

Rayonier

Corporate Headquarters

December 15, 2010

Technical Director
File Reference No. 1850-100
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update – Leases (Topic 840)

Dear Sir/Madam:

Rayonier Inc. (“Rayonier”) appreciates the opportunity to comment on the Financial Accounting Standards Board (the “Board”) Exposure Draft, Proposed Accounting Standards Update – *Leases (Topic 840)* (the “Exposure Draft”). Overall we support the concepts and proposed changes in the Exposure Draft, with one exception; we believe the scope of the Exposure Draft should be modified to resolve uncertainty surrounding leases of timber.

Under current US Generally Accepted Accounting Standards (“US GAAP”) guidance for leases, timber is explicitly scoped out of lease accounting by Accounting Standards Codification (“ASC”) 840-10-15-15, which states:

“...This Topic does not apply to lease agreements concerning the rights to explore for or to exploit natural resources such as oil, gas, minerals, **timber** [emphasis added], precious metals, or other natural resources...”

The Exposure Draft, however, does not explicitly scope out timber. Although paragraph 5(c) of the Exposure Draft scopes out leases of biological assets, we believe there is ambiguity as to whether timber is accounted for as a biological asset under US GAAP.

The ambiguity stems from the fact that the term biological asset is not defined under US GAAP; it is only defined under International Accounting Standards¹. Exception 5(c) of the Exposure Draft references Topic 905, *Agriculture* for guidance on the leases of biological assets. However, ASC 905-10-15-4 states that Topic 905, *Agriculture* does not apply to timber. One may question whether scope exception 5(c) applies to all biological assets, or to only those biological assets accounted for under Topic 905, *Agriculture*.

To add clarity to the scope of leases of timber, we recommend that the Board:

1. Define biological assets in Topic 840 to include all living animals or plants.
2. Clarify that scope exception 5(c) applies to all biological assets, not just those included in Topic 905, *Agriculture*.

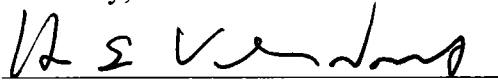
¹ Under International Accounting Standards, all biological assets, defined as living animals or plants, are accounted for under IAS 41, *Agriculture*. Under US GAAP, however, not all living plants or animals are accounted for under Topic 905, *Agriculture*. Timber, pineapples, and sugarcane, among other biological assets, are scoped out of Topic 905.

We agree with the Board's statement in paragraph BC33 of the *Basis for Conclusion on the Exposure Draft* that Topic 840 should only apply to leases of property, plant and equipment. The changes recommended above will provide additional clarity around the scope, allowing the Board to achieve its stated goal.

Benefits/Costs

Although we support the concepts of the Exposure Draft, we did not perform an extensive cost/benefit analysis due to the relatively small number of leases that we have. We encourage the board to consider comments from entities with a significant number of leases concerning the additional costs resulting from the proposed changes, especially for short-term leases.

Sincerely,



Hans E. Vanden Noort
Senior Vice President and Chief Financial Officer
Rayonier Inc.