million and $104.5 million, and $335.6 million and $271.5 million, respectively.

Adjusted CAD is a non-GAAP measure of cash generated during a period that is available for dividend distribution, repurchasing our common shares, debt reduction and for strategic acquisitions net of associated financing (e.g. realizing like-kind exchange benefits). We define Cash Available for Distribution (CAD) as Cash Provided by Operating Activities less capital spending, adjusted for equity based compensation amounts, the tax benefits associated with certain strategic acquisitions, the change in committed cash and other items which include the proceeds from matured energy forward contracts and the change in capital expenditures purchased on account. Committed cash represents outstanding checks that have been drawn on our zero balance bank accounts but have not been paid. In compliance with SEC requirements for non-GAAP measures, we also reduce CAD by mandatory debt repayments resulting in the measure entitled Adjusted CAD.

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Adjusted CAD for the nine months ended September 30, 2007 was $216 million, $72 million above the prior year period. The increase is due to higher cash earnings (due mostly to the Performance Fibers and Real Estate segments) and lower capital spending and working capital requirements. The Adjusted Cash Available for Distribution generated in the current period is not necessarily indicative of amounts that may be generated in future periods. Below is a reconciliation of Cash Provided by Operating Activities to Adjusted CAD (in millions of dollars):

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Cash provided by Operating Activities	$ 263.7	$ 222.3
Capital spending	(67.4)	(88.0)
Decrease in committed cash	26.3(a)	10.9
Equity-based compensation adjustments	2.9	4.2
LKE tax benefits	(3.6)	(4.1)
Other	(5.2)	1.0
Cash Available for Distribution	216.7	146.3
Mandatory debt repayments	(0.6)	(2.7)
Adjusted Cash Available for Distribution	$ 216.1	$ 143.6

(a) Primarily 2006 interest paid in 2007 and previously reflected as a reduction in 2006 Adjusted CAD.

Liquidity Facilities

In October 2007, Rayonier TRS Holdings Inc. issued $300 million of 3.75% Senior Exchangeable Notes due 2012. The notes are guaranteed by Rayonier Inc., are non-callable, and are exchangeable by holders for cash and, in certain circumstances, common stock of Rayonier Inc. The initial exchange rate is 18.24 shares per $1,000 principal based on an exchange price equal to 122% of our stock's closing price of $44.93 on October 10, 2007. In order to limit potential dilution to Rayonier shareholders, TRS and Rayonier Inc. entered into separate exchangeable note hedge and warrant transactions which will have the effect of increasing the conversion premium from 22% to 40% or to $62.90 per share. We will use a portion of the net proceeds of the offering to repay in full indebtedness outstanding under our revolving credit facility and to repay a $112.5 million note maturing on December 31, 2007. See Note 15 *Subsequent Event* for additional information regarding the debt offering.

In August 2006, we entered into a $250 million unsecured revolving credit facility to replace the previous facility which was scheduled to expire in November 2006. This facility includes an accordion feature which allows additional borrowing above $250 million, in $25 million increments, up to an aggregate $100 million, provided no default exists. The facility expires in August 2011. At September 30, 2007, the available borrowing capacity was $178 million (excluding the accordion feature), primarily due to borrowings to purchase timberlands in the fourth quarter of 2006, and $7 million attributable to previously issued standby letters of credit.

The credit facility requires us to meet certain covenants, including ratios based on the facility s definition of EBITDA (Covenant EBITDA). Covenant EBITDA consists of earnings before the cumulative effect of accounting changes and any provision for dispositions, income taxes, interest expense, depreciation, depletion, amortization and the non-cash cost basis of real estate sold. A dividend restriction covenant limits the sum of dividends in any period of four fiscal quarters to 90 percent of Covenant Funds From Operations (Covenant FFO) plus the aggregate amount of dividends permitted under Covenant FFO in excess of the amount of dividends paid during the prior four fiscal quarters. Covenant FFO is defined as Consolidated Net Income, excluding gains or losses from debt restructuring and investments in marketable securities, plus depletion, depreciation and amortization and the non-cash cost basis of real estate sold. Under a covenant relating to $485 million of installment notes, Rayonier Forest Resources, L.P. (RFR), a wholly-owned REIT subsidiary, may not incur additional debt unless, at the time of incurrence and after presenting the pro forma effects relating to the receipt and application of the proceeds of such debt, RFR meets or exceeds a minimum ratio of cash flow to fixed charges.

In addition to the financial covenants listed above, the installment notes and credit facility include customary covenants that limit the incurrence of debt, the disposition of assets, and the making of certain payments between RFR and Rayonier among others. An asset sales covenant in the RFR installment note-related agreements requires us, subject to certain exceptions, to either reinvest cumulative timberland sales proceeds in excess of $100 million (the excess proceeds) in timberland-related investments and activities or, once the amount of excess proceeds not reinvested exceeds $50 million, to make an offer to the note holders to prepay the notes ratably in the amount of the excess proceeds. During September 2007, the excess proceeds exceeded $50 million and as a result, $84 million was offered to the note holders in October 2007. The note holders have until November 26, 2007 to respond and management believes their decision will not materially affect the liquidity of the Company. At December 31, 2006, the excess proceeds were approximately $10 million.

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In May 2007, we completed a Form S-3 universal registration statement to offer debt securities, preferred stock, common stock, warrants and guarantees of Rayonier Inc., debt securities and guarantees of Rayonier TRS Holdings Inc. and debt securities and guarantees of Rayonier Forest Resources, L.P.

The covenants listed below, which are the most significant financial covenants in effect as of September 30, 2007, are calculated on a trailing 12-month basis:

	Covenant Requirement	Actual ratio at September 30, 2007	Favorable (Unfavorable)
Covenant EBITDA to consolidated interest expense should not be less than	2.50 to 1	8.01	5.51
Total debt to Covenant EBITDA should not exceed	4.00 to 1	1.39	2.61
RFR cash flow available for fixed charges to RFR fixed charges should not be less than	2.50 to 1	7.51	5.01
Dividends paid should not exceed 90 percent of Covenant FFO	90%	39%	51%

Contractual Financial Obligations and Off-Balance Sheet Arrangements

No material changes to guarantees or financial instruments such as letters of credit and surety bonds occurred during the first nine months of 2007. See Note 10 - *Guarantees*, for details on the letters of credit, surety bonds and total guarantees outstanding as of September 30, 2007.

Segment EBITDA

EBITDA is also used for evaluating segment cash return on investment, allocating resources and for valuation purposes. EBITDA by segment is a critical valuation measure used by the Chief Operating Decision Maker, existing shareholders and potential shareholders to measure how management is performing relative to the assets with which they have been entrusted. EBITDA by segment for the three and nine months ended September 30, 2007 and 2006 was as follows (millions of dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
EBITDA				
Timber	$ 29.5	$ 27.3	$ 114.7	$ 117.2
Real Estate	49.0	37.6	91.3	60.1
Performance Fibers	59.7	41.1	150.9	99.6
Wood Products		(1.4)	(0.8)	6.7
Other Operations	0.3	0.3	(1.9)	0.6
Corporate and other	(8.9)	(6.7)	(26.3)	(23.5)
Total	$ 129.6	$ 98.2	$ 327.9	$ 260.7

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The following tables reconcile Cash Provided by Operating Activities by segment to EBITDA by segment:

	Timber	Real Estate	Performance Fibers	Wood Products	Other Operations	Corporate and other	Total
Three Months Ended September 30, 2007							
Cash provided by operating activities	$ 30.2	$ 48.7	$ 57.5	$ 1.7	$ 3.7	$ (9.6)	$ 132.2
Less: Non-cash cost basis of real estate sold		(4.1)					(4.1)
Add: Income tax expense						7.6	7.6
Interest, net						13.4	13.4
Working capital (decreases) increases	(4.1)	1.8	2.1	(1.7)	(3.5)	(35.0)	(40.4)
Other balance sheet changes	3.4	2.6	0.1		0.1	14.7	20.9
EBITDA	$ 29.5	$ 49.0	$ 59.7	$	$ 0.3	$ (8.9)	$ 129.6
Three Months Ended September 30, 2006							
Cash provided by operating activities	$ 24.7	$ 39.4	$ 37.8	$ 0.8	$ (2.0)	$ (11.5)	$ 89.2
Less: Non-cash cost basis of real estate sold		(6.3)					(6.3)
Add: Income tax expense						2.8	2.8
Interest, net						8.1	8.1
Working capital (decreases) increases	(1.3)	0.7	2.8	(2.2)	2.1	(15.0)	(12.9)
Other balance sheet changes	3.9	3.8	0.5		0.2	8.9	17.3
EBITDA	$ 27.3	$ 37.6	$ 41.1	$ (1.4)	$ 0.3	$ (6.7)	$ 98.2
Nine Months Ended September 30, 2007							
Cash provided by operating activities	$ 116.7	$ 94.7	$ 146.3	$ (0.4)	$ (4.8)	$ (88.8)	$ 263.7
Less: Non-cash cost basis of real estate sold		(7.2)			(0.5)		(7.7)
Add: Income tax expense						25.1	25.1
Interest, net						38.4	38.4
Working capital (decreases) increases	(8.1)	0.2	4.6	(0.4)	(0.6)	2.0	(2.3)
Other balance sheet changes	6.1	3.6			4.0	(3.0)	10.7
EBITDA	$ 114.7	$ 91.3	$ 150.9	$ (0.8)	$ (1.9)	$ (26.3)	$ 327.9
Nine Months Ended September 30, 2006							
Cash provided by operating activities	$ 121.6	$ 65.6	$ 82.2	$ 7.8	$ 5.6	$ (60.5)	$ 222.3
Less: Non-cash cost basis of real estate sold		(10.8)					(10.8)
Add: Gain on sale of New Zealand timber assets	7.8						7.8
Income tax expense						12.7	12.7
Interest, net						28.0	28.0
Working capital (decreases) increases	(3.6)	1.6	16.8	(1.1)	(5.2)	(12.4)	(3.9)
Other balance sheet changes	(8.6)	3.7	0.6		0.2	8.7	4.6
EBITDA	$ 117.2	$ 60.1	$ 99.6	$ 6.7	$ 0.6	$ (23.5)	$ 260.7

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The following tables provide sales volumes by segment:

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Timber				
Western U.S., in millions of board feet	56	59	207	223
Eastern U.S., in thousands of short green tons	1,498	926	4,434	3,377
Real Estate				
Acres sold				
Development		4,606	4,005	5,357
Rural	5,190	1,426	11,213	13,699
Northwest U.S.	386	58	744	62
Total	5,576	6,090	15,962	19,118
Performance Fibers				
Sales Volume				
Cellulose specialties, in thousands of metric tons	119	112	344	337
Absorbent materials, in thousands of metric tons	72	68	183	196
Production as a percent of capacity	97.2%	101.9%	98.1%	100.1%
Lumber				
Sales volume, in millions of board feet	88	91	248	267

The following tables provide sales by geographic location:

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Geographical Data (Non-U.S.)				
Sales				
New Zealand	$ 10.1	$ 8.5	$ 34.1	$ 22.2
Other	2.5	3.5	6.9	11.7
Total	$ 12.6	$ 12.0	$ 41.0	$ 33.9
Operating income (loss)				
New Zealand	$ 0.8	$ (0.1)	$ 2.7	$ (1.5)
Other	(0.6)	(0.3)	(1.6)	(1.2)
Total	$ 0.2	$ (0.4)	$ 1.1	$ (2.7)
Timber				
Sales				
Western U.S.	$ 24.3	$ 24.4	$ 84.2	$ 86.7
Eastern U.S.	23.2	17.2	78.8	65.7
New Zealand	2.8	2.7	9.0	7.4
Total	$ 50.3	$ 44.3	$ 172.0	$ 159.8
Operating income				
Western U.S.	$ 9.9	$ 12.6	$ 43.7	$ 50.0

Eastern U.S. *	2.3	4.3	3.8	29.8
New Zealand **	(0.2)	0.2	1.8	(1.3)
Total	$ 12.0	$ 17.1	$ 49.3	$ 78.5

* Operating income for the nine months ended September 30, 2007 includes the $10.1 million forest fire loss.

** Operating income for the nine months ended September 30, 2006 includes a $7.8 million gain from the sale of New Zealand timber assets.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk
Market Risk

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

Cyclical pricing of commodity market paper pulp ultimately influences Performance Fibers prices, particularly in the Absorbent Materials product line. However, since we are a non-integrated producer of specialized Performance Fibers for non-papermaking end uses, our high-value product mix tends to lag (on both the upturn and downturn) commodity paper pulp prices with peaks and valleys that are less severe.

The fair market value of our long-term fixed interest rate debt is subject to interest rate risk; however, we intend to hold most of our debt until maturity. We periodically enter into interest rate swap agreements to manage exposure to interest rate changes. These swaps involve the exchange of fixed and variable interest rate payments without exchanging principal amounts. At September 30, 2007, we had two interest rate swap agreements, both maturing in December 2007, which resulted in a liability with a fair market value of $0.5 million. Generally, the fair market value of fixed-interest rate debt will increase as interest rates fall and decrease as interest rates rise.

We periodically enter into commodity forward contracts to fix some of our fuel oil and natural gas costs; however, at September 30, 2007, there were no outstanding commodity forward contracts for fuel oil or natural gas. The forward contracts partially mitigate the risk of a change in Performance Fibers margins resulting from an increase or decrease in these energy costs. We do not enter into commodity forwards for trading or speculative purposes. The net amounts paid or received under the contracts are recognized as an adjustment to fuel oil or natural gas expense. Our natural gas and fuel oil contracts do not qualify for hedge accounting and as such mark-to-market adjustments are recorded in Other operating income, net. See Note 9 *Financial Instruments* for gains and losses recognized from such contracts.

Primarily all of our revenues and expenses are U.S. dollar-denominated. However, the JV is subject to the risks of foreign currency fluctuations (See Note 7 *Joint Venture Investment* for additional information on the JV). At September 30, 2007, there were no outstanding forward foreign currency contracts to purchase New Zealand dollars.

For a full description of our market risk, please refer to Item 7, *Management Discussion and Analysis of Financial Condition and Results of Operations,* in the 2006 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Rayonier management is responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(c) and 15d-15(c) of the Securities Exchange Act of 1934 (the Exchange Act)), are designed with the objective of ensuring that information required to be disclosed by the Company in reports filed under the Exchange Act, such as this quarterly report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

Because of the inherent limitations in all control systems, no control evaluation can provide absolute assurance that all control exceptions and instances of fraud have been prevented or detected on a timely basis. Even systems determined to be effective can provide only reasonable assurance that their objectives are achieved.

Based on an evaluation as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the design and operation of the disclosure controls and procedures were effective as of September 30, 2007.

In the quarter ended September 30, 2007, based upon the evaluation required by paragraph (d) of SEC Rules 13a 15 and 15d 15, there were no changes in our internal controls over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Notes 11 and 12 of the Notes to Condensed Consolidated Financial Statements set forth in Part I of this Report, which are hereby incorporated by reference.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our Form 10-K for the year ended December 31, 2006. For a full description of these risk factors, please refer to Item 1A *Risk Factors,* in the 2006 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company is authorized, through its Common Share repurchase program, to repurchase 2,449,749 and 2,444,227 shares as of September 30, 2007 and December 31, 2006, respectively. There were no shares repurchased during the three months ended September 30, 2007.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders of Rayonier during the third quarter of 2007.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

4.1	Purchase Agreement dated as of October 10, 2007 among Rayonier TRS Holdings Inc., Rayonier Inc. and Credit Suisse Securities (USA) LLC, as representative of the several purchasers named therein	Incorporated by reference from the registrant s October 17, 2007 Form 8-K.
4.2	Indenture related to the 3.75% Senior Exchangeable Notes due 2012, dated as of October 16, 2007, among Rayonier TRS Holdings Inc., as issuer, Rayonier Inc., as guarantor, and The Bank of New York Trust Company, N.A., as trustee.	Incorporated by reference from the registrant s October 17, 2007 Form 8-K.
4.3	Registration Rights Agreement, dated October 16, 2007 among Rayonier TRS Holdings Inc., Rayonier Inc. and Credit Suisse Securities (USA) LLC, as representative of the several purchasers named herein.	Incorporated by reference from the registrant s October 17, 2007 Form 8-K.
4.4		

	Convertible Bond Hedge Transaction Confirmation, dated October 10, 2007 between Credit Suisse Capital LLC, as dealer, represented by Credit Suisse Securities (USA) LLC, as agent, and Rayonier TRS Holdings Inc.	Incorporated by reference from the registrant s October 17, 2007 Form 8-K.
4.5	Convertible Bond Hedge Transaction Confirmation, dated October 10, 2007 between JP Morgan Chase Bank, National Association, London Branch and Rayonier TRS Holdings Inc.	Incorporated by reference from the registrant s October 17, 2007 Form 8-K.
4.6	Issuer Warrant Transaction Confirmation dated October 10, 2007 between Credit Suisse Capital LLC, as dealer, represented by Credit Suisse Securities (USA) LLC ,as agent, and Rayonier Inc.	Incorporated by reference from the registrant s October 17, 2007 Form 8-K.
4.7	Issuer Warrant Transaction Confirmation dated October 10, 2007 between JP Morgan Chase Bank, National Association, London Branch, as dealer, and Rayonier Inc.	Incorporated by reference from the registrant s October 17, 2007 Form 8-K

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4.8	Issuer Warrant Transaction Amendment dated October 15, 2007 between Rayonier Inc. and Credit Suisse Capital LLC, as dealer, represented by Credit Suisse Securities (USA) LLC, as agent.	Incorporated by reference from the registrant s October 17, 2007 Form 8-K.
4.9	Issuer Warrant Transaction Amendment dated October 15, 2007 between Rayonier Inc. and JP Morgan Chase Bank, National Association, London Branch, as dealer.	Incorporated by reference from the registrant s October 17, 2007 Form 8-K.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act	Filed Herewith
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act	Filed Herewith
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act	Filed Herewith

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SIGNATURE

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RAYONIER INC.

By: /s/ HANS E. VANDEN NOORT
Hans E. Vanden Noort

Senior Vice President and
Chief Financial Officer

October 26, 2007

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