

RAYONIER INC  
Form 11-K  
June 25, 2008  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, DC 20549

**FORM 11-K**

(Mark One):

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

For the year ended December 31, 2007

OR

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

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

COMMISSION FILE NUMBER 1-6780

**RAYONIER INVESTMENT AND SAVINGS PLAN**  
**FOR SALARIED EMPLOYEES**

RAYONIER INC.

Edgar Filing: RAYONIER INC - Form 11-K

**50 North Laura Street**

**Jacksonville, Florida 32202**

**Telephone Number: (904) 357-9100**

**(Principal Executive Office)**

**(Name and address of Issuer of the securities held pursuant to the Plan)**

**Table of Contents**

**RAYONIER INVESTMENT AND SAVINGS**

**PLAN FOR SALARIED EMPLOYEES**

**PLAN NUMBER 100**

**EMPLOYER IDENTIFICATION NUMBER 13-2607329**

**AS OF DECEMBER 31, 2007 AND 2006**

**AND FOR THE YEAR ENDED DECEMBER 31, 2007**

**Table of Contents**

**TABLE OF CONTENTS**

	<b>PAGE(S)</b>
<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements:	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4-9
Supplemental Schedules:	
<u>Schedule H, Line 4i: Schedule of Assets (Held at End of Year)</u>	10
<u>Schedule H, Line 4j: Schedule of Reportable Transactions</u>	11
<u>Signature</u>	12
Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.	

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Participants and Administration Committee of the

Rayonier Investment and Savings Plan for Salaried Employees

Jacksonville, Florida

We have audited the accompanying statements of net assets available for benefits of the Rayonier Investment and Savings Plan for Salaried Employees (the Plan ) as of December 31, 2007 and 2006 and the related statement of changes in net assets available for benefits for the year ended December 31, 2007. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007 and 2006 and the changes in net assets available for benefits for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2007 and the schedule of reportable transactions for the year ended December 31, 2007, are presented for the purpose of additional analysis and is not a required part of the basic financial statements, but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan s management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the 2007 financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

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

Jacksonville, Florida

June 24, 2008

**Table of Contents**

**RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

**AS OF DECEMBER 31,**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Investments, at fair value (See Notes 2 and 3)	\$ 143,925,077	\$ 137,379,752
Receivables:		
Accrued interest and dividends	690,111	721,413
Participants contributions	140,188	123,587
Employer contributions	249,473	129,317
Total receivables	1,079,772	974,317
<b>NET ASSETS AVAILABLE FOR BENEFITS, AT FAIR VALUE</b>	145,004,849	138,354,069
Adjustment from fair value to contract value for fully benefit-responsive investment contracts (See Note 2)	1,090,988	626,788
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	\$ 146,095,837	\$ 138,980,857

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

**Table of Contents**

**RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**ADDITIONS TO NET ASSETS:**

Investment income:	
Net appreciation in fair value of investments (See Note 3)	\$ 11,211,641
Dividends (See Note 4)	2,685,021
Interest	1,304,811
	15,201,473
Contributions:	
Employer	1,592,783
Participants	4,505,874
	6,098,657
Total additions	21,300,130

**DEDUCTIONS FROM NET ASSETS:**

Distributions to participants	13,815,414
Administrative expenses	369,736
Total deductions	14,185,150
Net increase	7,114,980
Net assets available for benefits:	
Beginning of year	138,980,857
End of year	\$ 146,095,837

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

---

**Table of Contents**

**RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES**

**NOTES TO FINANCIAL STATEMENTS**

**1. Description of the Plan**

The following brief description of the Rayonier Investment and Savings Plan for Salaried Employees (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

*(a) General*

The Plan is a defined contribution plan covering all eligible full-time salaried employees of Rayonier Inc. and subsidiaries (the Company or the Sponsor). Effective April 1, 2006, full-time employees are eligible to participate in the Plan after completing 45 days of eligibility service. Prior to April 1, 2006, employees became eligible upon the first day of the month following their date of hire. In addition, part-time salaried employees who have worked 1,000 hours in a consecutive twelve-month period are also eligible to join the Plan. Employees covered by a collective bargaining agreement, leased employees, and non-resident aliens with no U.S. earned income are excluded by the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Massachusetts Mutual Life Insurance Company (MassMutual or Trustee) serves as the custodian and record keeper of the Plan, and maintains and administers the Plan's investment assets for the benefit of participants. The trust forming part of the Plan (the Trust) maintains the Plan's investment in Rayonier Inc. common stock and is administered by State Street Corporation (State Street). On July 2, 2007, State Street acquired the former trust administrator, Investors Bank & Trust Company. MassMutual was appointed the record keeper for the assets held in the Trust under an agreement between the Company, MassMutual, and State Street.

*(b) Contributions*

As of October 1, 2006, participants may elect to contribute to the Plan up to 100 percent of the Internal Revenue Service (IRS) contribution limit on a before-tax basis, as defined. In addition, participants can contribute up to either 4 percent or 16 percent of their salary on an after-tax basis, dependent upon their total compensation, as defined. Prior to October 1, 2006, participants could contribute up to 16 percent of their salary, on a before-tax basis, and up to 4 percent of their salary on an after-tax basis, as defined.

The Company makes a matching contribution of 60 percent of the first 6 percent of each participant's salary contributed to the Plan. Additionally, for participants hired prior to January 1, 2006, the Company may, at its discretion, contribute one-half of 1 percent of each participant's salary to the participant's retirement account (retirement contributions).

The Company closed enrollment in its pension and postretirement medical plans to new salaried employees hired after December 31, 2005. Effective January 1, 2006, new salaried employees are automatically enrolled in this Plan and may, at the Company's discretion, receive an enhanced retirement contribution of 3 percent of their base salary, in addition to the standard matching contribution of 60 percent of the first 6 percent of their salary contributed to the Plan.

Matching Company contributions and retirement contributions are initially invested in the Rayonier Inc. Common Stock Fund. Effective July 1, 2005, participants can elect to transfer contributions of Company and retirement contributions into any available investment under the Plan.



---

**Table of Contents**

**RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES**

**NOTES TO FINANCIAL STATEMENTS**

Participant pre-tax contributions were limited by the IRS to \$15,500 and \$15,000 during the years ended December 31, 2007 and 2006, respectively. In addition, individuals age 50 or older by the end of the Plan year can make catch-up contributions to the Plan if their contributions would otherwise be limited. These additional pre-tax contributions were limited by the IRS to \$5,000 during the years ended December 31, 2007 and 2006.

*(c) Participant Accounts*

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

*(d) Vesting*

Participants are immediately vested in their contributions as well as retirement contributions plus actual earnings/losses thereon. Vesting in the participant's Company contribution account plus actual earnings/losses thereon is based on years of service. A participant vests 20 percent after each year of service; full vesting occurs after five years of service.

*(e) Forfeitures*

Forfeited non-vested accounts may be used to reduce future employer contributions or to pay for administrative expenses related to the Plan. At December 31, 2007 and 2006, the balance in forfeited, non-vested accounts totaled \$174,099 and \$540,692, respectively, and remain available in the Fixed Income Fund ( MassMutual GIA ) to reduce future employer contributions. During 2007, forfeitures of \$425,271 were utilized to reduce employer contributions. No administrative expenses were paid with forfeitures and total forfeitures were \$44,166 for the year ended December 31, 2007.

*(f) Investment Options*

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

Upon enrollment in the Plan, participants may direct their contributions and balance transfers in one percent increments to any of the funds. Effective October 2007, participants are prohibited from transferring into most mutual funds and similar investment options if they have transferred into and out of the same option within the previous 60 days. The MassMutual GIA is not subject to this rule nor does this rule prohibit participants from transferring out of any option at any time.

In 2006, the Plan's Administration Committee approved the addition of five targeted retirement date lifestyle investment options (Barclays Global Investors LifePath Portfolios consisting of Retirement, 2010, 2020, 2030 and 2040 investment options), and a core fixed income investment option (BlackRock Bond), to the Plan's investment options effective April 1, 2006.

Also effective April 1, 2006, the MassMutual Select Strategic Balanced Fund was discontinued as an investment option and any investment assets remaining in this fund on or after May 1, 2006 were moved into a Barclays Global Investors LifePath Portfolio based on the respective member's age as of May 1.



**Table of Contents**

**RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES**

**NOTES TO FINANCIAL STATEMENTS**

The investment assets were moved according the following criteria:

**Discontinued Investment Option**

Select Strategic Balanced  
 Select Strategic Balanced  
 Select Strategic Balanced  
 Select Strategic Balanced  
 Select Strategic Balanced

**New Investment Option**

Barclays LifePath 2040 if under age 30  
 Barclays LifePath 2030 if age 30 - 39  
 Barclays LifePath 2020 if age 40 - 49  
 Barclays LifePath 2010 if age 50 - 59  
 Barclays LifePath Retirement if age 60 or older

*(g) Participant Loans*

Participants may borrow a minimum of \$1,000 from their fund accounts. Loan amounts may not exceed the lesser of (a) 50 percent of the participant's vested balance or (b) \$50,000 reduced by the participant's highest outstanding loan balance, if any, during the prior one-year period. In no event may a participant borrow from retirement contributions provided by the Company. Loan terms range from one to five years or up to fifteen years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at prime rate plus one percent. The outstanding loans were at fixed interest rates that ranged from 5.00 percent to 10.50 percent at December 31, 2007 and 2006. Principal and interest are paid ratably through bi-weekly payroll deductions. Loan transactions are treated as transfers between the investment funds and the loan fund. Participant loans are recorded in the Investments, at fair value line in the Statements of Net Assets Available for Benefits as of December 31, 2007 and 2006.

Loan repayments in 2007 amounted to \$707,991, while new loans to participants were \$684,084.

*(h) Payment of Benefits and Withdrawals*

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

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

**2. Summary of Significant Accounting Policies**

*(a) Basis of Accounting*

The accompanying financial statements of the Plan are prepared under the accrual method of accounting with the exception of distributions to participants, which are recorded when paid.



---

**Table of Contents**

**RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES**

**NOTES TO FINANCIAL STATEMENTS**

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* ( the FSP ), fully benefit-responsive investment contracts such as those held by the MassMutual GIA, are required to be reported at fair value. However, contract value (generally equal to historical cost plus accrued interest) is the relevant measure for fully benefit-responsive investment contracts because it represents the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the FSP, all Plan investments are presented at fair value in the statements of net assets available for benefits and an adjustment is made to revalue the fair value of the MassMutual GIA, to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

(b) New Accounting Pronouncement

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reporting periods beginning after November 15, 2007. The Company adopted SFAS 157 for financial assets and liabilities on January 1, 2008. It did not have an impact to the financial statements of the Plan.

(c) Use of Estimates

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

(d) Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Investment in Rayonier Inc. common stock is based upon its quoted market price. Participant loans are valued at their outstanding principal balances, which approximates fair value. The fair value of the MassMutual GIA is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations. The guaranteed interest rate is determined every six months thus allowing the Plan Sponsor and participants to make informed decisions regarding current allocations. The guaranteed interest rate was 4.25 percent as of December 31, 2007 and 2006.

Purchases and sales of securities are recorded on a trade-date basis. The cost of securities sold is determined on the average-cost basis. Interest income and dividends are recorded on the accrual basis.

(e) Payment of Benefits

Benefits are recorded when paid.

(f) Operating Expenses

Expenses of maintaining the Plan are paid by the Sponsor.



**Table of Contents****RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES****NOTES TO FINANCIAL STATEMENTS****3. Investments**

The investments that represented 5% or more of the Plan's net assets available for benefits as of December 31, 2007 and 2006 were as follows:

	2007	2006
Rayonier Inc. Common Stock Fund	\$ 62,953,111	\$ 60,322,647
Fixed Income Fund (MassMutual GIA)	27,296,608	26,518,166
MassMutual Select Indexed Equity Fund	24,835,011	24,451,166

During 2007, the Plan's investments (including gains and losses on investments bought, sold and held during the year) appreciated in value as follows:

Separate Investment Accounts	\$ 2,154,106
Common Stock	9,057,535
<b>Total</b>	<b>\$ 11,211,641</b>

**4. Dividends**

The Plan received regular cash dividends of \$1.94 per share on Rayonier Inc. stock owned, totaling \$2,685,021 for the year ended December 31, 2007.

**5. Party-in-Interest Transactions**

Transactions with State Street and MassMutual qualify as party-in-interest transactions. Investment management expenses for each of the Plan's MassMutual investment options are applied against each fund's return at the participant level. During 2007, the Plan incurred approximately \$268,337 in investment management fees related to the MassMutual Select funds. In addition, the Sponsor paid certain plan expenses totaling \$25,726.

Certain Plan investments are in Rayonier Inc. common stock. As Rayonier Inc. is the Sponsor, these transactions also qualify as party-in-interest transactions. At December 31, 2007 and 2006, the Plan held 1,332,623 and 1,469,492 shares of Rayonier Inc. common stock, respectively, which represented 1.7 percent and 1.9 percent, respectively, of the total shares outstanding.

**6. Plan Termination**

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

**Table of Contents**

**RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES**

**NOTES TO FINANCIAL STATEMENTS**

**7. Risks and Uncertainties**

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

**8. Tax Status**

The Internal Revenue Service has determined and informed the Plan Administrator by a letter dated July 8, 2004, that the Plan is designed in accordance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements. Although the Plan has been amended since receiving the determination letter, the Plan Administrator believes the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.



**Table of Contents****RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES****SCHEDULE H, LINE 4i: SCHEDULE OF ASSETS (HELD AT END OF YEAR)****AS OF DECEMBER 31, 2007****PLAN NUMBER 100****EMPLOYER IDENTIFICATION NUMBER 13-2607329**

<b>Identity of Issue</b>	<b>Description</b>	<b>Current Value</b>
* Rayonier Inc. Common Stock Fund	Company Stock	\$ 62,953,111
* Cash and Short-term Investment	Cash and Equivalents in Company Stock Fund	2,431,738
* MassMutual GIA Fixed Income	Stable Value	27,296,608
* MassMutual Select Indexed Equity	Large Cap Core	24,835,011
* MassMutual Select Overseas	International/Global Large Core	6,472,935
* MassMutual Select Small Company Growth	Small Cap Growth	3,002,954
* MassMutual Select Small Company Value	Small Cap Value	4,363,391
Black Rock Total Return Portfolio II	Intermediate Term Bond	818,833
Barclay s LifePath Retirement	Asset Allocation	1,971,882
Barclay s LifePath 2010	Asset Allocation	2,592,927
Barclay s LifePath 2020	Asset Allocation	3,531,594
Barclay s LifePath 2030	Asset Allocation	1,360,435
Barclay s LifePath 2040	Asset Allocation	915,653
* MassMutual Holding Account	Holding Account	1,360
* Participant loans receivable (1)	Participant Loans	1,376,645
		\$ 143,925,077

(1) The loans bear fixed interest rates that range from 5.00 percent to 10.50 percent.

\* Denotes Party-in-interest transaction.

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

See report of independent registered public accounting firm.

**Table of Contents**

**RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES**

**SCHEDULE H, LINE 4j: SCHEDULE OF REPORTABLE TRANSACTIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**PLAN NUMBER 100**

**EMPLOYER IDENTIFICATION NUMBER 13-2607329**

<b>Identity of party involved</b>	<b>Description of asset</b>	<b>Purchase price</b>	<b>Selling price</b>	<b>Lease rental</b>	<b>Expense incurred with transaction</b>	<b>Cost of asset</b>	<b>Current value of asset on transaction date</b>	<b>Net gain</b>
MassMutual	Indexed Equity - SIA-X	\$ 23,936,370						
MassMutual	Indexed Equity - SIA-YX	117	\$ 23,936,487			\$ 17,366,211	\$ 23,936,487	\$ 6,570,276
		See report of independent registered public accounting firm.						

**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administration Committee for the Rayonier Investment and Savings Plan for Salaried Employees have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Rayonier Investment and Savings Plan for Salaried Employees

(Name of Plan)

June 25, 2008

/s/ W. EDWIN FRAZIER, III  
W. Edwin Frazier, III  
Plan Administrator